

FIRST HALF HIGHLIGHTS

- Turnover up £6.5m to £58.1m
- Strong portfolio result
- Operating profit up £0.5m to £6.6m
- Interim dividend up 0.35p to 4.50p
- 23 new Hobby stores opened – 12 in the Americas, bringing the total to 274

	Six months to 1 December 2002	Six months to 2 December 2001
Turnover	£58.1m	£51.6m
Operating profit	£6.6m	£6.1m
Profit before tax	£6.6m	£6.0m
Basic earnings per share	14.0p	12.5p
Interim dividend per share	4.50p	4.15p

CHAIRMAN'S STATEMENT

Overview

I am pleased to report on another period of growth in sales and profits from Games Workshop. We continue to see consistent evidence of the good health of the Games Workshop Hobby in all our geographical areas.

We have continued to add depth and excitement to the worlds of Warhammer and Warhammer 40,000 with a constant flow of new releases, including the development of the Necron race and the launch of a new set of Chaos Daemons. November saw the launch of our second game based on The Lord of the Rings film trilogy and this looks like another useful addition to our vast range of tabletop wargaming products. Armed with these and many other great products, our sales teams around the world have continued to develop and build the Games Workshop Hobby in each territory.

Results

Our progress has been most impressive in Continental Europe where all of our sales businesses have shown very strong growth. In the UK, our sales growth has continued to outstrip inflation significantly, which provides more evidence that we can further develop this, the market where our brands and products are best known. We have continued to find sales to our independent retail customers in the Americas challenging, however the continued strong performance of our own stores demonstrates the health of the Hobby in this very promising territory. We have invested heavily to grow this key sales channel, opening 12 new stores in the Americas in the period, out of a total of 23 new stores around the world. The result is we now have 274 stores dedicated solely to the development of the Games Workshop Hobby.

The strong cash generation of the business, which we see as a key element of our performance, has enabled us to make these investments and we expect it to continue to fund our growth plans going forward.

During the period sterling has strengthened against the dollar by 7% and weakened against the euro by 2%. While the net impact of currency movements on our profits has not been significant, we have shown below our sales progression by territory in constant currency terms so that readers can better appreciate the underlying trends.

Dividend

We have increased our interim dividend in line with our profit growth, to 4.5 pence per share. This will be paid on 25 April 2003 to shareholders on the register at 28 March 2003.

Share buy-back

In September 2002 we purchased 100,000 shares in the open market for cancellation. This is part of our ongoing programme of buy-backs. The board will continue to keep the use of our cash resources under review.

CHAIRMAN'S STATEMENT CONTINUED

Dividend re-investment plan

In November, for the first time, we gave our shareholders the opportunity to re-invest their dividend in shares in the Company. This plan was taken up by more than a tenth of our shareholders and we intend to continue to operate this plan in the future.

Prospects

The directors firmly believe the prospects for the business are very good.

T H F Kirby

Chairman and Chief Executive

28 January 2003

TURNOVER BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 1 December 2002	Six months to 2 December 2001
United Kingdom	£16.4m	£15.3m
Continental Europe	€35.4m	€26.9m
The Americas	US\$24.7m	US\$24.2m
Asia Pacific	Aus\$9.3m	Aus\$8.1m

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
Turnover	2	58,102	51,562	108,557
Cost of sales		(18,933)	(17,209)	(36,550)
Gross profit		39,169	34,353	72,007
Net operating expenses		(32,571)	(28,303)	(58,502)
Operating profit	2	6,598	6,050	13,505
Interest receivable		69	128	253
Interest payable and similar charges		(113)	(140)	(235)
Profit on ordinary activities before taxation		6,554	6,038	13,523
Taxation on profit on ordinary activities	3	(2,389)	(2,204)	(4,935)
Profit on ordinary activities after taxation		4,165	3,834	8,588
Equity minority interests		-	-	-
Profit for the period		4,165	3,834	8,588
Dividends	4	(1,334)	(1,256)	(3,816)
Profit retained for the period		2,831	2,578	4,772
Basic earnings per ordinary share	5	14.0p	12.5p	28.2p
Diluted earnings per ordinary share	5	13.7p	12.2p	27.5p
Dividend per ordinary share	4	4.50p	4.15p	13.00p

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
Profit for the period	4,165	3,834	8,588
Currency translation differences on foreign currency net investments	(503)	48	86
Total recognised gains and losses relating to the period	3,662	3,882	8,674

CONSOLIDATED BALANCE SHEET

	Notes	As at 1 December 2002 £000	As at 2 December 2001 £000	As at 2 June 2002 £000
Fixed assets				
Goodwill		3,419	1,733	3,647
Tangible assets		16,995	15,184	15,211
Investments		61	343	121
		20,475	17,260	18,979
Current assets				
Stocks		11,114	11,227	9,260
Debtors		16,688	15,469	10,213
Cash at bank and in hand		4,004	4,398	9,132
		31,806	31,094	28,605
Creditors: amounts falling due within one year		(23,207)	(19,961)	(23,352)
		8,599	11,133	5,253
Total assets less current liabilities				
		29,074	28,393	24,232
Creditors: amounts falling due after more than one year		(3,000)	(3,000)	–
Provisions for liabilities and charges		(1,946)	(1,663)	(2,006)
		24,128	23,730	22,226
Capital and reserves				
Called up share capital	7	1,495	1,523	1,499
Capital redemption reserve	7	101	61	96
Share premium	7	445	12	417
Profit and loss account	7	22,086	22,131	20,213
		24,127	23,727	22,225
Equity minority interests	7	1	3	1
		24,128	23,730	22,226
Total capital employed – all equity				
		24,128	23,730	22,226

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
Net cash inflow from operating activities		3,339	3,422	22,010
Returns on investments and servicing of finance				
Interest received		68	128	254
Interest paid		(90)	(127)	(240)
Interest paid on hire purchase contracts		(4)	(5)	(11)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(26)	(4)	3
Taxation paid		(1,511)	(1,333)	(4,517)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(4,363)	(2,947)	(5,416)
Sale of tangible fixed assets		2	455	413
Purchase of own shares		-	(2)	(328)
Net cash outflow from capital expenditure and financial investment		(4,361)	(2,494)	(5,331)
Acquisitions				
Purchase of subsidiary undertaking		-	-	(2,103)
Net overdraft acquired with subsidiary		-	-	(97)
Shares issued to equity minority interests		-	3	3
Net cash inflow/(outflow) from acquisitions		-	3	(2,197)
Equity dividends paid		(2,623)	(2,032)	(3,294)
Net cash (outflow)/inflow before financing		(5,182)	(2,438)	6,674
Financing				
Issue of ordinary share capital		16	447	863
Repayment of principal under hire purchase contracts		(20)	(92)	(42)
Draw-down of medium-term revolving credit facility		500	3,000	2,500
Repayment of other loans		-	-	(194)
Own shares purchased/cancelled		(442)	(5,609)	(9,759)
Net cash inflow/(outflow) from financing		54	(2,254)	(6,632)
(Decrease)/increase in cash in the period	8	(5,128)	(4,692)	42

Reconciliation of operating profit to operating cash flow

	Notes	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
Operating profit		6,598	6,050	13,505
Loss on disposal of tangible fixed assets		38	23	151
Depreciation of tangible fixed assets		2,282	2,082	4,847
Amortisation of goodwill		228	52	252
Amortisation of own shares		60	114	662
Exchange movements		(313)	13	11
(Increase)/decrease in stocks		(1,854)	(1,994)	54
Increase in debtors		(6,552)	(6,792)	(434)
Increase in creditors		2,912	3,612	2,356
(Decrease)/increase in provisions		(60)	262	606
Net cash inflow from operating activities		3,339	3,422	22,010

NOTES TO THE INTERIM RESULTS

1. Interim results

The interim results have been prepared on the basis of the accounting policies set out in the Group's statutory financial statements for the year ended 2 June 2002.

Copies of the interim results will be sent to shareholders and are available to members of the public at the Company's registered office.

The information presented in respect of the year to 2 June 2002 does not reflect the full financial statements within the meaning of section 240 of the Companies Act 1985. Full financial statements for that year, incorporating an unqualified audit report have been delivered to the Registrar of Companies. The interim results for 2001 and 2002 are unaudited and have not been subject to a review by the Group's auditors.

2. Geographical analysis

Turnover by geographical area of sales operation

	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
United Kingdom	16,441	15,258	32,369
Continental Europe	22,468	16,648	36,518
The Americas	15,907	16,763	32,791
Asia Pacific	3,286	2,893	6,879
Turnover	58,102	51,562	108,557

Operating profit by geographical area of sales operation

	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
United Kingdom	3,163	2,820	6,424
Continental Europe	6,149	3,584	8,551
The Americas	1,425	3,809	6,132
Asia Pacific	762	440	955
	11,499	10,653	22,062
Design and development costs	(1,689)	(1,190)	(2,605)
New business development costs	(1,195)	(1,190)	(2,125)
Central costs	(2,178)	(2,280)	(3,949)
Operating profit before royalties	6,437	5,993	13,383
Royalty income	161	57	122
Operating profit	6,598	6,050	13,505

3. Taxation on profit on ordinary activities

	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
UK corporation tax	1,711	1,607	4,432
Overseas taxation	646	647	1,116
Origination and reversal of timing differences	32	(50)	(613)
	2,389	2,204	4,935

4. Dividends

Interim ordinary dividend	1,334	1,256	1,262
Final ordinary dividend	-	-	2,631
Over provision in respect of prior years	-	-	(77)
	1,334	1,256	3,816

NOTES TO THE INTERIM RESULTS

5. Earnings per ordinary share

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

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

	Six months to 1 December 2002	Six months to 2 December 2001	Year to 2 June 2002
Weighted average number of shares:			
For basic earnings per ordinary share	29,698,626	30,720,163	30,485,802
Dilution effect of share options	686,880	748,964	708,818
For diluted earnings per ordinary share	30,385,506	31,469,127	31,194,620

6. Reconciliation of movements in equity shareholders' funds

	Six months to 1 December 2002 £000	Six months to 2 December 2001 £000	Year to 2 June 2002 £000
Profit for the period	4,165	3,834	8,588
Dividends	(1,334)	(1,256)	(3,816)
	2,831	2,578	4,772
Issue of new share capital	16	447	863
Own shares purchased/cancelled	(442)	(5,609)	(9,759)
Other recognised gains and losses	(503)	48	86
Opening shareholders' funds	22,225	26,263	26,263
Closing shareholders' funds	24,127	23,727	22,225

7. Capital, reserves and equity minority interests

	Called up share capital £000	Capital redemption reserve £000	Share premium £000	Profit and loss account £000	Equity shareholders' funds £000	Equity minority interests £000
As at 3 June 2002	1,499	96	417	20,213	22,225	1
Exchange adjustments	-	-	-	(503)	(503)	-
Profit retained for the period	-	-	-	2,831	2,831	-
Share of minority loss for the period	-	-	-	-	-	(258)
Provision against minority loss	-	-	-	-	-	258
Issue of ordinary share capital	1	-	28	(13)	16	-
Own shares purchased/cancelled	(5)	5	-	(442)	(442)	-
As at 1 December 2002	1,495	101	445	22,086	24,127	1

8. Analysis of net funds

	As at 2 June 2002 £000	Cash flow £000	Other non-cash changes £000	As at 1 December 2002 £000
Cash at bank and in hand	9,132	(5,128)	-	4,004
Debt due within one year	(2,500)	-	2,500	-
Debt due after one year	-	(500)	(2,500)	(3,000)
Hire purchase contracts	(20)	20	-	-
Net funds	6,612	(5,608)	-	1,004