

First half highlights

- ↑ Turnover up 21% to £51.6 million
- ↑ Sales growth in all territories
- ↑ Pre-exceptional operating profit up 24% to £6.1 million
- ↑ Restructuring completed on time and on budget
- ↑ Still cash positive after £5.6 million share buy-back

	Six months to 2 December 2001	Six months to 26 November 2000	
Turnover	£51.6m	£42.7m	+21%
Pre-exceptional operating profit	£6.1m	£4.9m	+24%
Operating profit	£6.1m	£4.2m	+45%
Profit before tax	£6.0m	£4.1m	+48%
Basic earnings per share	12.5p	8.0p	+56%
Pre-exceptional earnings per share	12.5p	9.7p	+29%
Interim dividend per share	4.15p	3.77p	+10%

Chairman's statement

Overview

I am pleased to report on a period of continued sales growth in all of our businesses around the world. We are seeing consistent evidence that the Games Workshop Hobby is healthy in all of our geographic areas.

Our main product ranges, Warhammer and Warhammer 40,000, are keeping gamers around the world excited as we continue to develop new races and characters. The new Lord of the Rings range was launched in November ahead of the first instalment of the film trilogy which premiered in December. This range, which will be developed each year as the films are released, looks like being another useful addition to our impressive portfolio of games and miniatures. It has the depth and variety to excite both experienced and novice gamers alike. Backed by this strong base of products, our sales teams around the world have continued to focus on the development of the Hobby, which remains the engine for the future success of the Company.

In addition to our tabletop wargames, we have continued to explore new market opportunities. The Warhammer Online venture proceeds in line with its planned milestones, and we have recently announced our acquisition of Sabertooth Games Inc., a collectible card games company. These activities will add incremental revenue and profit streams in future years.

The strong cash generation of the business has remained a key element of our performance, and we see this continuing into the future.

Results

Our United Kingdom and Continental European businesses showed remarkable improvements in sales completing the bounce-back from the slower growth in the first half of last year. Growth in the Americas was more modest with sales to our independent customers proving harder work, although a strong performance from our own stores and direct sales demonstrated the robustness of the Hobby.

Overall, the growth in turnover through our own stores and through direct sales was 20%, and the growth in sales to independent retailers was 22%. The impact of currency fluctuations on our results was not significant.

Operations

The restructuring programme to simplify our manufacturing and supply activities was completed during the period. The supply of product to our stores and our customers ran smoothly throughout the Autumn, and we have therefore drawn a line under this programme, which has been completed on time and within the expected costs.

Dividend

We have increased the interim dividend by 10% to 4.15 pence per share. This will be paid on 26 April 2002 to shareholders on the register at 2 April 2002.

Share buy-back

In September 2001, we purchased 1.2 million shares in the open market for cancellation. We see this as part of a medium term programme and not a one-off exercise, as our continued cash generation has rendered our capital structure inefficient. The board will continue to keep the use of our cash resources under review.

Chairman's statement

Communications with shareholders

Following the launch of our investor relations website we are now offering shareholders the opportunity to receive all communications from the Company electronically.

Prospects

With all of our key markets moving ahead positively, the directors firmly believe the prospects for the business are very good.

T H F Kirby

Chairman and Chief Executive
29 January 2002

Turnover by geographical area of sales operation in local currency

United Kingdom	£15.3m	+28%
Continental Europe	€26.9m	+30%
The Americas	US\$24.2m	+6%
Asia Pacific	Aus\$8.1m	+23%

Consolidated profit and loss account

	Notes 1	Six months to 2 December 2001 £000	Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Turnover	2	51,562	42,748	92,634
Cost of sales	3	(17,209)	(14,761)	(31,879)
Gross profit		34,353	27,987	60,755
Net operating expenses	3	(28,303)	(23,807)	(51,377)
Operating profit		6,050	4,180	9,378
Continuing operations – pre-exceptional	3	6,050	4,884	11,235
Continuing operations – exceptional items	3	–	(704)	(1,857)
Interest receivable		128	140	483
Interest payable and similar charges		(140)	(232)	(496)
Profit on ordinary activities before taxation		6,038	4,088	9,365
Taxation on profit on ordinary activities	4	(2,204)	(1,574)	(3,609)
Profit on ordinary activities after taxation		3,834	2,514	5,756
Minority interests		–	–	–
Profit for the period		3,834	2,514	5,756
Dividends	5	(1,256)	(1,179)	(3,288)
Profit retained for the period		2,578	1,335	2,468
Pre-exceptional earnings per ordinary share	6	12.5p	9.7p	22.8p
Basic earnings per ordinary share	6	12.5p	8.0p	18.4p
Diluted earnings per ordinary share	6	12.2p	8.0p	18.2p
Dividend per ordinary share	5	4.15p	3.77p	10.54p

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

Consolidated statement of total recognised gains and losses

	Six months to 2 December 2001 £000	Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Profit for the period	3,834	2,514	5,756
Currency translation differences on foreign currency net investments	48	365	238
Total recognised gains and losses relating to the period	3,882	2,879	5,994

Consolidated balance sheet

	Notes 1	As at 2 December 2001 £000	Restated As at 26 November 2000 £000	As at 3 June 2001 £000
Fixed assets				
Goodwill		1,733	1,838	1,785
Tangible assets		15,184	15,211	14,897
Investments		343	122	455
		17,260	17,171	17,137
Current assets				
Stocks		11,227	10,743	9,233
Debtors		15,469	11,400	8,626
Cash at bank and in hand		4,398	4,519	9,090
		31,094	26,662	26,949
Creditors: amounts falling due within one year		(19,961)	(15,046)	(16,402)
		11,133	11,616	10,547
Total assets less current liabilities				
		28,393	28,787	27,684
Creditors: amounts falling due after more than one year		(3,000)	(3,109)	(20)
Provisions for liabilities and charges		(1,663)	(500)	(1,401)
		23,730	25,178	26,263
Capital and reserves				
Called up share capital	8	1,523	1,565	1,567
Capital redemption reserve	8	61	-	-
Other reserve	8	12	(495)	(418)
Profit and loss account	8	22,131	24,108	25,114
Equity shareholders' funds				
	7	23,727	25,178	26,263
Equity minority interests	8	3	-	-
		23,730	25,178	26,263
Total capital employed – all equity				

Consolidated cash flow statement

Notes	Six months to 2 December 2001 £000	Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Net cash inflow from operating activities	3,422	3,343	17,061
Returns on investments and servicing of finance			
Interest received	128	144	486
Interest paid	(127)	(227)	(495)
Interest paid on hire purchase contracts	(5)	(4)	(18)
Net cash outflow from returns on investments and servicing of finance	(4)	(87)	(27)
Taxation paid	(1,333)	(368)	(3,226)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(2,947)	(1,850)	(3,515)
Sale of tangible fixed assets	455	18	45
Purchase of own shares	(2)	-	(561)
Net cash outflow from capital expenditure and financial investment	(2,494)	(1,832)	(4,031)
Acquisitions			
Shares issued to minority interests	3	-	-
Net cash inflow from acquisitions	3	-	-
Equity dividends paid	(2,032)	(1,920)	(3,099)
Net cash (outflow)/inflow before financing	(2,438)	(864)	6,678
Financing			
Issue of ordinary share capital	447	-	79
Repayment of principal under hire purchase contracts	(92)	(36)	(86)
Increase in/(repayment of) medium term revolving credit facility	3,000	-	(3,000)
Own shares purchased/cancelled	(5,609)	-	-
Net cash outflow from financing	(2,254)	(36)	(3,007)
(Decrease)/increase in cash in the period	(4,692)	(900)	3,671

Reconciliation of operating profit to operating cash flow

	Six months to 2 December 2001 £000	Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Operating profit	6,050	4,180	9,378
Loss/(profit) on disposal on tangible fixed assets	23	(9)	21
Depreciation of tangible fixed assets	2,082	2,024	4,134
Amortisation of goodwill	52	53	106
Amortisation of own shares	114	-	228
Exchange movements	13	358	231
Increase in stocks	(1,994)	(1,721)	(211)
Increase in debtors	(6,792)	(4,073)	(847)
Increase in creditors	3,612	2,531	3,120
Increase in provisions	262	-	901
Net cash inflow from operating activities	3,422	3,343	17,061

Notes to the interim financial statements

1. Interim financial statements

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the 53 weeks ended 3 June 2001.

Copies of the interim financial statements will be sent to shareholders and are available to members of the public at the Company's registered office. The financial statements for the 53 weeks to 3 June 2001 are not full financial statements within the meaning of section 240 of the Companies Act 1985. Full financial statements for that year, incorporating an unqualified audit report, have been delivered to the Registrar of Companies. The interim financial statements for 2000 and 2001 are unaudited.

The balance sheet as at 26 November 2000 has been restated to reflect the prior year adjustment made in the financial statements for the 53 weeks ended 3 June 2001. This was to reflect the adoption of Financial Reporting Standard 19, Deferred Tax.

2. Turnover by geographical area of sales operation

	Six months to 2 December 2001 £000	Restated Six months 26 November 2000 £000	Restated Year to 3 June 2001 £000
United Kingdom	15,258	11,959	27,405
Continental Europe	16,648	12,629	28,242
The Americas	16,763	15,674	31,539
Asia Pacific	2,893	2,486	5,448
	51,562	42,748	92,634

As a result of a reorganisation within the United Kingdom sales operation the prior period numbers have been restated to include the Northern European operation within Continental Europe.

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

	Six months to 2 December 2001 £000	Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Cost of sales - continuing pre-exceptional	17,209	14,334	31,346
Continuing exceptional items	-	427	533
Cost of sales	17,209	14,761	31,879
Net operating expenses - continuing pre-exceptional	28,303	23,530	50,053
Continuing exceptional items	-	277	1,324
Net operating expenses	28,303	23,807	51,377
Operating profit - continuing pre-exceptional	6,050	4,884	11,235
Continuing exceptional items	-	(704)	(1,857)
Operating profit	6,050	4,180	9,378

4. Taxation on profit on ordinary activities

	Six months to 2 December 2001 £000	Restated Six months to 26 November 2000 £000	Year to 3 June 2001 £000
UK corporation tax	1,607	963	2,769
Overseas taxation	647	747	1,151
Origination and reversal of timing differences	(50)	(136)	(311)
	2,204	1,574	3,609
Taxation credits on exceptional items included above:			
Restructuring costs	-	(200)	(495)

5. Dividends

Interim ordinary dividend	1,256	1,179	1,179
Final ordinary dividend	-	-	2,109
	1,256	1,179	3,288

Notes to the interim financial statements

6. Earnings per ordinary share

The calculation of pre-exceptional earnings per ordinary share for the previous periods has been based on the profit for the period before the effect of the exceptional restructuring costs and tax credit thereon. This calculation has been included to enable a like for like comparison with other periods where no exceptional costs are charged.

The calculation of basic earnings per ordinary share is based on the profit for the period and the weighted average number of ordinary shares in issue throughout the relevant period.

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

	Six months to 2 December 2001	Six months to 26 November 2000	Year to 3 June 2001
Weighted average number of shares:			
For basic earnings per ordinary share	30,720,163	31,272,287	31,276,803
Dilution effect of share options	748,964	223,052	384,302
For diluted earnings per ordinary share	31,469,127	31,495,339	31,661,105

7. Reconciliation of movements in shareholders' funds

	Six months to 2 December 2001 £000	Restated Six months to 26 November 2000 £000	Year to 3 June 2001 £000
Profit for the period	3,834	2,514	5,756
Dividends	(1,256)	(1,179)	(3,288)
	2,578	1,335	2,468
Issue of new share capital	447	-	79
Own shares purchased/cancelled	(5,609)	-	-
Other recognised gains and losses	48	365	238
Opening shareholders' funds	26,263	23,478	23,478
Closing shareholders' funds	23,727	25,178	26,263

8. Capital, reserves and equity minority interests

	Called up share capital £000	Capital redemption reserve £000	Other reserve £000	Profit and loss account £000	Equity shareholders' funds £000	Equity minority interests £000
As at 4 June 2001	1,567	-	(418)	25,114	26,263	-
Exchange adjustments	-	-	-	48	48	-
Profit retained for the period	-	-	-	2,578	2,578	-
Shares issued to minority interests	-	-	-	-	-	3
Share of minority loss for the period	-	-	-	-	-	(334)
Provision against minority loss	-	-	-	-	-	334
Issue of ordinary share capital	17	-	430	-	447	-
Own shares purchased/cancelled	(61)	61	-	(5,609)	(5,609)	-
As at 2 December 2001	1,523	61	12	22,131	23,727	3

9. Analysis of net funds

	As at 3 June 2001 £000	Cash flow £000	As at 2 December 2001 £000
Cash at bank and in hand	9,090	(4,692)	4,398
Debt due after one year	-	(3,000)	(3,000)
Hire purchase agreements	(132)	92	(40)
Net funds	8,958	(7,600)	1,358