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2000/01 highlights

↑ The Hobby continues to grow from strength to strength

- ↑ Encouraging sales growth in all territories
- ↑ Restructuring programme nearing completion
- ↑ Continued strong cash generation
- ↑ Share buy-back programme to commence
- ↑ Turnover at £92.6m (2000: £78.0m) up 19%
- ↑ Pre-exceptional operating profit at £11.2m (2000: £10.0m) up 12%
- ↑ Pre-exceptional earnings per share of 22.8p (2000: 20.2p) up 13%
- ↑ Dividend per share of 10.54p (2000: 9.91p) up 6%



Financial highlights

	2001	2000
Turnover	£92.6m	£78.0m
Pre-exceptional operating profit	£11.2m	£10.0m
Operating profit	£9.4m	£6.7m
Pre-tax profit	£9.4m	£6.5m
Year end net funds	£9.0m	£2.2m
Pre-exceptional earnings per share	22.8p	20.2p
Earnings per share	18.4p	11.4p
Dividend per share	10.54p	9.91p

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Chairman's statement

The **Games Workshop Hobby**, which is the heart of all of our business activities, **continues to grow from strength to strength.**

Our core business

I am delighted to report the key message which underpins these results: the Games Workshop Hobby, which is the heart of all of our business activities, continues to grow from strength to strength.

Our core market remains model soldiers, and the demand from our customers during the period confirms that we have a great product portfolio. Our design studio continues to support our core game systems, Warhammer Fantasy Battle and Warhammer 40,000 with new armies and characters, constantly improving and refreshing the gaming experience. We also continue to develop diverse and exciting specialist games which add new dimensions to the Hobby – this year we launched the Inquisitor game, which has appealed to many of our more experienced gamers.

In the coming year we have an opportunity to add to our existing games. The exclusive worldwide tabletop wargames licence for the Lord of the Rings films gives us another product range to exploit our unparalleled skills in making and selling model soldiers.

Results

These results confirm encouraging sales growth in all territories, and in particular the Americas where we see great potential for future development.

Our profit growth continues to be underpinned by strong cash generation, and we have £9.1m of cash in the balance sheet. From this position of financial strength we are seeking approval to begin a share buy-back programme of up to 15% of the shares in issue. We believe that this programme will enhance shareholder value.

Operations

The plan to restructure our manufacturing and supply chain is now nearing completion – both on time and within budget. This leaves us in a more robust position to take advantage of the market opportunities we are creating. As our sales operations grow in confidence that their supply of product is assured, their efforts are now aligned on Hobby development.

There will be further exploitation of our existing intellectual property, and we have signed various deals which will yield an income stream over time. This includes the development project of an online game set in the Warhammer fantasy world.

Management

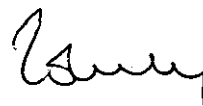
Since my return to an executive position, I have been impressed by the management team which now has a healthy blend of experience and Hobby enthusiasm, and I am confident that it has the skills required to deliver our future growth.

Workforce

One of our key strengths is the hard core of committed gamers who make up the majority of our staff. Despite a couple of tough years, their faith, like mine, never wavered and they are now delivering results they should be very proud of, as I am proud of them.

Future prospects

These results confirm that the long term organic sales growth trends, which have been a consistent feature of this business, are continuing. The directors firmly believe the prospects for the business are very good.



T H F Kirby
Chairman and Chief Executive



Review of operations

The majority of our sales are made via our telesales teams to over **3,400 independent retailers around the world.** We operate telesales services in **17 languages** covering all time zones.

Sales

The Hobby continues to grow from strength to strength, continuing to generate consistent, organic, year-on-year sales growth.

Turnover (£m)

In response to this trend we are increasingly adopting a more integrated approach to marketing the Games Workshop Hobby in our major territories. We are breaking down the barriers between the channels by giving our sales managers responsibility for all sales in their geographical area. This encourages them to use their staff to support not only the GW stores and direct sales operations, but also to support and assist our independent customers with training, Hobby demonstrations and other marketing activities. This new approach of "territory management" is currently being trialled in both the UK and the Americas.

Dark Elf Cold One Knight – the nobles of the Druchii ride to battle atop ancient reptiles known as Cold Ones. A fully armoured Cold One Knight carries a long lance known as a Kheitan, wears a reinforced helm and full length armour. Though they are few in number, a unit of Cold One Knights is truly devastating.

Sales by channel

The sales growth has been strongest in those channels which we control, direct (mail order and internet) and GW stores, which further underlines the strength of the Hobby when marketed by our uniquely skilled and enthusiastic staff.

Sales by territory

We have achieved encouraging sales growth in all territories. The chart below shows sales by territory and the underlying constant currency growth after eliminating the effect of exchange rate variations:

Tau Crisis Battlesuit – the Fire caste are the warriors of the Tau. It is the duty of these warriors to protect the other castes. Centuries of selective breeding has led to the Fire caste being the biggest and strongest of the Tau.

Sales by territory and % sales growth

Sales by channel and % sales growth

Telesales – sales are made to over 3,400 independent retailers around the world.

Hobby clubs and gaming events – our stores are recruitment centres where the very best levels of Hobby skills can be learnt.

Creating community – in January we relaunched our English language website which is helping develop the Hobby community.

Warehousing – our central warehouse based in Nottingham supplies product to all our European outlets.

The Americas

Our growth in the Americas is driven primarily by sales to independent retailers which account for 66% of turnover (2000: 70%). We have opened three new stores in the year taking the total to 37. Our plan for the current year is to accelerate the opening programme. Direct sales have grown by an impressive 39%, with our internet turnover growing by over 75%. Over the coming two years we will be investing in the infrastructure of this business to ensure that the new territory management structure enables the American business to maximise its great potential.

UK

Our UK sales have grown during the year due to the stabilisation and improvement of the GW store chain which represents 61% of turnover (2000: 60%) with 120 stores. This turnaround has been achieved by the new management team in the UK business which has ensured that our sales activities in the stores have been appropriately focused on building the Hobby with the right customers.

Continental Europe

Our sales in Continental Europe have moved ahead in all countries with double digit constant currency growth. We opened five new stores taking the total to 61. At the beginning of the year we relocated our German sales operation, which had previously been run as a remote function from the UK, to Düsseldorf so that this business can now take advantage of proximity to market to realise its growth potential. We expect Germany to outstrip France as our largest Continental European sales business.

Asia Pacific

Our sales in Asia Pacific are mainly in Australia with a presence in New Zealand and Hong Kong. We opened two stores in Australia and closed one in Hong Kong. The Australian business enjoyed double digit sales growth in constant currency.

Restructuring – manufacturing and supply chain

In January 2000, we began a programme of restructuring our vertically integrated manufacturing and supply chain to simplify and remove unnecessary complexity, and to improve the supply of product to our sales operations. The restructuring plan is now nearing completion – on time and within budget. During the year we have introduced multi-lingual packaging to our core product lines, consolidated most of our European logistics activities into a central warehouse and introduced a third party outsourced warehousing operation in the Americas. We have also made significant improvements to our factory layout and our manufacturing processes. We remain confident that the benefits of this major overhaul of our supply chain will underpin the profitability of the business as it continues to expand in the future.

...we are increasingly adopting a
more integrated approach to marketing
the Games Workshop Hobby in our
major territories.

In January we relaunched our English language website which is helping develop the Hobby community.

Management team

The business is run on a day to day basis by an executive team which comprises the chief executive, three functional heads (design, production, finance) and the three senior sales managers in the Group. This group meets weekly and ensures the prompt communication of both strategic and operational issues to the front line managers of each business. As communication and collegiate working are key to achieving our business objectives, members of the executive team travel regularly to our various sales operations around the world.

Lord of the Rings – exclusive worldwide licence

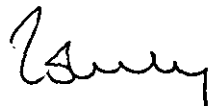
We have secured the exclusive rights from New Line Cinema to design, manufacture and retail fantasy tabletop wargames based on its eagerly awaited film trilogy. We believe that there is great potential to create premium products that will appeal to both existing and new gamers everywhere. We have established a dedicated team which is co-ordinating our activity in connection with this project which will last for a minimum of five years.

Other exploitation of Games Workshop intellectual property

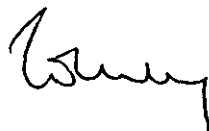
There will be further exploitation of our existing intellectual property into areas which are an extension of our core model soldier business.

Following the year end, we have established a 72% Games Workshop owned company to create Warhammer Online, a multiplayer online computer game set in the Warhammer world. Our partner in this venture is Climax, a major UK computer games developer which owns 23% of the project company. We have also recently entered a long term computer games licence with THQ, a computer games publisher, to create and distribute games based on our Warhammer 40,000 world and imagery. A third recent development is the granting of a licence to create a collectible card game based on Warhammer 40,000 imagery to Sabertooth Games Inc.

These three ventures are examples of a more strategic approach to establishing long term relationships with businesses which understand and share our appreciation for the Games Workshop intellectual property. We believe that working in this way we will ensure that our intellectual property is exploited in an appropriate and sympathetic way with the right level of input from Games Workshop staff. Over time we expect that these arrangements will yield some attractive royalty and direct income.



T H F Kirby
Chairman and Chief Executive



White Dwarf magazine is our monthly guide to the worlds of Warhammer and Warhammer 40,000.

We published 12 novels during the year and sold over 300,000 books throughout the world.

**THE
LORD
OF THE
RINGS™
THE FELLOWSHIP
OF THE RING**

We have secured the **exclusive rights** to design, manufacture and retail tabletop wargames based on the Lord of the Rings film trilogy.

™The Lord of the Rings™ and the characters and places therein.
™The Saul Zaentz Company d/b/a Tolkien Enterprises under
license to New Line Cinema, Inc. All Rights Reserved.

Financial review

No. of Games Workshop stores

No. of independent retailers

Sales by major currency

The business has **generated £6.8 million of cash** during the year increasing net funds to £9.0 million at the year end.

Impact of 53rd week

This annual report covers the 53 weeks to 3 June 2001. The sales for the 53rd week amounted to £1.4m.

Restructuring programme

The total costs incurred on the programme amount to £1.8m during the year and £5.2m in total as follows:

	2001 £m	2000 £m	Total £m
Simplifying the supply chain	1.2	2.2	3.4
Property and people costs	0.6	1.2	1.8
	1.8	3.4	5.2

These amounts are in line with the plans we announced last year, and the programme is now nearing completion. Of the amount charged this year £1.2m relates to cash costs and the balance of £0.6m represents provisions for costs committed but not yet spent.

Taxation

The effective pre-exceptional rate for the year is 36.5% (2000: 36.6%). This rate remains above the UK corporate tax rate

due to goodwill amortisation and other non-deductible costs, tax losses not recognised and higher overseas tax rates.

In these accounts we have adopted the accounting practices required by the UK Financial Reporting Standard 19, Deferred Tax. This change in policy has resulted in a prior period adjustment crediting opening retained earnings and creating a deferred tax asset of £0.8m. At the year end this asset amounted to £1.1m, comprising accounting depreciation ahead of tax allowances (£0.6m) and other recoverable timing differences (£0.5m). A further amount of £0.3m relating primarily to tax losses has not been recognised due to insufficient evidence that the asset will be recoverable.

Dividend

Having held our last two dividend payments (final 2000: 6.14p and interim 2001: 3.77p) we now believe that it is appropriate to re-establish our progressive dividend policy. We intend to increase our dividend by half the rate of our pre-exceptional earnings per share growth (12.9% for the year to 3 June 2001) until our dividend cover returns to our

long term target level of 2.7 times.

Thereafter we expect to maintain the dividend cover target.

Currency exposures

During the year the value of sterling rose against the euro but fell against the US dollar. The net impact of these fluctuations was slightly favourable to our earnings when converted into sterling, however this impact is not material to the overall results.

As each of our businesses pays our manufacturing operation in foreign currencies, we have continued our policy of managing this transactional exposure through the use of forward currency contracts covering a prospective period of 12 months rolling. Translational exposures, for both the trading results and balance sheets of non-sterling denominated subsidiaries, are not hedged.

Financial review – continued

Turnover £m	Pre-exceptional operating profit £m	Dividend per share pence	Net operating cash flow £m
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Share based commitments

Under the long term incentive plan, the Group has a future commitment to provide shares to the scheme participants. Shares have been purchased in the market to cover some 80% of the anticipated liability.

Cash generation

The business has generated £6.8m of cash during the year increasing net funds to £9.0m at the year end. This is partly the result of lower capital expenditure during the year as the manufacturing operations focused on the restructuring programme. We expect this to revert to levels ahead of depreciation in future years. Cash flow also benefited from improved management of working capital, particularly stocks. As a result of the centralisation of our European warehousing, and the establishment of a global logistics function, we now have improved control over our worldwide stocks.

Share buy-back programme

In view of our continuing cash generation ahead of our need to reinvest in the organic growth of the business, we have considered the various potential uses of our cash, and we believe that an appropriate use of our surplus funds is to repurchase some of our issued shares. We see this as a medium term programme, and not a one-off exercise, as our cash generation has rendered the existing capital structure inefficient. We therefore intend to begin a programme of on-market purchases of shares, and we are seeking to increase our authority to purchase our own shares to 15% of issued share capital in the forthcoming annual general meeting.

Bank facilities

A three year unsecured amortising revolving credit facility of £5m, and a working capital facility of £3m were put in place during the year. The covenants, based on interest cover and gearing, were comfortably met. Interest was paid at floating rates, which equated to 6.4% during the year.

The Group's exposure to interest rate fluctuations is reviewed periodically by the board, however this exposure has not been significant in recent years.

Communication with shareholders

We have made a substantial step in opening up the information made available to shareholders and prospective investors with the launch of our new investor relations section of our web site at www.games-workshop.com. This will continue to be the vehicle for enhanced and timely information flow about the company.



M Sherwin
Finance Director



Company directors and advisers

Directors

T H F Kirby, Chairman and Chief Executive
M Sherwin, Finance Director
S G Forrest, Non-executive Director
C J Myatt, Non-executive Director
A J H Stewart, Non-executive Director

Company Secretary

M Sherwin

Registered Office

Willow Road
Nottingham NG7 2WS

Registered number

2670969

Financial advisers and stockbrokers

Granville Baird
Mint House
77 Mansell Street
London E1 8AF

Principal bankers

Bank of Scotland
15 Queen Street
Nottingham NG1 2BL

Registered auditors

Arthur Andersen
Four Brindleyplace
Birmingham B1 2HZ

Solicitors

Shoosmiths
Lock House
Castle Meadow Road
Nottingham NG2 1AG

Registrars

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED

Directors' report

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 3 June 2001. A review of the business is given on pages 2 to 12.

Principal activities

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

Dividend

The directors recommend a final dividend of 6.77 pence per share to be paid on 2 November 2001 to ordinary shareholders on the register at close of business on 12 October 2001.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 23 July 2001 have been disclosed to the Company:

	No of ordinary shares	Percentage
Schroder Investment Management Limited and affiliates	5,107,134	16.3
Fidelity International Limited and affiliates	3,795,514	12.1
Henderson Global Investors Limited	3,120,443	10.0
AMVESCAP PLC and affiliates	2,156,000	6.9
Morley Fund Management Limited (CGNU PLC)	1,247,677	4.0
UBS Asset Management Holding (No.2) Limited	1,233,286	3.9
Artemis Investment Management Limited	964,810	3.1

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 22.

Directors

The present directors of the Company are listed on page 13. All of the directors were members of the board throughout the year. C J Myatt and T H F Kirby are retiring by rotation and being eligible, offer themselves for re-election. On 21 September 2000 C J Prentice resigned from the board.

Directors' interests

The interests of the directors in the shares of the Company are disclosed in the remuneration report on pages 21 and 22, 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.

Information on executive directors

T H F Kirby (age 51). 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 the role of non-executive chairman, returning to the role of chairman and chief executive in September 2000. Prior to joining Games Workshop, he worked for six years for a distributor of fantasy games in the UK and was previously an Inspector of Taxes.

M Sherwin (age 42), Finance Director. Prior to joining Games Workshop, Michael Sherwin was group financial controller of Courtaulds Textiles plc where he had worked for six years. He was previously with Price Waterhouse for 12 years where he qualified as a chartered accountant in 1984.

Information on non-executive directors

C J Myatt (age 57). Chris Myatt joined the board as a non-executive director on 18 April 1996. He is chairman of Glamorgan Aluminium Company Limited and Palgrave Brown (UK) Limited, and a non-executive director of Specialist Refractory Services Limited, Ying Tai (UK) Limited and Glamalco Limited. He was formerly a senior divisional director within Tarmac PLC.

A J H Stewart (age 41). Alan Stewart joined the board as a non-executive director on 12 September 1996. Alan is the chief executive of Thomas Cook UK Limited and an executive board member of Thomas Cook AG. He was previously an executive director with HSBC Investment Bank.

S G Forrest (age 45). Simon Forrest joined the board as a non-executive director on 3 February 1998. He currently operates Impact Consultancy Limited, a specialist marketing and investor relations consultancy for media and leisure companies. Previously he held a number of senior commercial and marketing positions within Scottish Television PLC and HTV Group PLC.

Directors' report

Donations

The Group made no contributions for charitable or political purposes during the year.

Employees

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

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

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

The Group's policy is to achieve and maintain a high standard of health and safety and the active involvement of employees in all matters of health and safety is encouraged.

Environmental performance

We place considerable importance on managing the impact of all our businesses on the environment.

Wherever possible we use sustainable resources and work closely with external and governmental organisations, suppliers and customers to achieve this goal.

During the year we have established an environmental policy which we have applied in the first instance to our UK businesses. We have carried out environmental audits of the Group's manufacturing sites and sixty percent of our GW stores in the UK. We have created a database of statistics and performance measures from which objectives and targets have been set for the coming year.

Our internal measures show that waste material sent to landfill has been reduced by 5% in the year, recycling of cardboard increased by 5% and of plastic by 20%. We are currently preparing schemes for the recycling of timber and paper, as well as programmes to reduce waste at source.

Our timetable is to complete baseline audits of all GW stores in the UK by November 2001. We will then seek to apply the same policy and audit approaches to our non-UK businesses.

Creditor payment policy

The Company's current policy concerning the payment of the majority of its trade creditors is to follow the DTI's Prompt Payment Code (copies are available from the DTI, Admail 528, London SW1W 8YT).

For other suppliers, the Company's policy is to:

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

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

The number of days credit taken by the Group from its suppliers at the year end is 43 days (2000: 39 days).

Directors' report

Special business at the annual general meeting

The directors are currently authorised to allot relevant securities under section 80 of the Companies Act 1985 and to allot equity securities under section 95 of the Companies Act 1985. Those authorities expire at the conclusion of the annual general meeting. Resolutions are therefore being put to the annual general meeting to renew those authorities, resolution 6 to give the directors authority to allot relevant securities up to an aggregate nominal amount of £522,426 (representing one third of the Company's current issued share capital) and resolution 7 to authorise the directors to allot equity securities for cash otherwise than on a pre-emptive basis in certain limited circumstances and otherwise up to an aggregate nominal amount of £78,363 (representing 5% of the Company's current issued share capital).

The directors are also currently authorised to make market purchases of the Company's shares pursuant to section 166 of the Companies Act 1985. This authority, which has not been used, expires at the conclusion of the next annual general meeting of the Company. Resolution 8 renews this authority for up to a maximum of 4,701,837 ordinary shares (representing 15% of the Company's current issued share capital).

Recent legislation enables companies and members to use electronic communications in place of certain existing provisions that require written documents. While companies may take advantage of this electronic communications regime regardless of restrictions in their articles of association, resolution 9 is being proposed to amend certain provisions of the articles of association of the Company to reflect the use of electronic communications. In due course the Company intends to offer shareholders alternative options to receiving shareholder documents through the mail. This will be agreed on an individual basis with each shareholder. Shareholders will be entitled to continue to receive documents through the mail. The amendments to the Articles also facilitate the use of electronic communications for various matters regarding the proceedings of directors.

Auditors

Resolution 5 is being put to the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the board

M Sherwin
Secretary
30 July 2001



Corporate governance

The Company has complied throughout the year with the provisions set out in section 1 of the Combined Code with the following exception. The Code requires that non-executive directors should be appointed for specified terms, however the board has decided that it is preferable to retain the flexibility of rolling contracts which can be terminated without notice or compensation, but which under normal circumstances, operate with a maximum of six months notice. The board believes that the requirement for at least one third of the directors to seek re-election by rotation at each annual general meeting adequately ensures that appointment periods are not excessive.

In accordance with paragraph 12.43A of the Listing Rules, set out below and, in connection with directors' remuneration, in the remuneration report, is an explanation of how the Company has applied the Principles of Good Governance set out in section 1 of the Combined Code.

Board composition

The board comprises the chairman and chief executive, one further executive director and three independent non-executive directors. It is chaired by the chairman and chief executive, T H F Kirby and meets for regular business at least six times a year. The senior independent non-executive director is C J Myatt. The board has identified various matters which are reserved for consideration by it. The board is responsible for the overall direction and strategy of the Group and for securing the optimum performance from group assets. The three non-executive directors are independent of the Group and have a breadth of successful commercial and professional experience.

Following the return of T H F Kirby to executive responsibilities in September 2000, the board considers it appropriate, for the time being, for the roles of the chairman and chief executive to be combined. This situation will be kept under review by the board.

All directors have access, as appropriate, to independent professional advice and the services of the company secretary. Training is provided for all directors as appropriate. The three independent non-executive directors do not participate in the Company's bonus, pension and share schemes.

In accordance with the Company's articles of association, all directors are subject to election by shareholders at the first opportunity after their appointment. The articles also provide that at least one third of the directors be subject to re-election by rotation at each annual general meeting. The annual report contains biographical information to enable shareholders to make informed decisions on the re-election of the directors.

Board committees

The Group executive committee meets weekly and comprises the executive directors and other senior managers. Under the chairmanship of T H F Kirby it deals with strategy proposals, detailed operational matters and business reviews.

The audit committee comprises the non-executive directors and is chaired by A J H Stewart. It meets, not less than twice a year and assists the board in ensuring that the published financial statements give a true and fair view and in securing reliable internal financial information for decision making. It reviews the suitability and effectiveness of the Group's internal controls, the findings of the external auditors and also reviews key accounting policies and judgements. It also reviews audit and non-audit services provided to the Group.

The remuneration and nomination committee comprises the non-executive directors and is chaired by C J Myatt. It meets not less than four times a year and is responsible for making recommendations to the board on remuneration policy for senior executives and all directors and for setting salaries, incentive payments and granting share options. It is also responsible for nominating, for approval by the board, candidates for appointment to the board. The procedures and guidelines used by the remuneration committee in determining remuneration are outlined in the separate remuneration report.

The city committee comprises the non-executive directors and is chaired by S G Forrest. It meets not less than twice a year and is responsible for corporate governance, investor relations, city presentations and liaison with city advisers.

The business committee comprises the non-executive directors and is chaired by C J Myatt. It meets on a monthly basis and is responsible for reviewing the operational performance, financial reports and the planning and forecasting processes.

Constructive use of the annual general meeting

The chairmen of the audit, and 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 will declare the number of proxy votes received both for and against each separate resolution.

Corporate governance

Supply of information

Relevant papers are circulated to all board members on a timely basis and in advance of each meeting. Directors provide feedback to management to enhance reporting formats and information content of board papers and, in addition, make further enquiries of management wherever they consider it necessary, to allow the appropriate decisions to be made with regard to Company matters.

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, in accordance with the Guidance for Directors on the Combined Code issued in September 1999.

The effectiveness of the Group's system of internal control is continuously reviewed by the board. This review covers all controls, including financial, operational and compliance controls. The monitoring of control procedures is achieved through regular review by the group finance director, reporting to the board. This review process considers whether significant risks have been identified, evaluated and controlled. 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 independent auditors' reports.

An internal audit function has continued to review internal control in all key activities of the Group. It acts as a service to the business by assisting with the continuous improvement of controls. 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 Turnbull report, and is satisfied that it has acted appropriately and in accordance with that guidance.

Treasury policy

The principal financial exposure to the Group is movements in foreign exchange rates. The Group's transactional exposure on trading cash flows settled in non-sterling currencies is managed through the use of forward currency contracts covering a prospective period of 12 months rolling. Translational exposures, for both the trading results and balance sheets of non-sterling denominated subsidiaries, are not hedged.

The Group's exposure to interest rate fluctuations is reviewed periodically by the board, however this exposure has not been significant in recent years.

There are no other exposures which the Group manages with financial instruments.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and 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 financial statements.

By order of the board

M Sherwin
Secretary
30 July 2001



Remuneration report

Remuneration policy

As well as complying with the provisions of the Combined Code as disclosed in the Company's corporate governance statements, the board has applied the Principles of Good Governance relating to directors' remuneration as described below.

The Company's policy on the remuneration of executive directors as determined by the remuneration committee, is designed to attract and retain the most able executives. The remuneration committee has access to both internal and external advice including, where appropriate, information on the remuneration of similar executives in comparable organisations.

Directors' emoluments for the year ended 3 June 2001

	Fees 2001 £000	Salary 2001 £000	Bonus 2001 £000	Benefits in kind 2001 £000	Total emoluments 2001 £000	Total emoluments 2000 £000	Pension contributions 2001 £000	Pension contributions 2000 £000
Executive directors								
T H F Kirby	-	197	-	22	219	103	22	16
M Sherwin	-	142	52	4	198	141	13	11
C J Prentice	-	57	-	10	67	177	16	16
Non-executive directors								
S G Forrest	20	-	-	-	20	18	-	-
C J Myatt	25	-	-	-	25	22	-	-
A J H Stewart	20	-	-	-	20	18	-	-
	65	396	52	36	549	479	51	43

C J Prentice left the Group on 21 September 2000. He received a termination payment of £181,000 and a further amount of £17,000 was paid into his pension fund.

Bonuses and benefits

Early in the current financial year the board decided to appoint a chief executive who would provide strong leadership, refocus the Group's activities, restore growth more in keeping with expectations and lead new developments.

It was with this in mind that Tom Kirby was approached to once again take on the role of chief executive, a position that he had held with great success from flotation up to 1998. The board was delighted to be able to secure his services in an executive capacity to provide the type of leadership that the Group needed at this pivotal time in its development and he took up the position on 21 September 2000.

The board has linked a significant proportion of his remuneration to the improvement in the Group's fortunes over the period of his appointment. The performance related bonus arrangement is in two parts: the first is linked to achieving an increase in earnings per share of over 15% per year for three years ("the EPS Bonus"), and the second is linked to the share price ("the SP Bonus"). In addition, the package has the flexibility to extend the performance period in the event that both the Company and Tom Kirby agree to extend the period of his appointment.

The EPS Bonus will be payable if the earnings per share before exceptional items of the Company ("EPS") increases by at least a cumulative rate of 15% per annum from a base EPS of 20.2 pence (being the EPS of the Company for the financial year ending 28 May 2000) in the three financial years which end on 1 June 2003. It will not be payable in whole or in part if this performance condition is not satisfied. If the performance condition is satisfied the EPS Bonus will be £250,000 and, in addition, £125,000 for each 1% by which the EPS growth exceeds a cumulative rate of 15% per annum, provided that the maximum aggregate EPS Bonus will not exceed £1,000,000. The EPS Bonus (if any) will be payable within 30 days of the publication to shareholders of the Company of the audited annual report and accounts for the financial year ending on 1 June 2003. The EPS Bonus is payable on one occasion only.

The SP Bonus will be payable if the average closing middle market price of the shares of the Company for the 30 dealing days starting with the first dealing day after the day on which the preliminary announcement of the results for the financial year ending on 1 June 2003 is made ("Actual Share Price") is equal to or greater than 250 pence per share (representing an increase of more than 100% over the share price of 123p, being the share price on the day of his appointment). It will not be payable in whole or in part if this performance condition is not satisfied. If the performance condition is satisfied the SP Bonus will be £250,000 and, in addition, £2,000 for each one pence that the Actual Share Price is greater than 250 pence. The SP Bonus (if any) will be payable within 10 working days of the determination of the Actual Share Price. The SP Bonus is payable on one occasion only.

Remuneration report

If the Company and Tom Kirby agree in writing prior to the announcement of the full year results to 1 June 2003, the calculation of the Actual Share Price and the payment date may be changed, provided that it may only be changed on one occasion – this will accommodate a longer period in the event Tom Kirby's appointment continues beyond this date. In these circumstances the Actual Share Price will be calculated by reference to the 30 dealing days starting with one of the following four days (such date to be chosen and agreed by the Company and Tom Kirby prior to the announcement of the full year results to 1 June 2003): the first dealing day after either the day on which the preliminary announcement of the results of the Company for one of the financial years ending in or around May 2004 or May 2005 is made or the interim results for one of the financial years of the Company ending in or around May 2004 or May 2005 are announced.

In the event of any issue of shares or purchase by the Company of its own shares or any capitalisation of profits or reserves or any consolidation or sub-division or reduction of capital or any other variation of capital or any change in accounting reference date, then the terms and conditions of the bonus arrangement may be adjusted in any way that the remuneration committee considers appropriate. If Tom Kirby requires it, the auditors of the Company will be asked by the Company to provide their opinion as to whether the adjustment is fair and reasonable. If the auditors view is that the adjustment is not fair and reasonable, the terms and conditions will, at the option of the Company, remain unamended or be altered in such a way as is determined by the Company and which the auditors state is in their opinion fair and reasonable.

If before 1 June 2003 (or in the case of the SP Bonus, if it is extended, the new day chosen and agreed) Tom Kirby either ceases to be an employee of the Company and its subsidiaries or to have a full time executive role with the Company or one of its subsidiaries then the EPS Bonus and the SP Bonus will cease to be payable, save as specified below:

- (a) If before 1 June 2003 (or in the case of the SP Bonus, if it is extended, the new day chosen and agreed) Tom Kirby either ceases to be an employee of the Company and its subsidiaries or to have a full time executive role within the Company and its subsidiaries as a result of injury, ill-health or disability or death then the EPS Bonus and the SP Bonus may be payable but on the basis of the adjusted provisions referred to below;
- (b) If before 1 June 2003 (or in the case of the SP Bonus, if it is extended, the new day chosen and agreed) Tom Kirby either ceases to be an employee of the Company and its subsidiaries or to have a full time executive role within the Company and its subsidiaries, other than in the circumstances set out in (a) above, the remuneration committee may determine at its absolute and sole discretion that EPS Bonus and the SP Bonus may be payable but on the basis of the adjusted provisions referred to below.

The adjusted provisions that may apply, as aforesaid, on termination are:

- (i) If the termination date is during the financial year of the Company ending on 2 June 2002 the EPS Bonus will be calculated in respect of the financial year of the Company ending on 3 June 2001 and will be payable within 30 days of the later of the termination date or the publication of the audited annual report and accounts ending on 3 June 2001; the EPS performance condition will be EPS growth in the financial year which ends on 3 June 2001 of at least 15% cumulative per annum from the base EPS of 20.2 pence; the amount of the EPS bonus payment referred to above will be reduced by 50%; and the SP Bonus will be calculated by reference to the average closing middle market price for 30 dealing days starting with the dealing day after the termination date and will be payable within 10 working days of the receipt of the determination of the average closing middle market price of shares.
- (ii) If the termination date is during the financial year ending on 1 June 2003 the EPS Bonus will be calculated in respect of the two financial years ending on 2 June 2002 and will be payable within 30 days of the later of the termination date or the publication of the audited annual report and accounts of the Company ending on 2 June 2002; the EPS performance condition will be EPS growth in the two financial years which end on 2 June 2002 of at least 15% cumulative per annum from the base EPS of 20.2 pence; the amount of the EPS bonus payment referred to above will be reduced by 25%; and the SP Bonus will be calculated by reference to the average closing middle market price for 30 dealing days starting with the dealing day after the termination date and will be payable within 10 working days of the receipt of the determination of the average closing middle market price of shares.

If any person obtains Control of the Company as a result of making a general offer to acquire the whole of the issued share capital of the Company (other than shares already owned by the offeror or persons acting in connection with the offeror) or obtains Control of the Company in pursuance of a compromise or arrangement sanctioned by the Court under section 425 of the Companies Act 1985 then the EPS Bonus shall be payable immediately on the basis that the relevant period is each completed financial year since 28 May 2000 and the EPS Bonus payment shall be reduced by 25% if the year to May 2002 was the last completed financial year and by 50% if the year to May 2001 was the last completed financial year and the SP Bonus shall be payable immediately on change of Control and the Actual Share Price shall be the cash value or cash equivalent of the price for each Share under the relevant offer or compromise or arrangement. For this purpose "Control" means a person acquiring control of more than 90% of the equity share capital of the Company.

Remuneration report

The benefits under this bonus arrangement are not pensionable. No amendment to the advantage of Tom Kirby may be made to the provisions of the bonus arrangement relating to the maximum entitlement or the basis of determining the entitlement or to the provisions dealing with any adjustment of the entitlement in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital without the prior approval of an ordinary resolution of shareholders of the Company (except for minor amendments to benefit the administration of the bonus arrangement, to take account of a change in the legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Tom Kirby or the Company or any of its subsidiaries).

During the year, M Sherwin participated in a two tier bonus scheme as follows:

- (1) an annual bonus scheme related to growth in earnings per share ("EPS"), profit and cash generation and individual performance targets up to a maximum of 40% of salary; and
- (2) a long term share incentive plan which has a performance period of three years, with a maximum award of 60% of salary annually made up of a basic share award of up to 36% of salary and a matching share award of up to 24% of salary (subject to the annual bonus being invested in shares at the end of the bonus period). Both the basic and the matching share awards are in the form of a promise that at the end of a three year period an option will be granted, subject to performance criteria being satisfied, over a number of shares. The exercise price of an option will be a nominal amount and the option will not normally be exercisable until 5 years after the date of the basic or matching share awards. 25% of the total award will only vest if the Company's percentage share price growth is equal to or greater than the share price growth of the top one-third of companies in the FTSE 350 at the end of the performance period. None of that part of the award will vest if it is not. The remaining 75% of the total award will depend on the Company's cumulative EPS growth over the three year performance period. Cumulative EPS growth must reach 15% per annum for the EPS-related condition to be satisfied in full. If cumulative EPS growth is less than 10% per annum, the EPS-related condition is not satisfied. If cumulative EPS growth is between 10% and 15% per annum, then the award will vest proportionately.

Benefits in kind include the provision of a company car, fuel and medical insurance.

Pensions

The executive directors are members of the Warhammer Pension Scheme. The scheme is a defined contribution scheme and accordingly, the Company's contributions set out above reflect the full cost during the year of providing pension benefits to these directors.

Service contracts

T H F Kirby and M Sherwin have entered into service agreements with the Company, which are subject to twelve months' notice of termination. S G Forrest, A J H Stewart and C J Myatt have letters of appointment which are subject to a maximum of six months' notice of termination.

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

Directors' interests in shares of the Company

Options under executive share option and sharesave schemes.

Share options of the directors and C J Prentice at 3 June 2001 were as follows:

	Number	Commencement	Exercise dates	Expiry	Exercise price
C J Prentice	94,620	Sept 1997		Dec 2003	115p
	90,000	Aug 1998		Dec 2003	208p
	15,380	Feb 1999		Dec 2003	301p
	28,978	Sept 2000		Dec 2003	687.5p
	11,180	Sept 2002		Dec 2003	687.5p
M Sherwin	4,130	Nov 2003		Apr 2004	106p

Remuneration report

Awards under the Games Workshop Group PLC Share Incentive Plan were as follows:

	Number	Commencement	Exercise dates	Expiry	Exercise price
C J Prentice	15,360	June 2004		-	-
	39,271	June 2005		-	-
M Sherwin	31,908	June 2005		-	-

On 21 September 2000 C J Prentice resigned from the board. The awards to C J Prentice under the Games Workshop Group PLC Share Incentive Plan lapsed after he left the Group on 21 September 2000. In addition, 7,076 shares granted at 195p under the Games Workshop Group PLC 1995 Sharesave Scheme lapsed when C J Prentice resigned.

There were no other movements in directors' share options during the year. The options above with an exercise price of 106p were granted under the Games Workshop Group PLC 1995 Sharesave Scheme. All of the remaining options were granted under or on the terms of the Games Workshop Group PLC 1994 Executive Share Option Scheme and the Games Workshop Group PLC 1994 Worldwide Executive Share Option Scheme. Options under these schemes, with the exception of 11,180 super options, may only be exercised if cumulative growth in earnings per share at the exercise commencement date exceeds 9% per annum. A super option may only be exercised if the growth in earnings per share of the Company is equivalent to the growth in earnings per share since the grant of the option of a company in the top one third of companies in the FTSE 250.

The executive share option schemes are open to senior and other key employees not qualifying for the Games Workshop Group PLC Share Incentive Plan.

No other directors have been granted share options in the shares of the Company.

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

	As at 3 June 2001 Ordinary shares of 5p each		As at 28 May 2000 Ordinary shares of 5p each	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
T H F Kirby	1,487,509	354,000	1,487,509	354,000
M Sherwin	30,000	-	-	-
C J Myatt	66,500	-	36,500	-
S G Forrest	5,000	-	-	-
A J H Stewart	935,000	-	110,000	-

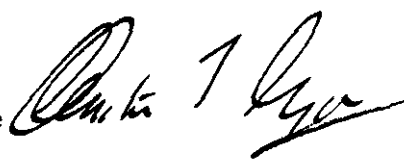
There was no movement in directors' interests in shares of the Company between 3 June 2001 and the date of this report.

The midmarket price of the Company's shares on 3 June 2001 was 334.5p and the range of the market prices during the year was 101p to 334.5p.

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

By order of the board

C J Myatt
Chairman,
Remuneration Committee
30 July 2001



Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 3 June 2001.

The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

M Sherwin
Secretary
30 July 2001

A handwritten signature in black ink, appearing to read 'M Sherwin', written over a horizontal line.

Independent auditors' report

To the shareholders of Games Workshop Group PLC

We have audited the financial statements of Games Workshop Group PLC for the year ended 3 June 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes numbered 1 to 28. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the remuneration report. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the review of operations, the financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 3 June 2001 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ
30 July 2001

Consolidated profit and loss account

	Notes 1	Year to 3 June 2001 £000	Year to 28 May 2000 £000
Turnover	2	92,634	77,993
Cost of sales	3	(31,879)	(27,261)
Gross profit	3	60,755	50,732
Net operating expenses	3	(51,377)	(44,069)
Operating profit	2	9,378	6,663
Continuing operations - pre-exceptional		11,235	10,037
Continuing operations - exceptional items	3	(1,857)	(3,374)
Interest receivable		483	390
Interest payable and similar charges	6	(496)	(508)
Profit on ordinary activities before taxation	7	9,365	6,545
Taxation on profit on ordinary activities	8	(3,609)	(2,983)
Profit for the financial year	9	5,756	3,562
Dividends	10	(3,288)	(3,100)
Profit retained for the financial year	24	2,468	462
Pre-exceptional earnings per ordinary share	11	22.8p	20.2p
Basic earnings per ordinary share	11	18.4p	11.4p
Diluted earnings per ordinary share	11	18.2p	11.2p
Dividend per ordinary share	10	10.54p	9.91p

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Consolidated statement of total recognised gains and losses

	Notes 1	Year to 3 June 2001 £000	Year to 28 May 2000 £000
Profit for the financial year		5,756	3,562
Currency translation differences on foreign currency net investments		238	448
Total recognised gains and losses relating to the year		5,994	4,010
Prior year adjustment	12	811	-
Total gains and losses recognised since last annual report		6,805	4,010

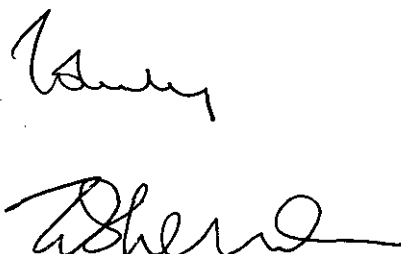
Balance sheets

	Notes	As at 3 June 2001 £000	Group Restated As at 28 May 2000 £000	As at 3 June 2001 £000	Company Restated As at 28 May 2000 £000
Fixed assets					
Goodwill	13	1,785	1,891	-	-
Tangible assets	14	14,897	15,365	-	-
Investments	15	455	122	18,341	18,008
		17,137	17,378	18,341	18,008
Current assets					
Stocks	16	9,233	9,022	-	-
Debtors	17	8,626	7,349	7,060	7,087
Cash at bank and in hand		9,090	5,865	1,297	5,706
		26,949	22,236	8,357	12,793
Creditors: amounts falling due within one year	18	(16,402)	(12,491)	(8,251)	(10,572)
Net current assets		10,547	9,745	106	2,221
Total assets less current liabilities		27,684	27,123	18,447	20,229
Creditors: amounts falling due after more than one year	19	(20)	(3,145)	-	(3,000)
Provisions for liabilities and charges	21	(1,401)	(500)	(299)	-
Net assets		26,263	23,478	18,148	17,229
Capital and reserves					
Called up share capital	22	1,567	1,565	1,567	1,565
Other reserve	24	(418)	(495)	7,610	7,533
Profit and loss account	24	25,114	22,408	8,971	8,131
Equity shareholders' funds	25	26,263	23,478	18,148	17,229

The financial statements on pages 25 to 45 were approved by the board of directors on 30 July 2001 and were signed on its behalf by:

T H F Kirby, Director

M Sherwin, Director



Consolidated cash flow statement

	Notes 1	Year to 3 June 2001 £000	Year to 28 May 2000 £000
Net cash inflow from operating activities		17,061	12,606
Returns on investments and servicing of finance			
Interest received		486	411
Interest paid		(495)	(493)
Interest paid on hire purchase contracts		(18)	(17)
Net cash outflow from returns on investments and servicing of finance		(27)	(99)
Taxation			
UK corporation tax paid		(1,953)	(3,388)
Overseas taxation paid		(1,273)	(1,233)
Net cash outflow from taxation		(3,226)	(4,621)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,515)	(4,822)
Sale of tangible fixed assets		45	54
Purchase of own shares		(561)	(122)
Net cash outflow from capital expenditure and financial investment		(4,031)	(4,890)
Equity dividends paid		(3,099)	(3,094)
Net cash inflow / (outflow) before financing		6,678	(98)
Financing			
Issue of ordinary share capital		79	454
Repayment of principal under hire purchase contracts		(86)	(73)
Repayment of medium term revolving credit facility		(3,000)	-
Net cash (outflow) / inflow from financing		(3,007)	381
Increase in cash in the year		3,671	283

Notes to the consolidated cash flow statement

Reconciliation of operating profit to operating cash flow

	2001 £000	2000 £000
Operating profit	9,378	6,663
Loss on disposal of tangible fixed assets	21	42
Depreciation of tangible fixed assets	4,134	4,041
Amortisation of goodwill	106	105
Amortisation of own shares	228	-
Exchange movements	231	363
(Increase) / decrease in stocks	(211)	239
Increase in debtors	(847)	(17)
Increase in creditors	3,120	670
Increase in provisions	901	500
Net cash inflow from operating activities	17,061	12,606

As set out in the financial review on page 11, the cash outflow resulting from the exceptional item amounts to £1.2 million (2000: £1.1 million).

Analysis of net funds

	As at 28 May 2000 £000	Cash flow £000	As at 3 June 2001 £000
Cash at bank and in hand	5,865	3,225	9,090
Bank overdrafts	(446)	446	-
Debt due after one year	(3,000)	3,000	-
Hire purchase agreements	(218)	86	(132)
Net funds	2,201	6,757	8,958

Reconciliation of net cash flow to movement in net funds

	Year to 3 June 2001 £000	Year to 28 May 2000 £000
Increase in cash in the year	3,671	283
Cash outflow from decrease in debt and lease financing	3,086	73
Increase in net funds in the year	6,757	356
Net funds at 28 May 2000	2,201	1,845
Net funds at 3 June 2001	8,958	2,201

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently except for the policy on deferred tax which has been changed as explained in note 12 to comply with Financial Reporting Standard 19, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the Company and its subsidiary undertakings drawn up for the 53 weeks ended 3 June 2001 and for the 52 weeks ended 28 May 2000.

Goodwill

Goodwill arising on acquisition of subsidiaries, representing any excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

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. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves will be included in determining the profit or loss on disposal.

Development expenditure

Product development and design expenditure is written off as it is incurred.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

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

Leasehold premises are amortised over the period of the lease. Freehold land is not depreciated.

Operating leases and hire purchase contracts

Costs in respect of operating leases and any benefits received as an incentive to sign a lease, are charged or credited on a straight line basis over the lease term. Hire purchase contracts 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 fixed assets and the capital element of the hire purchase commitment is shown as obligations under hire purchase contracts. The capital element of the payment is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Notes to the financial statements

1. Principal accounting policies continued

Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of finished goods, cost includes appropriate production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or at rates of exchange fixed using forward foreign currency contracts where they exist. The results of overseas subsidiary companies are translated at the average rate of exchange for the year.

Gains and losses arising on the translation of the net assets of overseas subsidiary companies are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Investments

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

Own shares are stated at cost less amortisation. Where the Company's shares have been acquired to fulfill future commitments under incentive plans, the cost of those shares is amortised over the performance period of the incentive plans.

Turnover

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid / (recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

The Group operates a defined contribution scheme and a group personal pension plan. Pension contributions are charged to the profit and loss account as they accrue.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the profit and loss account as they accrue. For those incentive plans which are based upon performance criteria measured over a period in excess of one year, costs are charged to the profit and loss account based upon the directors' estimate of the likely future outcome of those criteria. This estimate is revised at each period end.

Notes to the financial statements

2. Geographical analysis

Turnover

By geographical area of sales operation

	2001 £000	2000 £000
United Kingdom	33,720	28,937
Continental Europe	21,927	18,963
The Americas	31,539	24,763
Asia Pacific	5,448	5,330
	92,634	77,993

By geographical area of destination

	2001 £000	2000 £000
United Kingdom	25,315	21,826
Continental Europe	29,497	25,365
The Americas	31,993	25,073
Asia Pacific	5,654	5,551
Other	175	178
	92,634	77,993

Operating profit

By geographical area of sales operation

	Continuing pre-exceptional £000	Continuing exceptional items £000	Total 2001 £000	2000 £000
United Kingdom	6,088	(1,071)	5,017	3,260
Continental Europe	3,312	(586)	2,726	2,448
The Americas	7,190	(85)	7,105	5,545
Asia Pacific	859	(115)	744	647
	17,449	(1,857)	15,592	11,900
Development and central costs	(5,786)	-	(5,786)	(5,407)
New business development costs	(507)	-	(507)	-
Operating profit before royalty income	11,156	(1,857)	9,299	6,493
Royalty income	79	-	79	170
	11,235	(1,857)	9,378	6,663

New business development costs relate primarily to the Warhammer Online venture.

Notes to the financial statements

2. Geographical analysis continued

Net assets

By geographical area of sales operation

	2001 £000	Restated 2000 £000
United Kingdom	5,560	5,613
Continental Europe	3,264	4,079
The Americas	14,007	11,418
Asia Pacific	792	586
Net operating assets	23,623	21,696
Goodwill	1,785	1,891
Unallocated net assets / (liabilities)	855	(109)
	26,263	23,478

3. Cost of sales, gross profit and net operating expenses

	Continuing pre-exceptional £000	Continuing exceptional items £000	Total 2001 £000	Total 2000 £000
Cost of sales	31,346	533	31,879	27,261
Gross profit	61,288	(533)	60,755	50,732
Selling and distribution costs	30,113	449	30,562	27,092
Administrative costs	17,065	875	17,940	14,785
Design and development costs	2,954	-	2,954	2,362
Other operating income - royalty income	(79)	-	(79)	(170)
Net operating expenses	50,053	1,324	51,377	44,069
Operating profit	11,235	(1,857)	9,378	6,663

Design and development costs represent the administration and running costs of the design studio and new business development costs.

The exceptional item relates to the plan, announced in January 2000, to restructure the business. As part of this restructuring programme £1.2 million (2000: £2.2 million) has been incurred in simplifying the supply chain together with £0.6 million (2000: £1.2 million) related to property and people costs. Cash costs incurred in the year to 3 June 2001 amounted to £1.2 million (2000: £1.1 million).

Notes to the financial statements

4. Directors' emoluments

	2001 £000	2000 £000
Aggregate emoluments and benefits	549	507
Pension contributions	51	48
	600	555

On 21 September 2000, C J Prentice resigned from the board. He was paid £181,000 as a termination settlement and a further amount of £17,000 was paid into his pension fund.

Directors' emoluments for the year ended 28 May 2000 include emoluments for D M Hosie, J A J Stallard, R G Priestley and S A Godber of £7,000 each, and pension contributions for D M Hosie, J A J Stallard and R G Priestley of £1,000 each and S A Godber of £2,000.

Aggregate emoluments and benefits include amounts paid to:

	Highest paid director 2001 £000	Highest paid director 2000 £000
Aggregate emoluments and benefits	219	177
Pension contributions	22	16
	241	193

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

5. Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was:

	2001 Number	Restated 2000 Number
Production	359	427
Selling and distribution:		
full time	1,133	983
key time *	483	473
Administration	232	207
	2,207	2,090

* Key time employees are employed in our retail stores and typically work a 20 hour week.

The prior year numbers have been restated to recategorise warehouse staff from production to selling and distribution and to separately identify key time employees.

Staff costs (for the above persons)

	2001 £000	2000 £000
Wages and salaries	29,437	25,317
Social security costs	3,465	2,821
Other pension costs	660	636
	33,562	28,774

Notes to the financial statements

6. Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	478	490
On hire purchase contracts	18	18
	496	508

7. Profit on ordinary activities before taxation

	2001 £000	2000 £000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation		
of goodwill	106	105
of own shares	228	-
Depreciation		
tangible owned fixed assets	4,072	3,970
tangible fixed assets under hire purchase contracts	62	71
Operating leases		
property	5,345	4,686
plant and equipment	27	19
other	207	181
Auditors' remuneration for audit services	128	115

Amounts payable to Arthur Andersen by the company and its subsidiary undertakings in respect of non audit services were £110,000 (2000: £25,000).

8. Taxation on profit on ordinary activities

	2001 £000	2000 £000
Current taxation		
UK corporation tax	3,074	2,403
Double taxation relief	(309)	(669)
Under / (over) provision in respect of prior years	4	(93)
	2,769	1,641
Overseas taxation	1,151	1,342
Total current taxation	3,920	2,983
Origination and reversal of timing differences	(311)	-
Taxation on profit on ordinary activities	3,609	2,983
Taxation credits on exceptional items included above:		
Restructuring costs	(495)	(644)

Notes to the financial statements

8. Taxation on profit on ordinary activities continued

	2001 £000
Profit on ordinary activities before taxation	9,365
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	2,809
Effects of:	
Expenses not deductible for tax purposes	387
Movement in deferred tax not recognised	242
Difference between UK and locally reported profits	(44)
Higher tax rates on overseas earnings	129
Adjustments to tax charge in respect of previous years	86
Tax charge for the year	3,609

9. Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. Of the profit for the financial year, £4.1 million (2000: £4.2 million) is attributable to the Company, after including dividends from subsidiary companies of £5.0 million (2000: £7.0 million).

10. Dividends

	2001 £000	2000 £000
Interim paid of 3.77 pence per share (2000: 3.77p)	1,179	1,180
Final proposed of 6.77 pence per share (2000: 6.14p)	2,109	1,920
	3,288	3,100

11. Earnings per ordinary share

The calculation of pre-exceptional earnings per ordinary share has been based on the profit for the year of £7.1 million (2000: £6.3 million) being the profit for the financial year adjusted for the exceptional restructuring costs and the tax credit thereon. This calculation has been included to enable a like for like comparison with other years where no exceptional costs are charged.

The calculation of basic earnings per ordinary share has been based on profit for the year of £5.8 million (2000: £3.6 million) and the weighted average number of shares in issue throughout the year.

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

	2001	2000
Weighted average number of shares:		
For basic earnings per ordinary share	31,276,803	31,177,439
Dilution effect of share options	384,302	547,776
For diluted earnings per ordinary share	31,661,105	31,725,215

Notes to the financial statements

12. Prior year adjustments

Deferred taxation

The Group's policy for accounting for deferred tax has changed to comply with Financial Reporting Standard 19, Deferred Tax. Previously deferred tax was only provided to the extent that timing differences were expected to reverse in the future without being replaced. Deferred tax is now provided in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. The statement of accounting policies describes the full deferred tax policy.

The effects of the change in policy are summarised below:

	£000
Balance sheet	
Increase in deferred tax asset and retained earnings as at 28 May 2000	811
Deferred tax credit in the profit and loss account for the year	311
Exchange difference	(5)
Net deferred tax asset as at 3 June 2001	1,117

The directors consider that the impact of the change in accounting policy on the tax charge for the current and prior year is not significant.

13. Goodwill

	£000
Group	
Cost	
At 29 May 2000 and 3 June 2001	2,103
Amortisation	
At 29 May 2000	212
Charge for the year	106
At 3 June 2001	318
Net book value at 3 June 2001	1,785
Net book value at 28 May 2000	1,891

The Company had no goodwill at either year end.

Notes to the financial statements

14. Tangible fixed assets

	Freehold land and buildings £000	Long leasehold premises £000	Short leasehold premises £000	Plant & equipment & vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Group							
Cost							
At 29 May 2000	1,542	6,268	1,343	8,796	7,411	4,783	30,143
Exchange adjustments	(2)	-	41	14	(108)	-	(55)
Additions	12	26	246	1,663	1,087	685	3,719
Disposals	-	-	-	(394)	(155)	-	(549)
Reclassifications	(70)	-	-	31	39	-	-
At 3 June 2001	1,482	6,294	1,630	10,110	8,274	5,468	33,258
Depreciation							
At 29 May 2000	499	334	531	5,112	5,198	3,104	14,778
Exchange adjustments	-	-	19	(5)	(65)	-	(51)
Charge for the year	50	126	307	1,674	1,149	828	4,134
Eliminated in respect of disposals	-	-	-	(340)	(160)	-	(500)
Reclassifications	(28)	-	-	24	4	-	-
At 3 June 2001	521	460	857	6,465	6,126	3,932	18,361
Net book value at 3 June 2001	961	5,834	773	3,645	2,148	1,536	14,897
Net book value at 28 May 2000	1,043	5,934	812	3,684	2,213	1,679	15,365

The net book value of tangible fixed assets includes an amount of £163,000 (2000: £251,000) in respect of assets held under hire purchase contracts. The depreciation charged on these assets was £62,000 (2000: £71,000). Freehold land amounting to £341,000 (2000: £341,000) has not been depreciated.

The Company held no tangible fixed assets at either year end.

Notes to the financial statements

15. Fixed asset investments

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Subsidiary undertakings	-	-	17,886	17,886
Own shares	455	122	455	122
	455	122	18,341	18,008

Interests in group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. 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:		Principal business activity
			Company	Subsidiary company	
Games Workshop Limited	England and Wales	£1 ordinary	100%		Manufacturer, distributor and retailer of games and miniatures
Games Workshop Inc	United States of America	\$1 common stock		100%	Manufacturer, distributor and retailer of games and miniatures
Games Workshop (Queen Street) Limited	Canada	Can \$1		100%	Distributor and retailer of games and miniatures
EURL Games Workshop	France	FF 1		100%	Distributor and retailer of games and miniatures
Games Workshop SL	Spain	Peseta 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 Limited	New Zealand	NZ \$1		100%	Distributor and retailer of games and miniatures
Games Workshop Italia Retail SRL	Italy	L 1,000		100%	Retailer of games and miniatures
Games Workshop Deutschland Limited	England and Wales	£1 ordinary		100%	Distributor of games and miniatures
Games Workshop Deutschland GmbH	Germany	DM 1		100%	Retailer of games and miniatures
Games Workshop Tooling Limited	England and Wales	£1 ordinary		100%	Manufacturer of tools for injection moulding
Games Workshop International Limited	England and Wales	£1 ordinary		100%	Holding company for overseas subsidiary companies

All the above companies operate principally in their country of incorporation or registration with the exception of Games Workshop Deutschland Limited which operates in Germany.

Notes to the financial statements

15. Fixed asset investments continued

	Cost £000	Amortisation £000	Total £000
Own shares			
Group and Company			
At 28 May 2000	122	-	122
Additions	561	-	561
Amortisation	-	(228)	(228)
At 3 June 2001	683	(228)	455

The Company operates a long term incentive plan for the senior management of the Group. An Employee Share Ownership Plan ("ESOP"), in the form of a discretionary trust, has been established to facilitate the operation of the incentive scheme. Details of the scheme are given in the remuneration report above. Charges of £5,000 (2000: £1,000) have been reflected in the profit and loss account in respect of the administration of the scheme and are included in the analysis of administrative costs. The number and market value of the ordinary shares held by the ESOP at 3 June 2001 was 200,000 (2000: 32,500) and £669,000 (2000: £47,125) respectively. Dividends have been waived on these shares.

16. Stocks

	2001 £000	2000 £000
Group		
Raw materials and consumables	1,598	1,311
Finished goods and goods for resale	7,635	7,711
	9,233	9,022

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

The Company held no stocks at either year end.

17. Debtors

	Group		Company	
	2001 £000	Restated 2000 £000	2001 £000	Restated 2000 £000
Amounts falling due within one year				
Trade debtors	5,314	4,505	-	-
Amounts owed by group undertakings	-	-	1,411	1,645
Other debtors	278	508	-	-
Prepayments and accrued income	1,792	1,431	162	200
Deferred taxation	460	327	89	-
	7,844	6,771	1,662	1,845
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	5,321	5,165
Other debtors	125	94	-	-
Deferred taxation	657	484	77	77
	782	578	5,398	5,242
Total	8,626	7,349	7,060	7,087

Notes to the financial statements

17. Debtors continued

Deferred taxation

Deferred tax can be analysed over the following timing differences:

	Group		Company	
	2001 £000	Restated 2000 £000	2001 £000	Restated 2000 £000
Recognised				
Accelerated capital allowances	557	484	2	2
Short term timing differences	560	327	164	75
	1,117	811	166	77

	Group		Company	
	2001 £000	Restated 2000 £000	2001 £000	Restated 2000 £000
Unrecognised				
Accelerated capital allowances	-	-	-	-
Tax losses	289	43	-	-
	289	43	-	-

	2001 £000
29 May 2000 as restated	811
Deferred tax credit in the profit and loss account for the year	311
Exchange difference	(5)
As at 3 June 2001	1,117

18. Creditors: amounts falling due within one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Obligations under hire purchase contracts	112	73	-	-
Bank overdrafts	-	446	-	-
Trade creditors	4,568	3,960	399	253
Amounts owed to group undertakings	-	-	4,990	7,062
Corporation tax	1,793	968	-	-
Other taxation and social security	1,091	897	64	169
Other creditors	1,858	1,600	396	516
Accruals and deferred income	4,871	2,627	293	652
Proposed dividend	2,109	1,920	2,109	1,920
	16,402	12,491	8,251	10,572

Notes to the financial statements

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Obligations under hire purchase contracts	20	145	-	-
Bank and other loans	-	3,000	-	3,000
	20	3,145	-	3,000
Analysis of borrowings				
Secured				
Sterling hire purchase contracts	132	218	-	-
Unsecured				
Medium term revolving credit facility	-	3,000	-	3,000
Overdraft	-	446	-	-
	132	3,664	-	3,000
Repayable within 1 year	112	519	-	-
Repayable between 1 and 2 years	20	823	-	750
Repayable between 2 and 5 years	-	2,259	-	2,187
Repayable after 5 years	-	63	-	63
	132	3,664	-	3,000

20. Financial instruments

The Group's treasury policy is explained in the financial review and the corporate governance statement above.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all of the following disclosures, other than the currency risk disclosures.

Interest rate risk and maturity profile of financial liabilities and borrowing facilities

As disclosed in note 19 above, the Group has sterling drawings of Enil (2000: £3million) against a revolving credit facility of £5 million at 3 June 2001. This facility is unsecured and borrowings are repayable at any time prior to 1 June 2004 without penalty. The covenants are based upon interest cover and gearing and have been comfortably complied with during the year. Interest is accrued monthly at a floating rate.

The Group also has sterling uncommitted floating rate overdraft facilities of £3million (2000: £2million) available at 3 June 2001.

The interest rate on floating rate financial liabilities is linked to bank base rate.

The maturity profile of the Group's financial liabilities is disclosed in note 19 above.

Notes to the financial statements

20. Financial instruments continued

Interest rate risk profile of financial assets

The Group's cash at bank and in hand balance can be analysed as follows:

	2001 £000	2000 £000
Sterling	1,687	999
US dollars	3,573	3,281
EU currencies (other than sterling)	2,160	3,038
Other currencies	1,670	1,410
Amounts offset against overdraft facilities	-	(2,863)
	9,090	5,865

The above cash balances earn interest at short term floating rates available locally.

Currency exposure

The following table shows the extent to which group companies have external monetary assets and liabilities in currencies other than their operating currency.

As at 3 June 2001 these external monetary assets and liabilities were as follows:

Functional currency of group operation	Sterling £000	US dollar £000	EU currencies (other than sterling) £000	Other currencies £000	Total £000
Sterling	-	1,422	2,388	1,985	5,795
EU currencies (other than sterling)	127	-	47	-	174
Other currencies	-	-	-	37	37
	127	1,422	2,435	2,022	6,006

At 28 May 2000 these external monetary assets and liabilities were as follows:

Functional currency of group operation	Sterling £000	US dollar £000	EU currencies (other than sterling) £000	Other currencies £000	Total £000
Sterling	-	678	2,770	1,163	4,611
EU currencies (other than sterling)	(135)	-	31	-	(104)
Other currencies	-	-	-	84	84
	(135)	678	2,801	1,247	4,591

Fair values of financial assets and liabilities

There are no differences between the book values and the fair values of financial assets and liabilities.

Gains and losses on hedges

As explained in the corporate governance statement, the principal financial exposure to the Group is movements in exchange rates. The Group's transactional exposure on trading cash flows settled in non-sterling currencies is managed through the use of forward currency contracts covering a prospective period of 12 months rolling.

Under the Group's accounting policy, foreign currency assets which are hedged using forward foreign currency contracts are translated into sterling at the forward rate inherent in the contracts. Consequently, the carrying value of the relevant asset effectively includes the gain or loss on the hedging instrument. Such gains and losses are treated as recognised for the purpose of the table below.

Notes to the financial statements

20. Financial instruments continued

The following table shows the extent to which the Group has unrecognised and recognised net gains and losses in respect of forward foreign currency contracts used as hedges at the beginning and the end of the year:

	Unrecognised £000	Recognised £000
Losses on forward contracts at 29 May 2000	(26)	-
Gains / (losses) recognised in 2000 / 2001		
Arising in previous years	15	(15)
Arising in the current year	-	121
Total gains on forward contracts recognised during 2000 / 2001		106
Gains / (losses) not recognised in 2000 / 2001		
Arising before 29 May 2000	(11)	
Arising in 2000 / 2001	3	
Losses carried forward on forward contracts at 3 June 2001	(8)	
Of which:		
Losses expected to be recognised in 2001 / 2002	(21)	
Gains expected to be recognised in 2002 / 2003	13	
Financial instruments held for trading purposes		
The Group does not trade in financial instruments.		

21. Provisions for liabilities and charges

	Bonus & incentive £000	Property £000	Total £000
Group			
At 29 May 2000	-	500	500
Charged to the profit and loss account	901	58	959
Utilised in the year	-	(58)	(58)
At 3 June 2001	901	500	1,401

The Company had a provision for staff bonus and incentive plans of £299,000 as at 3 June 2001.

22. Called up share capital

	2001 £000	2000 £000
Authorised 42,000,000 ordinary shares of 5p each	2,100	2,100
Allotted, called up and fully paid 31,345,581 (2000: 31,304,787) ordinary shares of 5p each	1,567	1,565

During the year 40,794 ordinary shares of 5p each were issued for £78,980 under the Games Workshop Group PLC 1995 Sharesave Scheme.

Notes to the financial statements

23. Options in shares of Games Workshop Group PLC

Options over ordinary shares outstanding at the date of this report are as follows:

Date granted	No. of shares	Exercise price	Exercise dates
28 September 1994	6,308	115p	Sep 1997 to Sep 2001
28 September 1994	392,096	115p	Sep 1997 to Sep 2004
18 August 1995	25,232	208p	Aug 1998 to Aug 2002
18 August 1995	366,308	208p	Aug 1998 to Aug 2005
14 February 1996	50,000	301p	Feb 1999 to Feb 2003
14 February 1996	61,520	301p	Feb 1999 to Feb 2006
18 July 1996	12,317	372p	Sep 2001 to Feb 2002
6 September 1996	18,480	347p	Nov 2001 to Apr 2002
17 September 1996	35,000	463p	Sep 1999 to Sep 2003
17 September 1996	25,000	463p	Sep 1999 to Sep 2006
17 September 1997	144,890	687.5p	Sep 2002 to Sep 2004
17 September 1997	55,900	687.5p	Sep 2000 to Sep 2004
9 October 1997	6,982	558p	Nov 2002 to Apr 2003
6 October 1998	11,361	420p	Nov 2003 to Apr 2004
24 August 1999	23,914	460p	Aug 2002 to Aug 2006
24 August 1999	13,044	460p	Aug 2002 to Aug 2009
4 October 1999	49,177	394p	Nov 2004 to Apr 2005
22 February 2000	3,390	295p	Feb 2003 to Feb 2010
21 August 2000	94,225	141p	Aug 2003 to Aug 2007
21 August 2000	146,903	141p	Aug 2003 to Aug 2010
13 October 2000	388,199	106p	Nov 2003 to Apr 2004
	1,930,246		

24. Reserves

	Restated Profit and loss account £000	Other reserve £000
Group		
At 29 May 2000	21,597	(495)
Prior year adjustment	811	-
As restated	22,408	(495)
Exchange adjustments	238	-
Profit retained for the financial year	2,468	-
Issue of ordinary share capital	-	77
At 3 June 2001	25,114	(418)
Company		
At 29 May 2000	8,054	7,533
Prior year adjustment	77	-
As restated	8,131	7,533
Profit retained for the financial year	840	-
Share premium on issue of ordinary share capital	-	77
At 3 June 2001	8,971	7,610

The cumulative amount of goodwill written off against the Group's profit and loss account is £1,159,000 (2000: £1,159,000).

Notes to the financial statements

25. Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Group		
Profit for the financial year	5,756	3,562
Dividends	(3,288)	(3,100)
Issue of new share capital	2,468	462
Other recognised gains and losses	79	454
	238	448
Opening shareholders' funds (originally £22,667,000 restated for prior year adjustment of £811,000)	23,478	21,303
Closing shareholders' funds	26,263	22,667

26. Capital commitments

	2001 £000	2000 £000
Group		
Contracted but not provided for	-	18

The Company had no capital commitments at either year end.

27. Financial commitments

The Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2001 £000	Other 2001 £000	Land and buildings 2000 £000	Other 2000 £000
Expiring within 1 year	970	299	369	154
Expiring between 2 and 5 years inclusive	2,635	252	2,502	327
Expiring in over 5 years	1,351	-	2,104	-
	4,956	551	4,975	481

The Company had no financial commitments at either year end.

28. Contingent liabilities

	2001 £000	2000 £000
Group and Company		
Guarantees in respect of bank overdrafts and loans of subsidiary companies	-	3,446

Five year summary

	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
Turnover	92,634	77,993	72,565	64,845	58,371
Pre-exceptional operating profit	11,235	10,037	12,800	11,683	10,877
Exceptional item - restructuring costs	(1,857)	(3,374)	-	-	-
Operating profit	9,378	6,663	12,800	11,683	10,877
Interest receivable	483	390	117	115	293
Interest payable and similar charges	(496)	(508)	(453)	(289)	(47)
Profit on ordinary activities before taxation	9,365	6,545	12,464	11,509	11,123
Taxation	(3,609)	(2,983)	(4,378)	(4,023)	(4,113)
Profit for the financial year	5,756	3,562	8,086	7,486	7,010
Dividends	(3,288)	(3,100)	(3,022)	(2,800)	(2,610)
Profit retained for the financial year	2,468	462	5,064	4,686	4,400
Pre-exceptional earnings per ordinary share	22.8p	20.2p	26.0p	24.1p	22.6p
Basic earnings per ordinary share	18.4p	11.4p	26.0p	24.1p	22.6p

Financial calendar

Annual general meeting	21 September 2001
Final ordinary dividend payable	2 November 2001
Announcement of interim results	January 2002
Interim ordinary dividend payable	April 2002
Financial year end	2 June 2002
Announcement of final results	July 2002

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the Company's registered office, Willow Road, Lenton, Nottingham, NG7 2WS at 10.00am on 21 September 2001 for the following purposes:

Ordinary business

- Resolution 1** To receive the report of the directors and the audited financial statements for the Company for the year ended 3 June 2001.
- Resolution 2** To declare a final dividend of 6.77 pence per share on the ordinary shares of the Company.
- Resolution 3** To re-elect T H F Kirby as a director, who retires in accordance with article 88(a) of the articles of association of the Company.
- Resolution 4** To re-elect C J Myatt as a director, who retires in accordance with article 88(a) of the articles of association of the Company.
- Resolution 5** To re-appoint Arthur Andersen as auditors and to authorise the directors to fix their remuneration.

Special business

- Resolution 6** As an ordinary resolution, that the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 (the 'Act') to exercise for the period ending at the conclusion of the next Annual General Meeting of the Company or on 20 December 2002 whichever is the earlier, all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £522,426 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
- Resolution 7** As a special resolution, that the directors be and are hereby empowered pursuant to and in accordance with section 95 of the Companies Act 1985 (the 'Act') to allot equity securities for cash (within the meaning of section 94 of the Act) pursuant to the authority conferred by resolution 7 set out in the notice convening the meeting dated 30 July 2001 as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:
- (a) to the allotment of equity securities in connection with any rights issue or other issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory), and
 - (b) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £78,363,
- and shall expire at the conclusion of the next Annual General Meeting of the Company or on 20 December 2002, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
- Resolution 8** As a special resolution, that the Company be and is hereby granted general and unconditional authority pursuant to section 166 of the Companies Act 1985 (the 'Act') to make market purchases (as defined in section 163 of the Act) of ordinary shares of 5p each in the capital of the Company ('ordinary shares') on such terms and in such manner as the directors may from time to time determine provided that:
- (a) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 20 December 2002 whichever is the earlier;
 - (b) the maximum number of ordinary shares shall be limited to 4,701,837 ordinary shares;
 - (c) the minimum price which may be paid for an ordinary share is 5p;
 - (d) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the ordinary share is purchased, and
 - (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract
- Resolution 9** That the Articles of Association of the Company be and are hereby amended as follows:
- (a) In Article 2(a) insert after the definition of "clear days": " "communication" means the same as in the Electronic Communications Act 2000";
 - (b) In Article 2(a) insert after the definition of "Director": " "electronic communication" means the same as in the Electronic Communications Act 2000";
 - (c) In Articles 14(a), 21(a), 24(a), 53(a), 94(a)(i), 96(a), 99(a) and 148(a)(iv) all references to "in writing" shall be deleted;
 - (d) In Article 54(a) for the word "instrument" substitute the word "appointment";
 - (e) In Article 68(c) for the words "deposit of instruments" substitute "deposit or receipt of appointments" and insert the words "or received" after the word "deposited" in the second sentence;
 - (f) In Article 71(a) for the words "Deposit of an instrument of" substitute "The appointment of a";
 - (g) In Article 72(a) for the words "An instrument appointing" substitute the words "The appointment of";
In Article 72(a)(i) delete the words "in writing" where they first appear and for the words "under the hand of the appointor or of his attorney duly authorised in writing" substitute "executed by or on behalf of the appointor";
 - (h) In Article 73(a) for the words "instrument appointing" substitute "appointment of";
 - (i) In Article 73(a)(i) before the words "be deposited" insert "in the case of an instrument in writing" and for the word "instrument" substitute "appointment";

Notice of meeting

Special Resolution continued

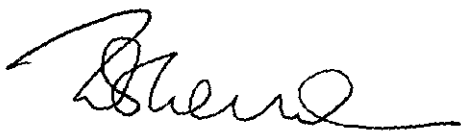
- (j) After Article 73(a)(i) insert the following:
 - (iii) in the case of an appointment contained in an electronic communication, where an address has been specified for the purpose of receiving electronic communications:
- (A) in the notice convening the meeting, or
- (B) in any instrument of proxy sent out by the Company in relation to the meeting, or
- (C) in any invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting, be received at such address not less than 48 hours before the time for holding the meeting or adjourned meeting and which the person named in the appointment proposes to vote; and the subsequent paragraphs (iii) and (iii) shall be renumbered (iii) and (iv) respectively;
- (k) In Article 73(a)(iii) after the word "deposited" insert "or received";
- (l) In the final paragraph of Article 73(a) for the words "instrument of proxy not deposited or delivered" substitute "appointment of proxy which is not deposited, delivered or received" and for the words "instrument appointing" substitute "appointment of";
- (m) At the end of Article 73(a) add the following:

"In this Article and Article 76(a) "address", in relation to electronic communications, includes any number or address used for the purposes of such communications."
- (n) In Article 74(a) for the words "instruments of proxy are delivered" substitute "appointments of proxy are deposited, delivered or received" and where the words "validly delivered" appear substitute "validly deposited, delivered or received" and for the words "which instrument" substitute "which appointment";
- (o) In Article 75(a) for the word "instruments" substitute "or make available by electronic communication appointments" and after the words "thereat by proxy" insert the words "or be made available by electronic communication";
- (p) In Article 76(a) for the word "instrument" substitute "appointment" and for the word "instruments" substitute "appointments" and prior to the words "at least 48 hours" insert the words "or, where the appointment of the proxy was contained in an electronic communication, at the address at which such appointment was duly received";
- (q) In Article 97(a) before the words "at which notice" insert the words "or an address for electronic communication";
- (r) In Articles 118(a) for the word "requested" substitute the word "notified" and delete the words "in writing" and after the words "notified to the Company" insert the words "or an address for electronic communication";
- (s) In Article 154(a) before the words "in Article 155" insert the words "the Act or";
- (t) In Article 155(a) after the words "are to be laid" insert the words "or otherwise as permitted by the Act in respect of electronic communications";
- (u) Delete Article 156(a) and substitute the following:

"156(a) Any notice to be given to or by any person pursuant to the Articles (other than a notice calling a meeting of the directors) shall be in writing or shall be given using electronic communications to an address for the time being notified for that purpose to the person giving the notice. In this Article, "address" in relation to electronic communications, includes any number or address used for the purposes of such communications."
- (v) In Article 157(a) after the words "that address" insert the words "or by giving it using electronic communications to an address for the time being notified to the Company by the member" and after the words "register is maintained" insert the words "or be given to an address to which notices may be sent using electronic communications. In this Article 157 and Article 158 "address", in relation to electronic communications, includes any number or address used for the purposes of such communications."
- (w) In Article 157(c) after the words "given to him" insert the words "or an address to which notice may be sent using electronic communications";
- (x) At the end of Article 157(d) add "If on three consecutive occasions notices or other documents have been sent by electronic communications to any member at his address but the notices or other documents have been undelivered, such member shall not thereafter be entitled to receive notices or other documents from the Company until he shall have communicated with the Company and supplied in writing a new address for the service of notices or documents."
- (y) In Article 158(a) after the words "to be so entitled" insert "or an address to which notice may be sent using electronic communications";
- (z) In Article 159(b) at the end of the first sentence insert "or, in the case of a notice, certificate or other document contained in an electronic communication, at the expiration of 24 hours after the time it was sent";
- (aa) In Article 159(a) in the second sentence after the words "service or delivery" insert "by post";
- (ab) At the end of Article 159(b) insert "Proof that a notice, certificate or other document contained in an electronic communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice was given";
- (ac) In Article 162(a) after the words "postal services" insert "and / or electronic communications" and after the words "through the post" insert "and / or by electronic communications" and after the words "notice by post" insert "and / or electronic communications" and after the words "the posting" insert "and / or electronic communications" and after the words "United Kingdom" insert "and / or electronic communications".

By order of the board

M Sherwin
Secretary
30 July 2001



Notes

- (1) Members of the Company entitled to attend and vote are entitled to appoint one or more proxies to attend and, on a poll, to vote instead of them. A proxy need not be a member of the Company to be effective, proxy forms must be lodged with the registrars not less than 48 hours before the time fixed for the meeting.
- (2) The service agreements of the directors are available for inspection during the normal business hours at the registered office of the Company.
- (3) The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specified that only those shareholders registered on the register of members of the Company as at 10.00am on 19 September 2001 shall be entitled to attend or vote at the Annual General Meeting in respect of shares registered in their name at that time. Changes to entries on the relevant register of securities after 10.00am on 19 September 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.