

FINANCIAL HIGHLIGHTS

	2003	2002
Turnover	£129.1m	£108.6m
Operating profit	£17.5m	£13.5m
Pre-tax profit	£17.5m	£13.5m
Year end net funds	£11.7m	£6.6m
Earnings per share	37.0p	28.2p
Dividend per share	17.0p	13.0p

- Turnover at £129.1m (2002: £108.6m) up £20.5m
- Sales growth in all territories in constant currency terms
- Operating profit at £17.5m (2002: £13.5m) up £4.0m
- Earnings per share of 37.0p (2002: 28.2p) up 8.8p
- Dividend per share of 17.0p (2002: 13.0p) up 4.0p

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CHAIRMAN'S PREAMBLE

Niche markets

Last year I wrote about how our business works. That piece is reprinted at appendix 1 to this annual report. This 'niche markets' section is a précis of it.

In any business there is a model (how the business works) and a story (why it works that way). Games Workshop is a business that designs, manufactures, distributes and sells everything an enthusiast needs to play tabletop wargames in the fantasy world of Warhammer.

In short the model is that of a niche business and the story is that it appeals to a relatively small number of people devoted to the Games Workshop Hobby.

Niche businesses have natural strengths . . . :

- They are naturally protected from macro economic factors
- Their customers are dedicated and loyal
- They are relatively price insensitive

. . . and consequences:

- They demand high quality products and services
- They need focus and specialisation for success

As a Group we understand niche markets, providing excellent products and service to devoted gamers. That is what we are good at, and that will continue to be our obsession.

Marketing and advertising

The business model all our businesses follow is that of the niche marketer. Niches have some wonderful natural advantages. They are largely protected from macro economic factors, their customers are dedicated and loyal, and price isn't the number one consideration. To retain those advantages it is vital to have high quality products and services, and vital that the business should keep its focus and specialisation. The tabletop fantasy wargames niche that we have built at Games Workshop over the years has these advantages, and we do work very hard to provide the right products, the right services and to retain management's focus on our specialised offer.

Just as a niche marketer knows that quality is more important than price, and that respect for the customer is paramount, it also knows that mass-market advertising is expensive and ineffective compared to the power of word of mouth.

I think it is worthwhile going over our advertising policy as it offers some interesting insights to the nature of our businesses.

We have a simple rule of thumb: no advertising.

Rules of thumb are best if they are short, unequivocal, and absolute. That means they are usually broken all the time. In that time honoured tradition this is a rule we break all the time, but never, I hope, in spirit. So why do we have the rule, why do we break the rule, and why don't I care (much)?

We have the rule because there is a common assumption in business life that if you want people to know what you are doing you advertise. In our business, as in other niche businesses, the best way for us to get known is by word of mouth. Nothing is more likely to generate interest than the recommendation of a friend. So our prime advertising task is to generate as many enthusiasts for our products and services as we can. We do that by providing the right products and services in as many places as we can, and we do that by opening more Games Workshop Hobby stores and by encouraging more independent retailers to carry our lines properly. We need to be out there to talk to people to see if our hobby is the one they are interested in. In that sense the staff in our Hobby stores and in our retail partners are our advertising. In turn that means our Hobby stores and our independent retail partners - particularly the better ones - are our marketing.

The question this model begs is: wouldn't it work even better if you got more people in your Hobby stores by mass advertising? I have to agree that mass advertising would get more people in our Hobby stores. But simply having more people wouldn't do us any good. We are not selling ice cream, we are encouraging those predisposed to do so to love the hobby of collecting, painting and wargaming with fantasy themed miniatures. Each person that comes in has to be introduced to what we do. We are already busy at peak times doing that, we certainly don't need hundreds more casually interested people clogging up the system. What we do need is more places to introduce people to the Hobby. So we open more Hobby stores and try to work with more independent retailers.

Word of mouth is a wonderful way to market. It is extremely effective and it is free. We simply do not need to spend the huge sums required to advertise.

We break the rule about not advertising in two ways. Firstly, as we distinguish between mass advertising aimed at the public at large and local promotional advertising to announce the opening of a new Hobby store, or club, or event. Secondly, we occasionally get involved with organisations whose business is geared around a mass advertising model to market their own products. We are quite happy to ride along with the upswing in business which that may bring. But we are forever vigilant. Such upswings may bring about a step change in the way our business in that territory operates or they may be a cruel bubble that will burst the minute the advertisements cease. A good example of this is DeAgostini, our licensee, producing a serialised gaming supplement based upon our Lord of the Rings tabletop battle game. It's never possible to tell until too late which of the two phenomena is occurring. On the whole we have, in the past, been able to keep most of the upside. (We are all touching wood hoping the same is true of the surge we have had in the UK business this second half.)

I said at the beginning of this statement that I didn't care (much) that we break our 'no advertising' rule. Now you can see why: either we break it for sensible small scale promotional activities or we only apparently break it. All the times you have seen the words Games Workshop in the recent TV advertisements someone else has been paying for them. Nevertheless I do care a bit - and that care is a function of the focus and specialisation we must bring to what we do. We at Games Workshop must all in our hearts hate mass advertising so we are never tempted into the destructive downward spiral a dependence upon it would bring.

Our business model is robust and well proven over time. To attract more customers we must open more Hobby stores, work with more good independent partners; then we must provide customers with an experience they will enjoy for life. So far we have been successful in this: we aim to continue.

Shareholders

It has been my pleasure over the years as a director of Games Workshop to meet an astonishingly wide variety of individuals and institutions that either own shares or are interested in owning shares. The variety is not limited to their personalities but includes their reasons for wanting our shares. Those reasons, if they lead them to buy shares, affect their attitude to how we run this company. Let me tell you what that attitude is.

We are running this business for the very long-term. (I use the term 'we' carefully; I am now speaking on behalf of the entire management team.) We expect it to be there so it can pay into our children's pensions. We will never do anything in order to improve our share price that is not in the long-term interests of the business. Not only do we believe this is the best way to build a business, we also believe it is the best way to enhance shareholder value over time.

Shareholders who want to buy shares that grow in value over time are true investors, they truly think like owners. Those who are seeking sudden, rapid increases in share price so they can realise a quick gain are gamblers. They are taking bets on our company. I think you will guess that we sympathise with our owners.

When I am asked about the future value of the shares I always explain that we believe this business can continue to deliver linear sales and profit growth (not compound, for that way madness lies). Over time I expect the share price to reflect fairly the value of the business we are building. More than that I cannot say. I don't have a crystal ball.

CHAIRMAN'S PREAMBLE continued

Our owners, quite rightly, ask from time to time what we intend to do with their cash. All the cash we generate belongs to our shareholders. Our attitude to that cash is as owners. Simply put: if we can't use it to generate better returns than the average over the long-term then we should hand it over. As it happens most years we generate more cash than is needed for the sensible investment in the business and the payment of the dividends. In those years we plan to return that money to our owners by buying back our shares. We believe it is the best way of returning the value to those shareholders who act like owners. Obviously as this is a policy designed to return owners' money to them it will never include borrowing to buy back shares.

To decide whether we are good custodians of your money I think it is useful to look at the chart on page 12 which shows the returns we are earning on the investments we are making on your behalf.

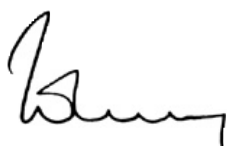
Non-executive directors

I have learnt over the years just how valuable good non-executive directors (NEDs) can be. We are very lucky here to have three excellent NEDs, all of whom work very hard on your behalf. Chris Myatt is our senior NED. An accountant by training, a businessman by experience, he is a practical man by nature. Chris chairs our business committee in which the detailed performance of the business is raked over each month, and our remuneration and nomination committee. He never lets a detail go unexplained, and if I find that irritating from time to time you should find it very comforting. Alan Stewart was a senior merchant banker and more recently has been a very successful CEO of Thomas Cook. He chairs our audit committee. He is keenly (even aggressively) interested in ensuring shareowners get their due. Nick Donaldson is a senior corporate financier. A barrister by training he brings his forensic skills to chairing our city committee. This committee monitors the Company's interaction with the investment community. It also checks every word that the executives release to the world, in our half year and full year statements and at other times.

What impresses me most about these people, and what should give you great comfort, is their independence of mind. This is something all NEDs should have, but no list of rules will ever guarantee it.

The Games Workshop community

At last year's AGM we had a very welcome attendee. Laurie Stewart, president of the Gaming Club Network in the UK, is one of the very many unsung heroes of the Games Workshop community. Every day unpaid volunteers run clubs and organise events for the benefit of gamers. Without these people our community of enthusiastic gamers would be very much the poorer. I like to think the relationship is mutually beneficial, but nevertheless I tip my hat to these heroes and I trust that all Games Workshop's shareholders will join me in a heart felt thank you.



Tom Kirby

Chairman and Chief Executive

OPERATING REVIEW

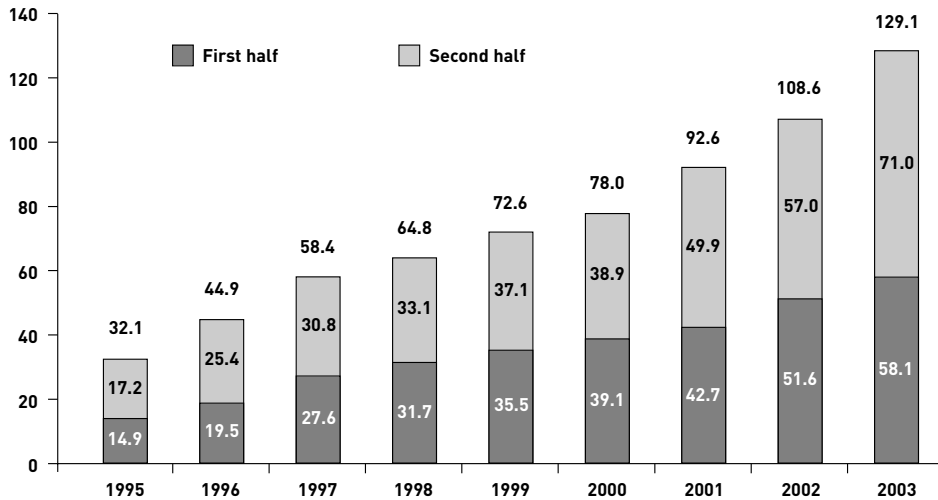
Summary of results

We have enjoyed another year of strong sales growth (+£20.5m) which we have successfully converted into cash (operating cash flow +£1.2m) and operating profit (+£4m).

Sales

Sales growth is a consistent feature of the Games Workshop Group story as the following chart demonstrates:

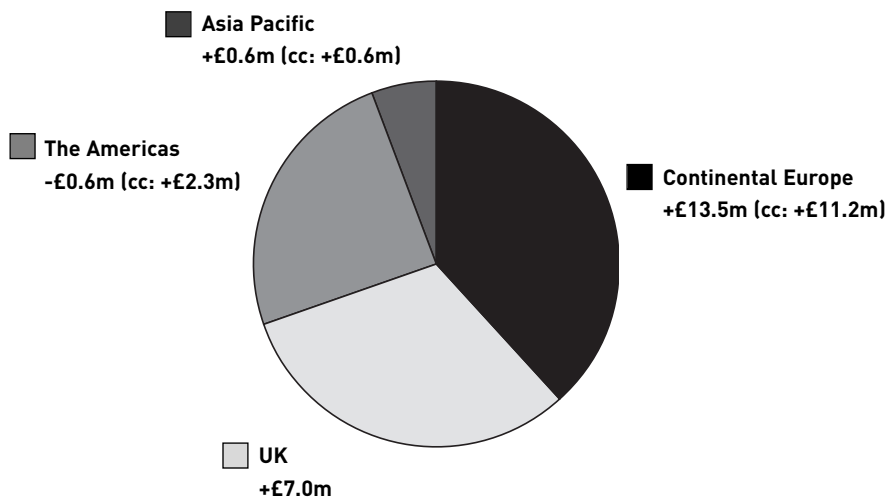
Total sales - £m



Sales in constant currency terms have grown in all key territories, with particularly impressive growth in Continental Europe and the UK.

Sales by territory

cc - constant currency*



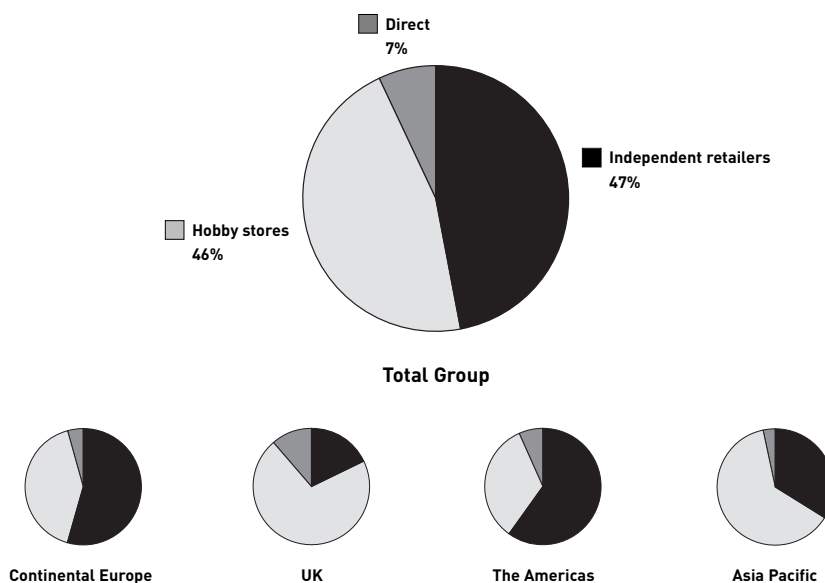
* Constant currency growth is calculated by comparing sales in the underlying currencies for 2002 and 2003, both converted at the 2002 average exchange rates as set out on page 13.

OPERATING REVIEW *continued*

In 2002/3 sales made through our own Games Workshop Hobby stores made up 46% of turnover, as our store opening programme gained momentum. We opened 28 stores during the year taking our total to 278 at the end of May 2003. The rest of our sales were made through independent retailers (47%) and direct, through the internet and mail order (7%).

The balance of sales made through the different channels varies between our various sales businesses: sales in the UK and Asia Pacific are dominated by Games Workshop Hobby stores; sales to independent retailers represent a larger part of our businesses in the Americas and Continental Europe.

Sales by channel



Continental Europe

We have five autonomous sales businesses in Continental Europe, responsible for developing the Games Workshop Hobby in France, Spain, Germany, Northern Europe and Italy. We now have 81 Games Workshop Hobby stores, up from 69 last year. Each of these businesses enjoyed strong growth during the year. The Italian sales business, which is the smallest of these units, is in the process of relocating its sales function from Nottingham to Rome. While this will incur higher costs in the short-term, this move is necessary to enable the business to develop the Games Workshop Hobby properly in Italy.

UK

We have 116 Games Workshop Hobby stores in the UK, and this business has enjoyed a remarkably successful year. For the eight months to February 2003 the business achieved sales and profit growth well ahead of inflation, which confirmed that we are able further to develop this, the market in which our brands and products are best known. Then DeAgostini, a third party business which had been granted a licence by the Games Workshop Group to produce a serialised gaming supplement based upon our Lord of the Rings tabletop battle game, launched its 'Battle Games in Middle Earth' product in the UK. This product, which is sold through traditional magazine and newsstand distribution channels, was heavily TV advertised in the UK. Until then, sales of our Lord of the Rings tabletop battle games in the UK had accounted for less than 10% of sales, as in all of our other territories. However, from the launch in February onwards, we enjoyed an unexpected increase in sales in the UK, particularly of the Lord of the Rings products, which represented over 10% of UK sales during the last quarter of the financial year. We believe that this increase is due, at least in part, to the DeAgostini product launch and we therefore believe that an element of these sales could represent a 'bubble' effect which may not be sustainable in the future. While the UK management team has put measures in place to support and help the new entrants which this phenomenon may have introduced to the Hobby, we are monitoring developments closely.

The Americas

We believe that the American market, which for us at present comprises the USA and Canada, represents a great growth opportunity for Games Workshop. We are therefore investing in that opportunity in three ways:

- During the year we opened 12 new Games Workshop Hobby stores, taking the total to 54
- We have begun the regionalisation of our US sales effort, establishing regional sales offices in the North East (Baltimore) and the West (Los Angeles) during the year, with the Mid West (Chicago) and the South (Memphis) opening early in the new financial year
- To support this sales effort, we have built a new supply facility in Memphis, which began operations in June 2003

We believe that these ongoing investments will ensure that we have the necessary infrastructure to grow this business significantly in the future.

During the year our sales to independent retailers and our direct sales in North America were sluggish, however, we continued to enjoy like for like growth in our Games Workshop Hobby stores. This continues to give us confidence in the long-term potential for this business, and in our investment programme.

Asia Pacific

We opened four Games Workshop Hobby stores during the year, taking our total to 27. While this business mainly comprises Australia and New Zealand, we also have two Games Workshop Hobby stores in Hong Kong and we opened one in Singapore during the year.

Manufacturing and supply chain

Our vertically integrated design, manufacturing and distribution supply chain has continued to operate smoothly during the year, responding very positively to the significant increase in demand placed upon it by our sales growth. To ensure that it can meet future demand, a major new facility has been built in Memphis, Tennessee which will support both the North American and Asia Pacific markets. This facility has opened in June 2003 as a warehouse and distribution centre, and we expect to develop it into a manufacturing facility over the next 12 months.

Warhammer Online

This venture, owned 71.25% by Games Workshop Group, was established to create a massively multiplayer online computer game set in the Warhammer world. Along with our partner, the UK computer games developer Climax Development Limited, we have progressed this project towards the beta testing phase of the game, due to begin in January 2004. During the year we have also established commercial relationships with the various third parties required to market, distribute and operate an online game. In particular we have recently announced that Sega will be our marketing and distribution partner, ensuring that the launch of the game into the traditional computer game channels will be handled by a large computer games publisher. Overall progress on this project remains in line with our original plans regarding both cost and timescale. Development costs of £1.7m were expensed in 2002/3.

Sabertooth Games, Inc

In the second half of the 2001/2 financial year Games Workshop Group acquired an 85% shareholding in Sabertooth Games, Inc, a start-up collectible card game business based in Seattle in the USA. During the year this business focussed much of its efforts on the launch in March 2003 of WarCry, its second game set in the Warhammer universe. It made sales of £1.0m during the year. For this niche, fantasy card game publisher to be successful it needs to establish a regular flow of monthly product releases and this in turn requires it to establish access to a portfolio of intellectual properties. Over the next year we expect Sabertooth to continue to publish games based upon the Warhammer and Warhammer 40,000 worlds, but also to expand to some third party properties. For example, it has recently signed a licence with Sony to produce games based upon the EverQuest property.

OPERATING REVIEW *continued*

BL Publishing

This is our publishing business, which has grown up within the Games Workshop Group publishing novels, comics and magazines based in the Warhammer and Warhammer 40,000 universes. In the year, this business made sales of some £1.6m. BL Publishing has recently entered into various third party licensing arrangements to publish novels and other related products based upon other fantasy, science fiction and horror properties. We believe that this business can build a small but profitable niche publishing portfolio, applying its existing skills and infrastructure to a broader base of intellectual property. In addition, it is a powerful enhancer and developer of existing Games Workshop Group intellectual property.

Other activities

We have granted a licence to THQ Inc, the US based computer games publisher, to develop several PC and console games based upon Warhammer 40,000 imagery. The first of these games will be Fire Warrior, a first person shooter game which is due to be launched in September 2003. We expect this game to begin to generate royalty income once launched. We continue to explore potential new avenues to create royalty income.

Management team

Management development is still high up on my personal agenda. I find it hard to improve on the words I used last year. "These results have been delivered by a management team which has grown enormously in stature in recent years. The team has to work co-operatively across cultural and national boundaries to achieve both individual and corporate goals. This is inherently difficult and we don't get it right all of the time, but what we do now have is a blend of internally developed expertise and recruited experience which gets it right more often than not." Just as we plan for the long-term, we recruit for the long-term. This means that we are looking for people who understand what we do for a living. It's surprising how unusual this attitude is.

Workforce

Good management is essential in a good company, but so is a high quality workforce. We are blessed with a high quality workforce. Once I would be able to talk to every person in Games Workshop and thank them personally. Sadly, thanks to our success and the growth of the workforce, I am no longer able to do so. I would like therefore to use this annual report to send a heart felt thank you to all staff and I trust shareholders will join me.

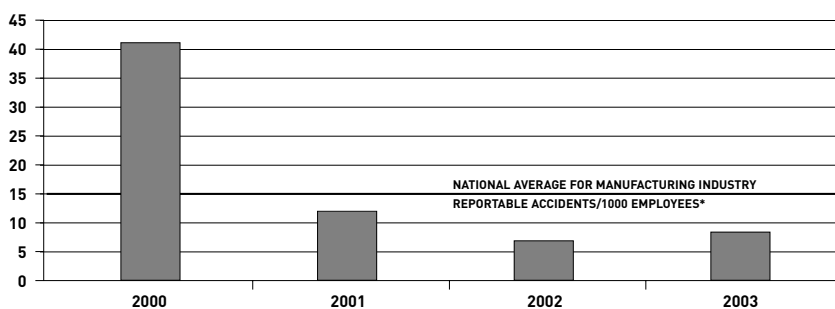
Health and safety

The Group's policy is to achieve and maintain high standards of health and safety. We believe this to be a key part of good business management.

The chairman and chief executive has overall responsibility for health and safety matters across the Group, however the day to day execution of this responsibility is embedded into the roles of the general managers and line managers in each business area. Health and safety developments, initiatives and best practices are co-ordinated by the corporate social responsibility (CSR) group, which is chaired by the finance director and includes the general managers of both the supply chain and the UK sales business.

We track the number of reportable accidents by business area, and the following table indicates the progress we are making in our manufacturing activities, which we have assessed as the area of highest risk in our operations:

Reportable accidents/1000 employees – Manufacturing



* Source: Page 36 of the Office for National Statistics, Health and Safety Statistics for 2000/01

Risk assessments are reviewed annually, or when a change to a process or to an item of machinery is made. In our manufacturing and supply activities, compliance audits of our policy and practices have been carried out annually, or more frequently if a new process has been introduced. The audit process is now being included in the job descriptions of line managers to further embed health and safety into the day to day activities of the business.

To enhance further health and safety at all sites, extensive training programmes are being undertaken ranging from induction improvements through cell leader training to senior management responsibilities training.

Environmental performance

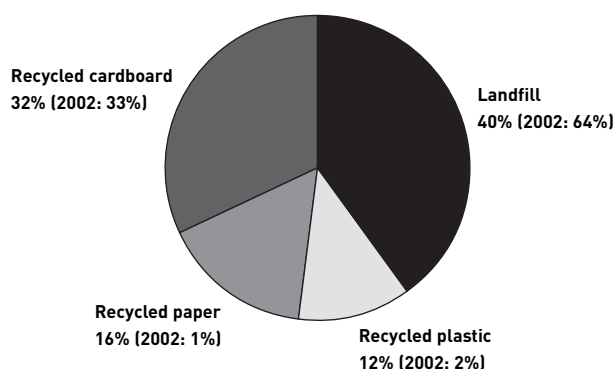
The Group aims to manage its operations in ways which are environmentally sustainable and economically feasible, and to minimise the negative impact of its activities on the environment. In particular we focus on waste management, energy use, packaging and recycling.

The chairman and chief executive has overall responsibility for environmental matters across the Group, however the day to day execution of this responsibility is embedded in the supply chain. Environmental developments, initiatives and best practices are co-ordinated by the CSR group.

Recycling

During the year we have made significant progress on the reduction of landfill and the increase of recycling of waste, particularly of paper and plastic, as set out below:

UK Waste Management 2003



We have begun a life cycle analysis to ensure that we can assess the impact of our products on the environment and upon energy consumption. We continue to explore ways of reducing the amount of waste which our products generate for the end consumers by reducing runners on plastic sprues, re-using trays and ensuring full boxes are despatched from our warehousing facilities, with investigations continuing into packaging and new product development.

In our manufacturing and supply activities, compliance audits of our policies and practices have been carried out annually, or more frequently if a new process has been introduced. These audits have been performed following the ISO 14001 standard.

We have continued to work in co-operation with environmental lobby groups and non-governmental organisations, including Friends of the Earth and EIRIS, to assist in data compilation and transparent public environmental reporting with a view to incorporating ethical values into our manufacturing principles.

OPERATING REVIEW continued

Risks facing our business

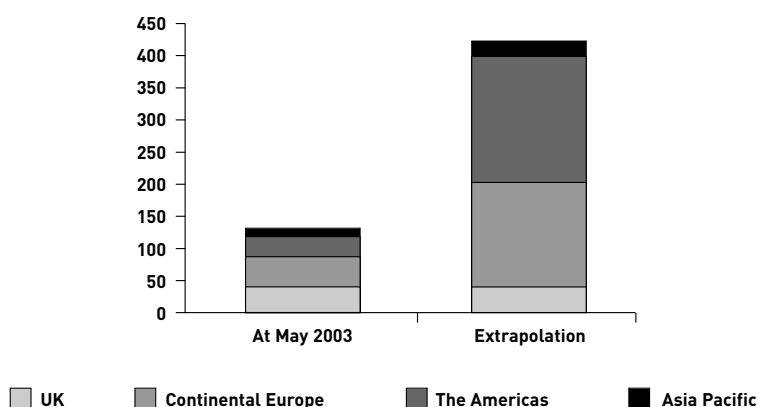
Shareholders should take great comfort from the portfolio of businesses we run, and the different routes to market that exist within each. This means none of our business customers is individually significant and we enjoy a degree of natural hedging in our currency exposures.

The main source of risk remains management error. This is why management development is so important.

Future prospects

We believe that Games Workshop Group can continue to deliver linear growth in sales and profits. As an indication of the potential of the Games Workshop business, the chart below shows what our worldwide sales would be if all the countries in which we already operate sold the same volumes per head of population as the UK did at May 2003.

Extrapolated sales - £m



This is not a sales forecast but a rough indication of what the future potential for Games Workshop might be.

The directors believe the prospects for the business remain very good.

Tom Kirby

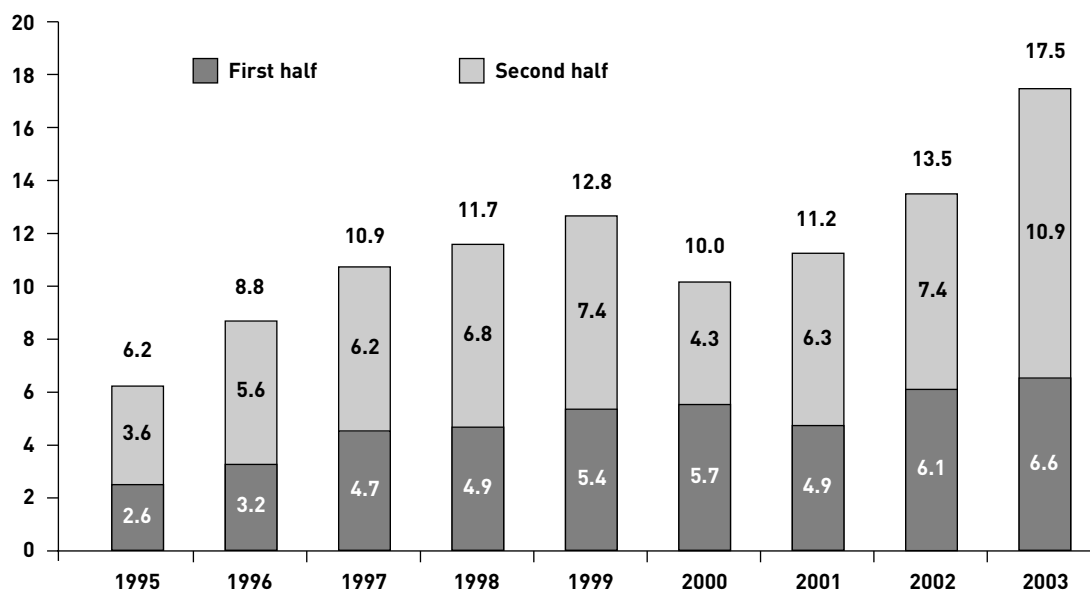
Chairman and Chief Executive

FINANCIAL REVIEW

Profits

The profits earned by the business, split by half year, are as follows:

Operating profit (pre-exceptional) - £m



December falls into the second half of the year, and in the past this has resulted in a first half to second half profit ratio of around 44:56. However, this year the unexpected sales increase in the UK, and the weakening of sterling against the euro resulting in currency gains on the conversion of our euro earnings (see below), have both boosted our second half profits.

Cash generation

The Group's operating activities generated £23.2m (2002: £22.0m) of cash during the year, and after capital expenditure of £8.2m we had net cash at the year end of £11.7m. We chose to build year end stocks, which were £3.2m higher than last year, ahead of the transfer of our US distribution activities to the new Memphis facility in June 2003. Our capital expenditure was spent on the following asset categories:

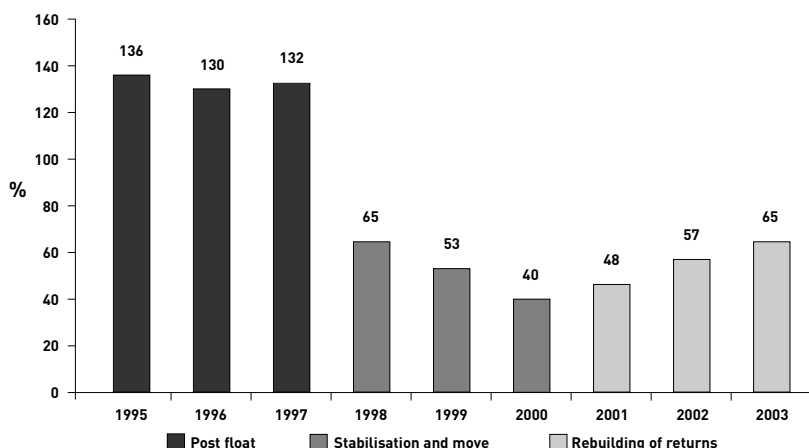
	2003	2002
	£m	£m
Shop fits for new and existing stores	2.5	1.5
Production equipment and tooling	2.3	1.9
Computer equipment and software	2.4	1.2
Office facilities	1.0	0.8
	<hr/>	<hr/>
	8.2	5.4
	<hr/>	<hr/>

We expect to maintain our capital expenditure well ahead of depreciation over the next few years, as we continue to invest in the infrastructure of the business to underpin its growth. In particular we will be developing the new supply chain facility in Memphis to support our North American business, and we expect to invest further to develop our core site in Nottingham.

FINANCIAL REVIEW continued

Return on average capital employed (ROACE)*

The business makes relatively high returns on its capital employed. These have been consistently improving over recent years as set out in the chart below:



During the 'post float' period the business was relatively under-capitalised and the cost base was running very lean. The period of 'stabilisation and move' saw the consolidation of the Group's activities into the Lenton site in Nottingham and the investment in that site. The last three years have seen the rebuilding of returns. At the low point of this progression, the return was still in excess of three times our cost of capital. We currently estimate this to be 9%.

Our planned investment in manufacturing and property assets is likely to reduce these returns over the next three years. However, we still expect them to remain well in excess of the Group's cost of capital.

Taxation

The effective rate of tax for the year is 37.1% (2002: 36.5%). The increase in the rate this year is due to tax losses in subsidiaries not being recognised. This is likely to persist in the current year after which we expect the rate to return to our normal levels of recent years.

Dividend

Having established our dividend cover at a prudent level of 2.2 times we expect to maintain a progressive dividend policy based principally on the growth in the Company's earnings per share.

Warhammer Online Limited

Games Workshop Group owns 71.25% of the ordinary shares in this subsidiary company, and there is a put and call option in place, with an agreed valuation methodology, whereby Games Workshop Group may acquire the remaining shares not before June 2006, at a price which will be consistent with the value to the Group of the additional shares at that time.

Games Workshop Group's accounting policy is to write off 100% of the development costs in respect of this project until the relationship between that expenditure and the revenue of a future period can be established with reasonable certainty. We will continue to review this policy as we approach the commercial launch of the project.

Sabertooth Games, Inc

Games Workshop Group owns 85% of the share capital of this subsidiary company. The remaining 15% was retained by management, with a put option in place, with an agreed valuation methodology, whereby Games Workshop Group may be required to purchase the remaining holding not before June 2005, at a price which will be consistent with the value to the Group of the additional shares at that time.

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

Currency exposures

During the year sterling weakened against the euro and strengthened against the US dollar. The principal exchange rates used to translate our earnings and our balance sheet are as follows:

	euro		US dollar	
	2003	2002	2003	2002
Year end rate used for the balance sheet	1.39	1.57	1.64	1.46
Average rate used for earnings	1.52	1.62	1.58	1.44

The net impact of these fluctuations at the half year was slightly favourable to our earnings when converted into sterling, however this impact was accentuated during the second half of the year as the movement of sterling against the euro was stronger. The net impact of both transaction and translation differences compared to the actual exchange rates used last year amounts to £1.1m (favourable).

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

Share based commitments

Under a 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 90% of the anticipated liability. The final three year performance period for this scheme ended on 1 June 2003 and the share options will be exercisable in June 2005. In the past the Company has issued various executive share options and the details of the options outstanding are set out in note 22 on page 45 of this annual report. There have been no significant grants under these executive schemes since August 2000. It is now our intention only to operate sharesave schemes which are made available on equal terms to all our staff.

Share buy-back programme

Having considered the potential uses of our surplus cash, we commenced a programme of share buy-backs in 2001. During the year we purchased 100,000 shares in the market, equivalent to 0.3% of the shares in issue at the beginning of the year. We intend to continue with this programme, but we will remain mindful of the capital requirements of the business and the risks associated with debt.

Bank facilities

We have a four year unsecured revolving credit facility of £5m, and a working capital facility of £5m, both of which 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 4.75% during the year.

Communication with shareholders

Our investor relations web site at <http://investor.games-workshop.com> is updated regularly with all of our external communications, including the presentations which we use to brief our institutional shareholders. We offer our shareholders the opportunity to receive all communications from the Company electronically. Information on how to sign up is available on the web site.

We also offer investors the chance automatically to reinvest their cash dividends in the Company's shares. The dividend reinvestment plan is a simple and economic way to increase holdings and is administered by Lloyds TSB Registrars.

Michael Sherwin

Finance Director

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 1 June 2003. A review of the business is given on pages 5 to 13.

Principal activities

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

Dividend

The directors recommend a final dividend of 12.5 pence per share to be paid on 31 October 2003 to ordinary shareholders on the register at close of business on 10 October 2003.

Acquisition of own shares

The Company purchased 100,000 of its own ordinary shares on 2 October 2002 for a consideration of £435,000. This represents 0.3% of the Company's share capital as at the start of the year.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 15 July 2003 have been disclosed to the Company:

	No. of ordinary shares	Percentage
Schroder Investment Management Limited	5,992,788	19.9
Fidelity International Limited	3,716,057	12.4
Henderson Investors Limited	2,339,693	7.8
Barclays Global Investors Limited	1,574,180	5.2
Standard Life Investments Limited	1,207,229	4.0
Legal & General Group Plc	896,880	3.0

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 23.

Directors

The present directors of the Company are listed on page 26. All of the directors were members of the board throughout the year. A J H Stewart and T H F Kirby are retiring by rotation and being eligible, offer themselves for re-election.

Directors' interests

The interests of the directors in the shares of the Company are disclosed in the remuneration report on pages 23 and 24, 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 53). 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 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. He is also Visiting Professor of Business and Management to the Derbyshire Business School at the University of Derby.

M Sherwin (age 44), Finance Director. Prior to joining Games Workshop in June 1999, 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 59). Chris Myatt is the senior non-executive director, joining the board on 18 April 1996. He is chairman of Glamorgan Aluminium Company Limited and Palgrave Brown Holdings Limited and a non-executive director of SRS Holdings Limited, Ying Tai (UK) Limited and Glamalco Limited. He was formerly a divisional managing director within Tarmac PLC.

A J H Stewart (age 43). Alan Stewart joined the board as a non-executive director on 12 September 1996. Alan was an executive director of Thomas Cook AG and chief executive of Thomas Cook UK Limited until earlier this year. He was previously an executive director with HSBC Investment Bank and is a qualified chartered accountant.

N J Donaldson (age 49). Nick Donaldson was appointed to the board on 18 April 2002. Nick, a barrister by profession, is head of corporate finance at Arbutnot Securities Limited (formerly Old Mutual Securities Limited). He has spent the majority of his career to date in investment banking, and has previously held senior positions at Robert W Baird Limited and at Credit Lyonnais Securities.

Donations

The Group encourages staff to raise money for children's charities by providing time and resources. During this financial year, staff in several of our businesses raised money for good causes through sponsored events. Games Workshop helped them to realise their fundraising targets by matching the sponsorship monies raised. This matching cost for the Group was £1,000 during the year. In addition to staff fundraising, gifts in kind have been donated to a number of charities. The Group made no contributions for political purposes.

Employees

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

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:

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

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 39 days (2002: 44 days).

DIRECTORS' REPORT continued

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 7, to give the directors authority to allot relevant securities up to an aggregate nominal amount of £501,161 (representing one third of the Company's current issued share capital). The directors have no present intention of exercising this authority. Resolution 8 authorises 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 £75,174 (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 expires at the conclusion of the next annual general meeting of the Company. Resolution 9 renews this authority for up to a maximum of 4,480,384 ordinary shares (representing 14.9% of the Company's current issued share capital). The directors' intentions regarding exercising this authority are set out in the chairman's preamble on page 4.

Auditors

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the Company's auditors and have signed the financial statements in that capacity. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the financial statements have been signed in the name of Deloitte & Touche, resolution 5 for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming annual general meeting.

By order of the board

M Sherwin

Secretary
28 July 2003

CORPORATE GOVERNANCE

The Company has complied throughout the year with the provisions set out in section 1 of the Combined Code with the following exceptions:

Provision A.6.1 of the Combined 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.

Provision C.2.3 requires that the chairman of the audit committee attends the annual general meeting, however, A J H Stewart was not able to attend the meeting on 19 September 2002 but the other members of the audit committee were in attendance to answer shareholders' questions.

In accordance with paragraph 12.43A of the Listing Rules there is set out below and, in connection with directors' remuneration, in the remuneration report, 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 on a monthly basis. 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 or 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 directors' 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 monthly 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 three times 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 (including internal audit), the findings of the external auditors and 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

CORPORATE GOVERNANCE continued

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 N J Donaldson. It meets not less than twice a year and is responsible for corporate governance, investor relations, city presentations and liaison with city advisers.

The 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 operational performance, financial reports and the planning and forecasting processes.

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.

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 of the Company will declare the number of proxy votes received both for and against each resolution.

Internal control

Detailed reviews of the performance of the Group's main business activities are included in the operating review and the financial review. The board presents these reviews, together with the directors' report on pages 14 to 16 to give a balanced and understandable assessment of the Company's position and prospects.

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. Steps are also being taken to embed internal control in the business processes of the Group.

The effectiveness of the Group's system of internal control is continuously reviewed by the board. The review covers all controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the 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.

The Group has continued its programme of internal audit reviews during the year. The audit committee agrees an annual internal audit plan, focussing on business specific issues. Elements of this programme are outsourced to external advisers. 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
28 July 2003

REMUNERATION REPORT

Remuneration committee

The committee is composed solely of independent non-executive directors being C J Myatt (chairman), A J H Stewart and N J Donaldson. T H F Kirby and M Sherwin present proposals as and when required and attend meetings at the committee's request. No external advisers are currently used by the remuneration committee.

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.

Non-executive directors

The remuneration of all non-executive directors is reviewed on an annual basis by the executive directors. A recommendation is made to the board which determines any increase in their remuneration. The non-executive directors are only entitled to fees and do not participate in any of the Company's bonus, pension or share schemes. Non-executive directors do not have service contracts.

Executive directors

The overall policy for executive directors is set out below:

- a. the remuneration of executive directors (consisting of basic salary, pension benefits and benefits in kind) will be competitive with those of other comparable organisations so as to attract and retain high calibre individuals with the relevant experience;
- b. part of the remuneration will be based on the financial performance of the Group using predetermined targets so as to motivate and reward successful business performance which is in the interest of shareholders;
- c. personal reviews of the executive directors will be carried out annually to assess their performance in meeting individual objectives.

The fixed and variable related components of the remuneration packages for executive directors are as follows:

- a. basic salary, including benefits and pension contributions (fixed)
- b. performance related bonus (variable)

There are no plans to change this policy.

Salaries

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

Bonuses – from 2 June 2003

In order to reward the executive directors for enhancing value to shareholders, the remuneration committee believes that a significant proportion of the remuneration package should be clearly linked to the Group's performance. This will be in the form of an annual cash bonus which may be earned at up to 100% of salary for T H F Kirby and 50% of salary for M Sherwin. The performance conditions will be based on earnings per share growth as well as individual performance targets.

Bonuses – year to 1 June 2003

Following the appointment of T H F Kirby as chairman and chief executive in September 2000, the following bonus scheme was implemented to secure his services in an executive capacity and to provide the type of

leadership that the Group needed at this pivotal time in its development.

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").

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. 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. This performance condition has been met in full. The EPS Bonus will be payable within 30 days of 29 July 2003 and 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 29 July 2003 ("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 123 pence, 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.

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 T H F 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.

The benefits under this bonus arrangement are not pensionable. No amendment to the advantage of T H F 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 T H F Kirby or the Company or any of its subsidiaries).

During the year, M Sherwin participated in an annual bonus scheme related to growth in earnings per share (maximum bonus required growth of 15%) and individual performance targets (specific and measurable objectives set by the remuneration committee), up to a maximum of 50% of salary.

Benefits in kind

Each executive director is provided with fuel, private medical insurance and permanent health insurance.

Share option schemes

Executive directors will only be able to participate in the sharesave scheme which is available to all employees. There are no performance conditions relating to sharesave share options. It is envisaged that no future awards will be made to the executive directors under the executive share option schemes or long-term share incentive plan.

Service contracts

Each of the executive directors has a service agreement which is capable of termination by either party on

REMUNERATION REPORT *continued*

giving twelve months' notice. If the Company gives notice then the Company reserves the right to pay salary in lieu of notice. The contract is silent regarding the payment that may be due in the event of early termination by the Company.

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

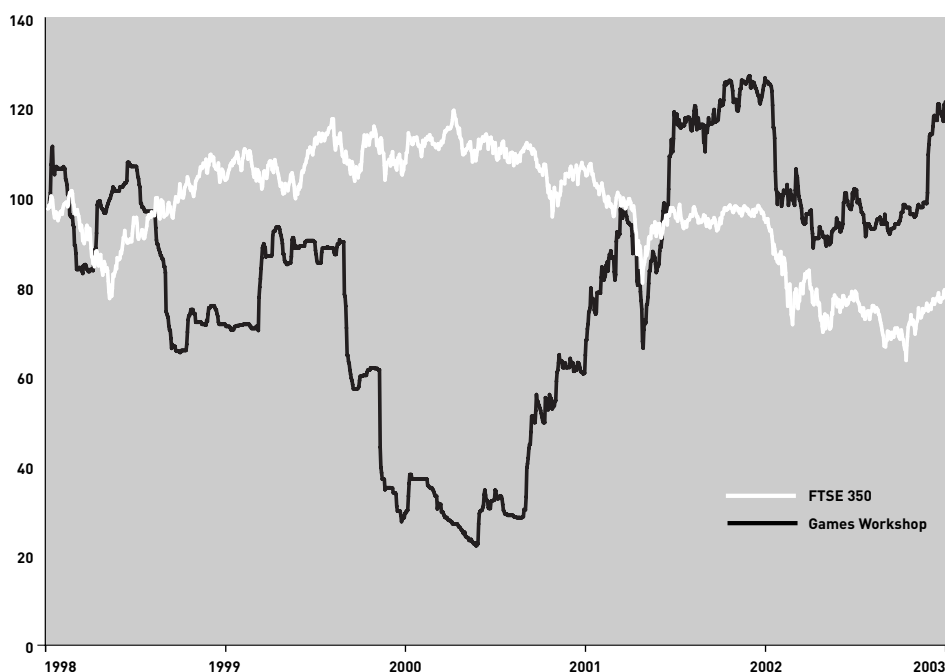
Contracts on this basis were entered into by T H F Kirby on 28 September 1994 and M Sherwin on 18 June 1999. The contracts are for an unlimited duration.

Under the letters of appointment of the non-executive directors, the period of appointment is not specified and may terminate at any point without notice and without compensation. However, under normal circumstances the party terminating the agreement will seek to give the other six months' notice of intention to terminate. Agreements on this basis were entered into by C J Myatt on 16 July 1999 which took effect from 18 April 1999, A J H Stewart on 16 July 1999 which took effect from 12 September 1999 and N J Donaldson on 18 April 2002, which was also the effective date.

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

Performance graph

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE 350 companies during the previous five years (i.e. 1 June 1998 to 1 June 2003). The index of the FTSE 350 companies has been used because the constituents of this index appropriately reflect the Company's size when compared to alternative indices. It is also the index used to measure the Group's performance under the long-term share incentive plan.



The following sections of the remuneration report have been audited.

Directors' emoluments for the year ended 1 June 2003

	Fees 2003 £000	Salary 2003 £000	Bonus- annual scheme 2003 £000	Bonus-three year scheme* 2003 £000	Benefits in kind 2003 £000	Total emoluments 2003 £000	Total emoluments 2002 £000	Pension contributions 2003 £000	Pension contributions 2002 £000
Executive directors									
T H F Kirby	-	262	-	1,000	4	1,266	270	26	25
M Sherwin	-	187	94	-	4	285	240	19	15
Non-executive directors									
N J Donaldson	20	-	-	-	-	20	2	-	-
C J Myatt	25	-	-	-	-	25	25	-	-
A J H Stewart	20	-	-	-	-	20	20	-	-
	65	449	94	1,000	8	1,616	557	45	40

*The details of the three year scheme for T H F Kirby are described in 'Bonus - year to 1 June 2003' above. The payment included in the table above relates to the EPS Bonus and was the maximum payable due to the actual EPS for the three years to 1 June 2003 having grown by a cumulative rate of 22% from 20.2p to 37.0p.

The share price element of the bonus will be defined by reference to the share price during August 2003. If this were to be the same as the share price prevailing on 2 June 2003 (561.5p) the payment would be £872,000 on account of the increase of 357% from 123p on the date of T H F Kirby's appointment. On this basis the total amount of the bonus payable under both elements of the scheme would be £1,872,000.

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.

Directors' interests in shares of the Company

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

	As at 1 June 2003 Ordinary shares of 5p each		As at 2 June 2002 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	37,519	-	37,519	-
C J Myatt	66,500	-	66,500	-
A J H Stewart	935,000	-	935,000	-
N J Donaldson	10,000	-	-	-

Share options of the directors were as follows:

	Number as at 2 June 2002	Granted	Number as at 1 June 2003	Exercise dates		Exercise price
				Commencement	Expiry	
M Sherwin	4,130	-	4,130	Nov 2003	Apr 2004	106p
	-	1,408	1,408	Nov 2005	Apr 2006	335p

These options were granted under the Games Workshop Group PLC 1995 Sharesave scheme. This scheme is open to all eligible UK employees and directors who satisfy a service qualification of at least one year.

REMUNERATION REPORT *continued*

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

	Award date	Awards held as at 2 June 2002 (matching award)	Number awarded	Market price at date of original award	Awards held as at 1 June 2003	Earliest vesting	Expiry	Exercise price
M Sherwin	1 June 2000	31,908	7,519	146.7p	39,427	2 June 2005	-	-

The long-term share incentive plan has a performance period of three years from June 2000, with a maximum award of 60% 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 nil and the option will not normally be exercisable until five years after the date of the basic or matching share awards. 25% of the total award will only vest if the Company's 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.

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

There was no movement in directors' interests in shares of the Company between 1 June 2003 and the date of this report.

The mid-market price of the Company's shares on 1 June 2003 was 546.5p and the range of the market prices during the year was 407.5p to 587.5p.

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.

Awards to former directors

A former director, D M Hosie, during the year exercised his option over 35,000 shares in the Company at an exercise price of 208p per share. The market price on the date of exercise was 438.5p. In addition, Mr Hosie exercised his option over 15,000 and 15,380 shares at an exercise price of 208p and 301p respectively. The market price on the date of exercise was 436p. C J Prentice, a former director, exercised his option over 90,000 and 15,380 shares in the Company at an exercise price of 208p and 301p respectively. The market price on the date of exercise was 516.5p. The right to exercise these options, after ceasing to be employees of the Group, was as a result of the exercise of a discretion by the committee.

By order of the board

C J Myatt

Chairman

Remuneration Committee

28 July 2003

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 1 June 2003. 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
28 July 2003

COMPANY DIRECTORS AND ADVISERS

Directors

T H F Kirby, Chairman and Chief Executive
M Sherwin, Finance Director
C J Myatt, Senior Non-executive Director
N J Donaldson, 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

Robert W Baird Limited
Mint House
77 Mansell Street
London E1 8AF

Principal bankers

Bank of Scotland
15 Queen Street
Nottingham NG1 2BL

Registered auditors

Deloitte & Touche
Four Brindleyplace
Birmingham B1 2HZ

Solicitors

Shoosmiths
Lock House
Castle Meadow Road
Nottingham NG2 1AG

Registrars

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ

INDEPENDENT AUDITORS' REPORT

To the members of Games Workshop Group PLC

We have audited the financial statements of Games Workshop Group PLC for the year ended 1 June 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 28 together with the notes to the cash flow statement. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been 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 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 of the Financial Services Authority, 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 group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 and the part of the directors' remuneration report described as having been audited. 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 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

INDEPENDENT AUDITORS' REPORT continued

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the group as at 1 June 2003 and of the profit of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

Birmingham

28 July 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year to 1 June 2003

	Notes	2003 £000	2002 £000
Turnover	2	129,109	108,557
Cost of sales	3	(42,592)	(36,550)
Gross profit	3	86,517	72,007
Net operating expenses	3	(69,056)	(58,502)
Operating profit	2	17,461	13,505
Interest receivable		265	253
Interest payable and similar charges	6	(274)	(235)
Profit on ordinary activities before taxation	7	17,452	13,523
Taxation on profit on ordinary activities	8	(6,470)	(4,935)
Profit on ordinary activities after taxation		10,982	8,588
Equity minority interests	24	-	-
Profit for the financial year	9	10,982	8,588
Dividends	10	(5,086)	(3,816)
Profit retained for the financial year	23	5,896	4,772
Basic earnings per ordinary share	11	37.0p	28.2p
Diluted earnings per ordinary share	11	36.3p	27.5p
Dividend per ordinary share	10	17.0p	13.0p

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.

The accompanying notes are an integral part of this profit and loss account.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year to 1 June 2003

	2003 £000	2002 £000
Profit for the financial year	10,982	8,588
Currency translation differences on foreign currency net investments	95	86
Total recognised gains and losses relating to the year	11,077	8,674

BALANCE SHEETS

as at 1 June 2003

	Notes	Group 2003 £000	2002 £000	Company 2003 £000	2002 £000
Fixed assets					
Goodwill	12	3,190	3,647	-	-
Tangible assets	13	17,623	15,211	-	-
Investments	14	-	121	27,867	18,007
		20,813	18,979	27,867	18,007
Current assets					
Stocks	15	12,496	9,260	-	-
Debtors	16	13,212	10,213	9,109	8,835
Cash at bank and in hand		11,728	9,132	-	1,100
		37,436	28,605	9,109	9,935
Creditors: amounts falling due within one year	17	(28,335)	(23,352)	(14,875)	(9,346)
Net current assets/(liabilities)		9,101	5,253	(5,766)	589
Total assets less current liabilities		29,914	24,232	22,101	18,596
Creditors: amounts falling due after more than one year	18	(16)	-	-	-
Provisions for liabilities and charges	20	(1,725)	(2,006)	(1,232)	(414)
Net assets		28,173	22,226	20,869	18,182
Capital and reserves					
Called up share capital	21	1,503	1,499	1,503	1,499
Capital redemption reserve	23	101	96	101	96
Share premium	23	1,267	417	9,295	8,445
Profit and loss account	23	25,301	20,213	9,970	8,142
Equity shareholders' funds	25	28,172	22,225	20,869	18,182
Equity minority interests	24	1	1	-	-
Total capital employed - all equity		28,173	22,226	20,869	18,182

The accompanying notes are an integral part of these balance sheets.

The financial statements on pages 29 to 46 were approved by the board of directors on 28 July 2003 and were signed on its behalf by:

T H F Kirby, Director

M Sherwin, Director

CONSOLIDATED CASH FLOW STATEMENT

for the year to 1 June 2003

	2003 £000	2002 £000
Net cash inflow from operating activities	23,180	22,010
Returns on investments and servicing of finance		
Interest received	260	254
Interest paid	(269)	(240)
Interest paid on hire purchase contracts	-	(11)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(9)	3
Taxation		
UK corporation tax paid	(4,616)	(3,615)
Overseas taxation paid	(1,257)	(902)
Net cash outflow from taxation	(5,873)	(4,517)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(8,202)	(5,416)
Sale of tangible fixed assets	22	413
Purchase of own shares	-	(328)
Net cash outflow from capital expenditure and financial investment	(8,180)	(5,331)
Acquisitions		
Purchase of subsidiary undertaking	-	(2,103)
Net overdraft acquired with subsidiary	-	(97)
Shares issued to equity minority interests	-	3
Net cash outflow from acquisitions	-	(2,197)
Equity dividends paid	(3,958)	(3,294)
Net cash inflow before financing	5,160	6,674
Financing		
Issue of ordinary share capital	399	863
Repayment of principal under hire purchase contracts	(20)	(42)
(Repayment)/draw down of medium-term revolving credit facility	(2,500)	2,500
Repayment of other loans	-	(194)
Own shares purchased/cancelled	(443)	(9,759)
Net cash outflow from financing	(2,564)	(6,632)
Increase in cash in the year	2,596	42

The accompanying notes are an integral part of this cash flow statement.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to operating cash flow

	2003 £000	2002 £000
Operating profit	17,461	13,505
Loss on disposal of tangible fixed assets	130	151
Depreciation of tangible fixed assets	5,709	4,847
Amortisation of goodwill	457	252
Amortisation of own shares	121	662
Exchange movements	135	11
(Increase)/decrease in stocks	(3,236)	54
Increase in debtors	(2,414)	(434)
Increase in creditors	5,098	2,356
(Decrease)/increase in provisions	(281)	606
Net cash inflow from operating activities	23,180	22,010

Analysis of net funds

	As at 3 June 2002 £000	Cash flow £000	As at 1 June 2003 £000
Cash at bank and in hand	9,132	2,596	11,728
Debt due within one year	(2,500)	2,500	-
Hire purchase contracts	(20)	20	-
Net funds	6,612	5,116	11,728

Reconciliation of net cash flow to movement in net funds

	2003 £000	2002 £000
Increase in cash in the year	2,596	42
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	2,520	(2,264)
Change in net funds resulting from cash flows	5,116	(2,222)
Loans acquired with subsidiary	-	(194)
Relinquished hire purchase contracts	-	70
Change in net funds in the year	5,116	(2,346)
Net funds at 3 June 2002	6,612	8,958
Net funds at 1 June 2003	11,728	6,612

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 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 to 1 June 2003.

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. The goodwill arising on the acquisition of Sabertooth Games, Inc. is being amortised over six years in line with the minimum period over which the minority shareholders are incentivised to remain with the business under the acquisition agreement. All other acquired goodwill is amortised over 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. In the event of 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. The development costs in respect of the Warhammer Online project are also written off up to the point where the relationship between that expenditure and the revenue of a future period can be established with reasonable certainty.

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 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.

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

NOTES TO THE FINANCIAL STATEMENTS continued

1. Principal accounting policies (continued)

Own shares are stated at cost less amortisation. Where the Company's shares have been acquired to fulfil 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.

Turnover on goods sold to customers on a sale or return basis, is recognised after making full provision for the level of expected returns, based on past experience.

Royalty income is recognised by spreading the guarantees and advances receivable over the term of the licence agreement, and recognising all other income receivable by reference to the underlying licensee performance period.

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 substantially 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. Where the criteria include the Company's share price, costs are charged by reference to the evolution of the share price over the lifetime of the scheme, with the annual expense taking account of the year end price. These estimates are revised at each period end.

2. Geographical analysis

Turnover

By geographical area of sales operation

	2003	2002
	£000	£000
Continental Europe	50,030	36,518
United Kingdom	39,353	32,369
The Americas	32,218	32,791
Asia Pacific	7,508	6,879
Turnover	129,109	108,557

By geographical area of destination

	2003	2002
	£000	£000
Continental Europe	51,672	37,814
United Kingdom	37,160	30,168
The Americas	32,384	33,375
Asia Pacific	7,683	7,017
Other	210	183
Turnover	129,109	108,557

2. Geographical analysis (continued)

Operating profit

By geographical area of sales operation

	2003 £000	2002 £000
Continental Europe	13,550	8,551
United Kingdom	11,343	6,424
The Americas	2,430	6,132
Asia Pacific	1,098	955
	28,421	22,062
Design and development costs	(3,725)	(2,605)
New business development costs	(2,531)	(2,125)
Central costs	(4,901)	(3,949)
Operating profit before royalties	17,264	13,383
Royalty income	197	122
Operating profit	17,461	13,505

New business development costs include £1.7 million (2002: £1.5 million) in respect of the Warhammer Online venture.

Net assets

By geographical area of sales operation

	2003 £000	Restated 2002 £000
Continental Europe	6,337	4,585
United Kingdom	2,315	779
The Americas	11,544	8,247
Asia Pacific	598	(254)
	20,794	13,357
New business development	(3,708)	(1,946)
Goodwill	3,190	3,647
Unallocated net assets	7,897	7,168
Net assets	28,173	22,226

The prior year has been restated to separate tax and cash balances from the net assets by geographical area. These are now included in unallocated net assets. This reflects the definition of return on capital employed as described in the financial review on page 12.

3. Turnover, cost of sales, gross profit and net operating expenses

	2003 £000	2002 £000
Turnover	129,109	108,557
Cost of sales	42,592	36,550
Gross profit	86,517	72,007
Selling and distribution costs	37,996	34,360
Administrative costs	31,257	24,264
Other operating income - royalty income	(197)	(122)
Net operating expenses	69,056	58,502
Operating profit	17,461	13,505

NOTES TO THE FINANCIAL STATEMENTS continued

3. Turnover, cost of sales, gross profit and net operating expenses (continued)

	2003 £000	2002 £000
Administrative costs include:		
Design and development costs	3,725	2,605
New business development costs	2,531	2,125
Other administrative costs	25,001	19,534
Total administrative costs	31,257	24,264

4. Directors' emoluments

	2003 £000	2002 £000
Aggregate emoluments and benefits	1,616	577
Pension contributions	45	40
	1,661	617

Directors' emoluments for the year ended 2 June 2002 include emoluments for S G Forrest of £20,000.

Further information relating to directors' emoluments, shareholdings and share options are disclosed in the audited section of the remuneration report on pages 23 to 24.

5. Employee information

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

	2003 Number	2002 Number
Production	372	324
Selling and distribution :		
Full time	1,319	1,224
Key time *	779	631
Administration	402	303
	2,872	2,482

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

Staff costs (for the above persons)

	2003 £000	2002 £000
Wages and salaries	41,378	34,236
Social security costs	4,437	3,665
Other pension costs	863	761
	46,678	38,662

6. Interest payable and similar charges

	2003 £000	2002 £000
On bank loans and overdrafts	270	224
On hire purchase contracts	4	11
	274	235

7. Profit on ordinary activities before taxation

	2003	2002
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation		
goodwill	457	252
own shares	121	662
Depreciation		
tangible owned fixed assets	5,689	4,809
tangible fixed assets under hire purchase contracts	20	38
Operating leases		
property	7,388	5,892
plant and equipment	242	490
other	115	172
Auditors' remuneration for audit services	198	134

Amounts payable to Deloitte & Touche by the Company and its subsidiary undertakings in respect of non-audit services were as follows:

Taxation advice	132	-
Accounting assistance and advice	60	-
Total	192	-

Amounts payable to Arthur Andersen by the Company and its subsidiary undertakings in respect of non-audit services were as follows:

Taxation advice	-	182
Internal audit fees	-	28
Corporate restructuring advice	-	45
Accounting assistance and advice	-	17
Total	-	272

8. Taxation on profit on ordinary activities

	2003	2002
	£000	£000
Current taxation		
UK corporation tax	6,341	4,439
Over provision in respect of prior years	(1,137)	(7)
	5,204	4,432
Overseas taxation	1,844	1,116
Total current taxation	7,048	5,548
Origination and reversal of timing differences	(578)	(613)
Taxation on profit on ordinary activities	6,470	4,935

	2003	2002
	£000	£000
Profit on ordinary activities before taxation	17,452	13,523
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	5,236	4,057
Effects of:		
Expenses not deductible for tax purposes	402	278
Movement in deferred tax not recognised	1,515	323
Origination and reversal of timing differences	578	613
Losses attributable to minority interests	168	146
Higher tax rates on overseas earnings	167	169
Adjustments to tax charge in respect of previous years	(1,018)	(38)
Current tax charge for the year	7,048	5,548

NOTES TO THE FINANCIAL STATEMENTS continued

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, £7.4 million (2002: £12.7 million) is attributable to the Company, after including dividends from subsidiary companies of £13.0 million (2002: £14.5 million).

10. Dividends

	2003 £000	2002 £000
Interim paid of 4.5 pence per share (2002: 4.15 pence)	1,335	1,262
Final proposed of 12.5 pence per share (2002: 8.85 pence)	3,759	2,631
Over provision in respect of prior years	(8)	(77)
	5,086	3,816

11. Earnings per ordinary share

The calculation of basic earnings per ordinary share has been based on profit for the year of £11.0 million (2002: £8.6 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.

	2003	2002
Weighted average number of shares:		
For basic earnings per ordinary share	29,689,168	30,485,802
Dilution effect of share options outstanding	600,302	708,818
For diluted earnings per ordinary share	30,289,470	31,194,620

12. Goodwill

£000

Group

Cost

At 3 June 2002 and at 1 June 2003 **4,217**

Amortisation

At 3 June 2002 570

Charge for the year 457

At 1 June 2003 **1,027**

Net book value at 1 June 2003 **3,190**

Net book value at 2 June 2002 3,647

The Company had no goodwill at either year end.

13. 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 3 June 2002	639	6,346	2,018	12,002	9,640	6,298	36,943
Exchange adjustments	-	-	(51)	(26)	320	-	243
Additions	-	-	731	3,452	2,896	1,155	8,234
Disposals	-	-	(309)	(2,820)	(848)	-	(3,977)
Reclassifications	-	(470)	(1,792)	51	2,211	-	-
At 1 June 2003	639	5,876	597	12,659	14,219	7,453	41,443
Depreciation							
At 3 June 2002	70	587	1,031	8,034	7,180	4,830	21,732
Exchange adjustments	-	-	(20)	28	196	-	204
Charge for the year	17	436	375	1,939	2,061	881	5,709
Eliminated in respect of disposals	-	-	(309)	(2,699)	(817)	-	(3,825)
Reclassifications	-	-	(742)	28	714	-	-
At 1 June 2003	87	1,023	335	7,330	9,334	5,711	23,820
Net book value at 1 June 2003	552	4,853	262	5,329	4,885	1,742	17,623
Net book value at 2 June 2002	569	5,759	987	3,968	2,460	1,468	15,211

The net book value of tangible fixed assets includes an amount of £nil (2002: £20,000) in respect of assets held under hire purchase contracts. The depreciation charged on these assets was £20,000 (2002: £38,000). Freehold land amounting to £341,000 (2002: £341,000) has not been depreciated.

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

14. Fixed asset investments

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Cost				
Subsidiary undertakings – equity	-	-	27,867	17,886
Own shares	-	121	-	121
	-	121	27,867	18,007

The increase in equity investments of £10.0 million relates to the recapitalisation of Games Workshop America, Inc.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Fixed asset investments (continued)

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 America, Inc	United States of America	\$1 common stock		100%	Distributor and retailer of games and miniatures
		\$100,000 preferred stock	100%		
Games Workshop Retail, Inc	United States of America	\$1 common stock		100%	Distributor and retailer of games and miniatures
Games Workshop US Manufacturing LLC	United States of America	Owners capital		100%	Manufacturer of games and miniatures
Games Workshop (Queen Street) Limited	Canada	Can \$1		100%	Distributor and retailer of games and miniatures
EURL Games Workshop	France	Euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop SL	Spain	Euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Oz Pty Limited	Australia	Aus \$1		100%	Distributor and retailer of games and miniatures
Games Workshop Deutschland GmbH	Germany	Euro 1		100%	Distributor and retailer of games and miniatures
Games Workshop Limited	New Zealand	NZ \$1		100%	Distributor and retailer of games and miniatures
Games Workshop Italia Retail SRL	Italy	Euro 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
Warhammer Online Limited	England and Wales	£1 ordinary		71.25%	Developer of online games
Sabertooth Games, Inc	United States of America	\$1 common stock		85%	Distributor of collectible card games

All the above companies operate principally in their country of incorporation or registration.

Own shares

	Cost £000	Amortisation £000	Total £000
Group and Company			
At 3 June 2002	1,011	(890)	121
Amortisation	-	(121)	(121)
At 1 June 2003	1,011	(1,011)	-

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. The number and market value of the ordinary shares held by the ESOP at 1 June 2003 was 260,492 (2002: 260,492) and £1,424,000 (2002: £1,530,000) respectively. Dividends have been waived on these shares.

15. Stocks

	2003 £000	2002 £000
Group		
Raw materials and consumables	1,636	1,409
Finished goods and goods for resale	10,860	7,851
	12,496	9,260

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

The Company held no stocks at either year end.

16. Debtors

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Amounts falling due within one year				
Trade debtors	7,499	5,537	-	-
Amounts owed by group undertakings	-	-	8,018	6,535
Other debtors	532	437	51	51
Prepayments and accrued income	2,215	1,868	61	48
Deferred taxation	1,572	913	720	125
	11,818	8,755	8,850	6,759
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	252	1,683
Other debtors	328	317	-	-
Deferred taxation	1,066	1,141	7	393
	1,394	1,458	259	2,076
Total	13,212	10,213	9,109	8,835

Deferred taxation

Deferred tax can be analysed over the following timing differences:

	Group		Company	
Recognised	2003 £000	2002 £000	2003 £000	2002 £000
Accelerated depreciation	1,066	750	7	2
Short-term timing differences	1,572	1,304	720	516
	2,638	2,054	727	518
Unrecognised	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Tax losses	2,107	592	-	-
	2,107	592	-	-

No deferred tax asset has been recognised on unrelieved tax losses in certain countries due to the uncertainty as at the balance sheet date as to their recovery over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Creditors: amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Obligations under hire purchase contracts	-	20	-	-
Bank and other loans	-	2,500	-	2,500
Bank overdraft	-	-	3,406	-
Trade creditors	7,353	5,575	785	412
Amounts owed to group undertakings	-	-	5,263	3,281
Corporation tax	4,402	3,138	-	-
Other taxation and social security	1,984	1,204	74	26
Other creditors	1,353	1,826	11	381
Accruals and deferred income	9,484	6,458	1,577	115
Proposed dividend	3,759	2,631	3,759	2,631
	28,335	23,352	14,875	9,346

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

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Accruals and deferred income	16	-	-	-
	16	-	-	-

Analysis of borrowings

Secured

Sterling hire purchase contracts	-	20	-	-
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Unsecured

Medium-term revolving credit facility	-	2,500	-	2,500
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Uncommitted floating rate overdraft facility	-	-	3,406	-
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	-	2,520	3,406	2,500
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Within 1 year or less or on demand	-	2,520	3,406	2,500
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	-	2,520	3,406	2,500
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19. 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 18 above, the Group has sterling drawings of £nil (2002: £2.5 million) against a revolving credit facility of £5 million at 1 June 2003. This facility which is available until 8 November 2006, is unsecured. The covenants are based upon interest cover and gearing and have been complied with during the year. Interest is accrued monthly at a floating rate.

The Group also has sterling uncommitted floating rate overdraft facilities of £5 million (2002: £3 million) available at 1 June 2003.

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 18 above.

19. 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:

	2003 £000	2002 £000
Sterling	1,034	1,756
US dollar	1,705	1,232
EU currencies (other than sterling)	7,034	4,311
Other currencies	1,955	1,833
	11,728	9,132

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 net monetary assets and liabilities in currencies other than their operating currency.

As at 1 June 2003 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	-	970	3,923	1,134	6,027
EU currencies (other than sterling)	(219)	8	-	-	(211)
Other currencies	-	-	-	146	146
	(219)	978	3,923	1,280	5,962

At 2 June 2002 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	-	781	2,129	1,528	4,438
EU currencies (other than sterling)	21	5	-	-	26
Other currencies	-	-	-	75	75
	21	786	2,129	1,603	4,539

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 continued

19. Financial instruments (continued)

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

	2003 £000	2002 £000
Unrecognised losses at 3 June 2002	(135)	(8)
Losses arising in previous years that were recognised in 2002/3	135	21
Gains arising before 3 June 2002 that were not recognised	-	13
Losses arising in 2002/3 that were not recognised in 2002/3	(468)	(148)
Unrecognised losses on hedges at 1 June 2003	(468)	(135)
Of which losses expected to be recognised in 2003/4	(468)	(135)

Losses recognised in the current year in respect of forward foreign currency contracts were £893,000 (2002: £74,000).

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

20. Provisions for liabilities and charges

	Bonus and incentive £000	Property £000	Total £000
Group			
At 3 June 2002	1,506	500	2,006
Charged/(credited) to the profit and loss account	800	(7)	793
Transfer to accruals and deferred income	(1,074)	-	(1,074)
At 1 June 2003	1,232	493	1,725

	Bonus and incentive £000
Company	
At 3 June 2002	414
Charged to the profit and loss account	853
Transfer	(35)
At 1 June 2003	1,232

The bonus and incentive provision, at 1 June 2003, relates to the share price element of the chief executive's bonus arrangement as set out in the remuneration report and to the long-term incentive plan. The chief executive's bonus arrangement will be quantified in detail and paid in August 2003. The provision for the long-term incentive plan will be utilised by May 2005 being the start of the exercise period for the last awards made from the plan.

The property provision relates to onerous lease commitments and will diminish over the life of the underlying lease.

21. Called up share capital

	2003 £000	2002 £000
Authorised 42,000,000 ordinary shares of 5p each	2,100	2,100
Allotted, called up and fully paid 30,069,696 (2002: 29,987,584) ordinary shares of 5p each	1,503	1,499

During the year 3,878 ordinary shares of 5p were issued for £18,379 under the Games Workshop Group PLC 1995 Sharesave Scheme, 7,474 ordinary shares were issued for £10,405 under the Games Workshop Group PLC International Sharesave Scheme and 170,760 ordinary shares were issued for £830,219 under the Games Workshop Group PLC 1994 Executive Share Option Scheme.

On 2 October 2002, the Company purchased 100,000 shares in the open market for cancellation for a price of £435,000.

22. 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	9,462	115p	Sep 1997 to Sep 2004
18 August 1995	180,000	208p	Aug 1998 to Aug 2005
14 February 1996	30,760	301p	Feb 1999 to Feb 2006
17 September 1996	25,000	463p	Sep 1999 to Sep 2003
17 September 1996	20,000	463p	Sep 1999 to Sep 2006
17 September 1997	115,912	687.5p	Sep 2000 to Sep 2004
17 September 1997	44,720	687.5p	Sep 2002 to Sep 2004
6 October 1998	8,275	420p	Nov 2003 to Apr 2004
24 August 1999	10,870	460p	Aug 2002 to Aug 2006
24 August 1999	23,914	460p	Aug 2002 to Aug 2009
4 October 1999	33,528	394p	Nov 2004 to Apr 2005
22 February 2000	3,390	295p	Feb 2003 to Feb 2010
21 August 2000	87,133	141p	Aug 2003 to Aug 2007
21 August 2000	132,719	141p	Aug 2003 to Aug 2010
13 October 2000	330,233	106p	Nov 2003 to Apr 2004
31 July 2001	7,946	392.5p	July 2004 to July 2008
3 October 2001	115,248	338p	Nov 2004 to Apr 2005
26 July 2002	12,869	-	June 2004 to July 2007
3 October 2002	119,010	335p	Nov 2005 to Apr 2006
	1,310,989		

23. Reserves

	Capital redemption reserve £000	Profit and loss account £000	Share premium £000
Group			
At 3 June 2002	96	20,213	417
Exchange adjustments	-	95	-
Profit retained for the financial year	-	5,896	-
Issue of ordinary share capital	-	(460)	850
Own shares purchased/cancelled	5	(443)	-
At 1 June 2003	101	25,301	1,267
Company			
At 3 June 2002	96	8,142	8,445
Profit retained for the financial year	-	2,271	-
Issue of ordinary share capital	-	-	850
Own shares purchased/cancelled	5	(443)	-
At 1 June 2003	101	9,970	9,295

The cumulative amount of goodwill written off against the Group's profit and loss account reserve is £1,159,000 (2002: £1,159,000).

NOTES TO THE FINANCIAL STATEMENTS continued

24. Equity minority interests

	£000
At 3 June 2002	1
Net loss on ordinary activities after taxation	(590)
Provision against minority loss	590
At 1 June 2003	1

25. Reconciliation of movements in equity shareholders' funds

	2003 £000	2002 £000
Group		
Profit for the financial year	10,982	8,588
Dividends	(5,086)	(3,816)
	5,896	4,772
Issue of new share capital	399	863
Own shares purchased/cancelled	(443)	(9,759)
Other recognised gains and losses	95	86
Opening equity shareholders' funds	22,225	26,263
Closing equity shareholders' funds	28,172	22,225

26. Capital commitments

The Group had capital commitments of £79,000 (2002:£nil). 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 2003 £000	Other 2003 £000	Land and buildings 2002 £000	Other 2002 £000
Expiring within 1 year	1,144	271	953	227
Expiring between 2 and 5 years inclusive	4,727	286	3,365	244
Expiring in over 5 years	2,250	–	1,897	–
	8,121	557	6,215	471

The Company had no financial commitments at either year end.

28. Contingent liabilities

The Group and Company had no contingent liabilities at either year end.

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

FIVE YEAR SUMMARY

	2003 £000	2002 £000	2001 £000	2000 £000	1999 £000
Turnover	129,109	108,557	92,634	77,993	72,565
Pre-exceptional operating profit	17,461	13,505	11,235	10,037	12,800
Exceptional item - restructuring costs	-	-	(1,857)	(3,374)	-
Operating profit	17,461	13,505	9,378	6,663	12,800
Interest receivable	265	253	483	390	117
Interest payable and similar charges	(274)	(235)	(496)	(508)	(453)
Profit on ordinary activities before taxation	17,452	13,523	9,365	6,545	12,464
Taxation	(6,470)	(4,935)	(3,609)	(2,983)	(4,378)
Profit on ordinary activities after taxation	10,982	8,588	5,756	3,562	8,086
Equity minority interests	-	-	-	-	-
Profit for the financial year	10,982	8,588	5,756	3,562	8,086
Dividends	(5,086)	(3,816)	(3,288)	(3,100)	(3,022)
Profit retained for the financial year	5,896	4,772	2,468	462	5,064
Basic earnings per ordinary share	37.0p	28.2p	18.4p	11.4p	26.0p
Pre-exceptional earnings per ordinary share	37.0p	28.2p	22.8p	20.2p	26.0p

FINANCIAL CALENDAR

Annual general meeting	18 September 2003
Final ordinary dividend payable	31 October 2003
Announcement of interim results	January 2004
Interim ordinary dividend payable	April 2004
Financial year end	30 May 2004
Announcement of results	July 2004

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 18 September 2003 for the following purposes:

Ordinary business

Resolution 1

To receive the report of the directors and the audited financial statements for the Company and the auditors' report thereon for the year ended 1 June 2003.

Resolution 2

To declare a final dividend of 12.5 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 A J H Stewart as a director, who retires in accordance with article 88(a) of the articles of association of the Company.

Resolution 5

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

Resolution 6

To approve the remuneration report for the year ended 1 June 2003.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions.

Resolution 7

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 17 December 2004 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 £501,161 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. This authority is in substitution for all subsisting authorities, to the extent unused.

Resolution 8

That subject to the passing of the previous resolution, 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 the previous resolution 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 any territory 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 £75,174

and shall expire at the conclusion of the next annual general meeting of the Company or on 17 December 2004, 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 9

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 17 December 2004 whichever is the earlier;
- (b) the maximum number of ordinary shares shall be limited to 4,480,384 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.

By order of the board

M Sherwin
Secretary
28 July 2003

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. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
- (2) The register of interests of the directors and their families in the share capital of the Company and copies of the contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the annual general meeting.
- (3) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specified that only those shareholders registered on the register of members of the Company as at 6.00pm or close of business on 16 September 2003 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 6.00pm or close of business on 16 September 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

APPENDIX 1

Chairman's preamble from the 2002 annual report

Many people find it difficult to grasp what Games Workshop Group does for a living. I regularly meet investors, both professional and amateur, who have developed a view of our business based on only part of the story. This means, simply, that we have not explained ourselves properly; so I am going to take this opportunity to start that process.

In any business there is a model (how the business works) and a story (why it works that way). The vast majority of our income and profits come from Games Workshop – a business that designs, manufactures, distributes and sells everything an enthusiast needs to play tabletop wargames in the fantasy world of Warhammer.

In short the model is that of a niche business and the story is that it appeals to a relatively small number of people devoted to the Games Workshop Hobby.

Niche businesses are not widely understood. They do not, generally, follow accepted business norms. Much of what is written about business is written about varieties of mass-market activities; most of the day to day experiences we have are with mass-market companies. A niche business is a tightly focussed activity that knows that what it does is not for everyone, but for a narrow group of individuals. It knows that quality is more important than price, and that respect for the customer is paramount. It knows that mass-market advertising is expensive and for niche businesses ineffective compared to the power of word of mouth. These are a few examples of the differences, there are many others.

This is what Games Workshop does; we create materials of the highest quality that appeal to a minority of the population. The challenge for us is not to try to get everybody to buy our products but to reach out and find the people who want them, anywhere in the world. In order to do so we sell wherever we can. We have our own Hobby stores that serve to introduce people to the Hobby – our marketing if you will. We work with independent retailers of many types. And we sell direct both on the internet and by mail order. These channels should work in harmony together, each providing a different, but complementary, service. Understanding this addresses many of the misconceptions which exist about the Company.

Firstly, Games Workshop is not a retailer. To characterise it in that way is to misunderstand completely the way the business model works. Games Workshop stores promote the Hobby. They introduce people to the Hobby and they provide a venue for experienced gamers to meet and play. A retailer buys product in, adds a mark up, and sells it on. We teach gaming and modelling and painting.

Secondly, our future growth is dependent above all on maintaining product quality, continuing to introduce more people to the Hobby, and keeping people in the Hobby longer. We do not need 'hit' lines, nor innovative packaging, nor cut-throat pricing.

Thirdly, we are a global business. The search for new Hobbyists is not finished in the UK. As you can see from these results, it is one of our strongest growth territories. That search has, however, led us to look overseas with such success that the majority of our sales and profits come from the rest of the world. So those who visit their local Games Workshop store in order to understand fully what we do are seeing only a very narrow part of our business.

Our customers are special and unusual people. They, like us, love their Hobby. Their main concern is with quality and integrity. So our biggest challenge is to ensure we constantly provide a level of detail and service that is appropriate to and respectful of the devotion of our customers.

The casual observer finds it hard to see why anyone would want to spend so much time and money collecting hundreds of miniatures, painting them and then playing wargames with them. Surely we should make the rules simpler, sell pre-painted models, reduce quality and sell cheaper. This is not our business. We are interested in our devoted customers and in providing what they want - the best products and outstanding service.

These are the keys to understanding Games Workshop: niche marketing and selling to a pre-selected, quality obsessed, narrow customer base.

This year we acquired a sister company for Games Workshop, Sabertooth Games, Inc. Sabertooth makes collectible card games. Different model. Same story.

It is important that the model is different. We are looking to increase our sales, not to cannibalise them. Card games are collected by and played by a new and different group of gamers. They buy their cards in specialist stores. So for the Group this will be a new source of revenue.

It is equally important that the story is the same. Sabertooth is a niche business. It sells on quality rather than price into a customer base that is a small minority of the population as a whole. Our managerial skill sets are therefore an ideal match.

As a Group we understand niche markets, providing excellent products and service to devoted gamers. That is what we are good at, and that will continue to be our obsession.

