

FIRST HALF HIGHLIGHTS

- Revenue at £54.6m (2006: £54.6m)
- Pre-exceptional gross margin at 69.9% (2006: 70.9%)
- Exceptional items – cost reduction programme £(0.6)m (2006: £nil)
- Pre-exceptional operating profit up £0.6m to £1.1m (2006: £0.5m)
- Operating profit at £0.5m (2006: £0.5m)
- (Loss)/earnings per share of (0.4)p (2006: 0.2p)

	Six months to 2 December 2007	Six months to 26 November 2006
Revenue	£54.6m	£54.6m
Pre-exceptional operating profit	£1.1m	£0.5m
Exceptional items - cost reduction programme	£(0.6)m	£nil
Operating profit	£0.5m	£0.5m
(Loss)/profit before tax	£(0.2)m	£0.1m
Basic (loss)/earnings per share	(0.4)p	0.2p

INTERIM MANAGEMENT REPORT

Preamble

Our half-yearly report does not usually have a Chairman's preamble. The reason it does this time is because for the first time this is the *Chairman's* preamble alone and not that of the Chairman and Chief Executive. In late November 2007 the board invited long-time Head of Sales, Mark Wells, to take on the role of CEO. This move recognises Mark's increasing influence and allows him to take control of the day to day affairs of the business giving me more time to spend with senior staff in general, helping them, and him, achieve the long-term ambitions we all share.

Getting the business back on track after several difficult years has been, and continues to be, hard work. Progress towards top line growth has not been as fast as any of us would like, but progress there has been. We remain a growth business and are now getting benefits from the efforts our staff have been making. There is still much to do, and we are united in our determination to do it.

T H F Kirby

Chairman

Results

These half-year results are encouraging; we have re-established constant currency sales growth in the UK, the Americas and Asia Pacific, our gross margins remain strong and our cost reduction programme is delivering the overhead reductions we expected. We still have work to do in Continental Europe to re-establish sales growth. However, we believe that the right managerial and operational steps are being taken.

In the UK and the Americas our constant currency sales growth has been driven by higher sales to independent retailers and stronger internet sales, while sales through our Hobby stores have remained flat as we have restructured the store chains. In Continental Europe most of the sales decline has been from sales to independent retailers and we are beginning to see some improved performance from our Hobby stores.

We have opened five Hobby stores and closed 18 during the period, leaving us with 335 at the end of November 2007.

The pre-exceptional gross margin, at 69.9%, remains strong. We believe this to be sustainable.

Compared to November 2006, sterling has strengthened by 8.5% against the US dollar and weakened by 1.2% against the euro. We have shown below our sales progression in constant currency terms so that readers can better understand the figures.

Cost reduction programme

Our cost reduction programme, announced in May 2007, has three key areas:

- Closing loss-making stores
- Rationalisation of the manufacturing and supply chain
- Simplification of the support infrastructure

In the first half of this year we have shut over half of the stores identified for closure, nine in the Americas, four in the UK, four in Continental Europe and one in Asia Pacific.

We have closed our tool making facility at Wisbech, UK and this activity has been relocated to our Nottingham site. Our programme to rationalise inventory management is being rolled out across our UK Hobby stores and it is also being introduced in the Americas.

We have completed the removal of the former divisional management structures and service centres have been established in Nottingham to remove unnecessary duplication of back office functions. The service centres support the IT, accounting, HR, production planning and supplier development functions across the majority of the Group's activities.

We still expect the cost reduction programme to result in annualised cost reductions of £7m.

The costs associated with this programme are shown as exceptional costs.

Prospects

The principal risks and uncertainties for the balance of the year lie in the ability of each of our individual sales businesses to establish and maintain sales growth. Our gross margins are strong, our costs and working capital are under control, so sales delivery remains an area of key focus.

Nevertheless these half-year results are encouraging, and the directors firmly believe that the prospects for the business remain very good.

Dividend

We are using the cash which would have otherwise been applied in paying dividends this year to finance the cost reduction programme described above. The board remains confident in the future growth and profitability of the Group and will resume paying dividends when appropriate.

Statement of directors' responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Games Workshop Group PLC are listed in the annual report for the 53 weeks to 3 June 2007, with the exception of M N Wells who was appointed to the board on 3 December 2007. A list of the current directors is maintained on the investor relations website at investor.games-workshop.com.

By order of the board

M N Wells

Chief Executive

M Sherwin

Finance Director

REVENUE BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 2 December 2007	Six months to 26 November 2006
Continental Europe	€28.6m	€32.0m
United Kingdom	£18.8m	£17.0m
The Americas	US\$24.2m	US\$22.9m
Asia Pacific	Aus\$9.2m	Aus\$8.9m

CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 2 December 2007 £000	Restated Six months to 26 November 2006 £000	Restated 53 weeks to 3 June 2007 £000
Revenue	2	54,630	54,620	111,041
Cost of sales		(16,695)	(15,888)	(32,694)
Gross profit		37,935	38,732	78,347
Operating expenses		(38,062)	(38,742)	(81,845)
Other operating income – royalties receivable		670	466	1,423
Operating profit/(loss)	2	543	456	(2,075)
Operating profit - pre-exceptional		1,104	456	1,953
Exceptional items - cost reduction programme		(561)	-	(4,028)
Finance income		163	107	326
Finance costs		(898)	(436)	(1,110)
(Loss)/profit before taxation		(192)	127	(2,859)
Tax	4	77	(51)	(622)
(Loss)/profit attributable to equity shareholders		(115)	76	(3,481)
Basic (loss)/earnings per ordinary share	5	(0.4)p	0.2p	(11.2)p
Diluted (loss)/earnings per ordinary share	5	(0.4)p	0.2p	(11.2)p

The restatement of the prior period results is to reflect the reclassification of certain costs from cost of sales to operating expenses following the establishment of the service centres (Nov 2006: £406,000; May 2007: £787,000). There are also reclassifications from cost of sales (Nov 2006: £110,000; May 2007: £216,000) and operating expenses (Nov 2006: £106,000; May 2007: £226,000) to revenue following the standardisation of trading terms to independent retailers within Europe. Although these reclassifications are not material, they are being reclassified to aid comparison to the current period.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months to 2 December 2007 £000	Six months to 26 November 2006 £000	53 weeks to 3 June 2007 £000
(Loss)/profit attributable to equity shareholders	(115)	76	(3,481)
Exchange differences on translation of foreign operations	107	(473)	(614)
Cash flow hedges:			
- fair value (losses)/gains	(219)	122	(88)
- transferred to the income statement	29	(26)	(86)
Tax on items recognised directly in equity	52	(29)	52
Total recognised expense for the period	(146)	(330)	(4,217)

CONSOLIDATED BALANCE SHEET

	Notes	As at 2 December 2007 £000	As at 26 November 2006 £000	As at 3 June 2007 £000
Non-current assets				
Goodwill		2,355	2,412	2,390
Other intangible assets	9	5,545	4,375	4,963
Property, plant and equipment	10	27,053	28,859	27,986
Trade and other receivables		1,122	1,015	1,204
Deferred tax assets		2,420	2,075	2,314
		38,495	38,736	38,857
Current assets				
Inventories		11,623	12,824	11,260
Trade and other receivables		12,691	11,766	8,351
Current tax assets		1,515	1,496	1,056
Financial assets - derivative financial instruments		-	304	24
Cash and cash equivalents		6,722	5,669	6,103
		32,551	32,059	26,794
Total assets		71,046	70,795	65,651
Current liabilities				
Financial liabilities - borrowings	8	(6,889)	(8,417)	(6,461)
Financial liabilities - derivative financial instruments		(463)	(19)	(120)
Trade and other payables		(15,208)	(14,841)	(13,889)
Current tax liabilities		(218)	(122)	(38)
Provisions	11	(1,459)	(397)	(3,225)
		(24,237)	(23,796)	(23,733)
Net current assets		8,314	8,263	3,061
Non-current liabilities				
Financial liabilities - borrowings	8	(15,004)	(9,989)	(9,820)
Other non-current liabilities		(842)	(757)	(958)
Provisions	11	(1,173)	(951)	(1,283)
		(17,019)	(11,697)	(12,061)
Net assets		29,790	35,302	29,857
Capital and reserves				
Called up share capital	15	1,556	1,556	1,556
Share premium account	15	7,822	7,822	7,822
Other reserves	15	(1,103)	(1,069)	(1,210)
Retained earnings	15	21,515	26,993	21,689
Total shareholders' equity		29,790	35,302	29,857

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 2 December 2007 £000	Six months to 26 November 2006 £000	53 weeks to 3 June 2007 £000
Cash flows from operating activities				
Cash generated from operations	6	623	782	10,341
UK corporation tax paid		(3)	(458)	(503)
Overseas tax paid		(142)	(1,057)	(1,345)
Net cash from operating activities		478	(733)	8,493
Cash flows from investing activities				
Purchases of property, plant and equipment		(2,887)	(3,306)	(5,813)
Proceeds on disposal of property, plant and equipment		9	26	13
Purchases of other intangible assets		(802)	(260)	(951)
Expenditure on product development		(1,138)	(1,391)	(2,937)
Interest received		162	114	336
Net cash from investing activities		(4,656)	(4,817)	(9,352)
Cash flows from financing activities				
Proceeds from borrowings		5,190	3,070	2,908
Repayment of principal under finance leases		(6)	(34)	(41)
Equity dividends paid		-	(4,364)	(5,904)
Interest paid		(792)	(504)	(1,113)
Net cash from financing activities		4,392	(1,832)	(4,150)
Effects of foreign exchange rates		(24)	(125)	(107)
Net increase/(decrease) in cash and cash equivalents		190	(7,507)	(5,116)
Opening cash and cash equivalents		(344)	4,772	4,772
Closing cash and cash equivalents	7	(154)	(2,735)	(344)

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The half-year results for the six months to 2 December 2007 and for the comparative six months to 26 November 2006 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the 53 weeks to 3 June 2007 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985.

The financial information has been prepared in accordance with the accounting policies under International Financial Reporting Standards ('IFRS') detailed in the financial statements for the 53 weeks to 3 June 2007 which are expected to be followed in the full financial statements for the year ending 1 June 2008. This half-yearly report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Changes to accounting standards and interpretations and their likely impact on the Group's future accounting policies are set out below:

IFRS 7 'Financial instruments: disclosures' is effective for accounting periods beginning on or after 1 January 2007, and will therefore be applicable for the year ending 1 June 2008, and IFRS 8 'Operating Segments', effective for accounting periods beginning on or after 1 January 2009, will be applicable in the year ending May 2010. These amendments to disclosure requirements will have no effect on the Group's reported results. The Group does not consider that any other standards or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the Group's results.

The half-yearly report is available to shareholders and members of the public on the Company's website at investor.games-workshop.com.

2. Segmental analysis

Six months to 2 December 2007	Continental Europe €000	United Kingdom €000	The Americas €000	Asia Pacific €000	Rest of the world €000	Central/ unallocated €000	Service centres €000	Design and development €000	Royalty income €000	Group €000
Total gross segment sales by operation	19,705	18,822	12,192	3,911	-	-	-	-	-	54,630
Total gross segment sales by location of customers	20,092	16,681	13,497	4,208	152	-	-	-	-	54,630
Pre-exceptional operating profit/segment result by location of customers	3,520	2,817	346	192	75	(2,854)	(2,158)	(1,504)	670	1,104
Exceptional items	(20)	(322)	(89)	-	-	(130)	-	-	-	(561)
Operating profit/segment result by location of customers	3,500	2,495	257	192	75	(2,984)	(2,158)	(1,504)	670	543

Restated Six months to 26 November 2006	Continental Europe €000	United Kingdom €000	The Americas €000	Asia Pacific €000	Rest of the world €000	Central/ unallocated €000	Service centres €000	Design and development €000	Royalty income €000	Group €000
Total gross segment sales by operation	21,734	16,947	12,348	3,591	-	-	-	-	-	54,620
Total gross segment sales by location of customers	23,165	14,414	13,178	3,752	111	-	-	-	-	54,620
Operating profit/segment result by location of customers	4,271	2,047	440	74	56	(2,801)	(2,261)	(1,836)	466	456

Restated 53 weeks to 3 June 2007	Continental Europe €000	United Kingdom €000	The Americas €000	Asia Pacific €000	Rest of the world €000	Central/ unallocated €000	Service centres €000	Design and development €000	Royalty income €000	Group €000
Total gross segment sales by operation	44,832	34,051	24,540	7,618	-	-	-	-	-	111,041
Total gross segment sales by location of customers	45,600	30,481	26,640	8,121	199	-	-	-	-	111,041
Pre-exceptional operating profit/segment result by location of customers	8,930	5,347	(515)	376	97	(5,179)	(4,895)	(3,631)	1,423	1,953
Exceptional items	(800)	(2,084)	(1,120)	(24)	-	-	-	-	-	(4,028)
Operating (loss)/segment result by location of customers	8,130	3,263	(1,635)	352	97	(5,179)	(4,895)	(3,631)	1,423	(2,075)

The restatement of prior periods is to disclose costs for IT, accounting, payroll, HR, production planning and supplier development services as costs relating to the service centres and to reflect these changes in the allocation of operating profits to the geographic segments. This is following the establishment of service centres covering these areas in the six months to 2 December 2007.

3. Dividends

No dividend was paid in the six months to 2 December 2007. In addition, no interim dividend is proposed for the year ending 1 June 2008 (2006: 4.95p).

NOTES TO THE FINANCIAL INFORMATION

4. Tax

The taxation credit for the six months to 2 December 2007 is based on an estimate of the full year effective rate of 40% (2006: 40%) for the year ending 1 June 2008.

5. (Loss)/earnings per ordinary share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity shareholders by the weighted average number of ordinary shares in issue throughout the relevant period, excluding ordinary shares purchased by the Company and held as treasury shares.

	Six months to 2 December 2007	Six months to 26 November 2006	53 weeks to 3 June 2007
(Loss)/profit attributable to equity shareholders (£000)	(115)	76	(3,481)
Weighted average number of ordinary shares in issue (thousands)	31,117	31,116	31,116
Basic (loss)/earnings per share (pence per share)	(0.4)	0.2	(11.2)

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share has been based on the (loss)/profit attributable to equity shareholders and the weighted average number of shares in issue during the relevant period, excluding treasury shares, adjusted for the dilution effect of share options outstanding at the end of the period.

	Six months to 2 December 2007	Six months to 26 November 2006	53 weeks to 3 June 2007
(Loss)/profit attributable to equity shareholders (£000)	(115)	76	(3,481)
Weighted average number of ordinary shares in issue (thousands)	31,117	31,116	31,116
Adjustment for share options (thousands)	-	293	-
Weighted average number of ordinary shares in issue for diluted (loss)/earnings per share (thousands)	31,117	31,409	31,116
Diluted (loss)/earnings per share (pence per share)	(0.4)	0.2	(11.2)

There is no impact on the diluted EPS for the six months to 2 December 2007 and the 53 weeks to 3 June 2007 for the share options in existence as, due to losses, these options are anti-dilutive.

6. Reconciliation of (loss)/profit attributable to equity shareholders to net cash from operations

	Six months to 2 December 2007 £000	Six months to 26 November 2006 £000	53 weeks to 3 June 2007 £000
(Loss)/profit attributable to equity shareholders	(115)	76	(3,481)
Tax	(77)	51	622
Depreciation of property, plant and equipment	3,377	3,294	6,925
Impairment loss on property, plant and equipment	-	-	306
Loss on disposal of property, plant and equipment	116	29	95
Amortisation of capitalised development costs	1,009	1,237	2,525
Amortisation of other intangibles	372	348	720
Finance income	(163)	(107)	(326)
Finance costs	898	436	1,168
Net fair value losses/(gains) on derivative financial instruments	61	(24)	88
Share-based payments	79	60	42
Exchange losses/(gains) on borrowings	-	63	(58)
Changes in working capital:			
- (Increase)/decrease in inventories	(437)	(611)	901
- (Increase)/decrease in trade and other receivables	(3,988)	(3,134)	128
- Increase/(decrease) in trade and other payables	1,393	(767)	(2,326)
- (Decrease)/increase in provisions	(1,902)	(169)	3,012
Net cash from operating activities	623	782	10,341

The cash outflow relating to exceptional items in the six months to 2 December 2007 was £2,088,000.

7. Cash and cash equivalents

Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Six months to 2 December 2007 £000	Six months to 26 November 2006 £000	53 weeks to 3 June 2007 £000
Cash and cash equivalents	6,722	5,669	6,103
Bank overdraft	(6,876)	(8,404)	(6,447)
	(154)	(2,735)	(344)

NOTES TO THE FINANCIAL INFORMATION

8. Financial liabilities - borrowings

	2 December 2007 £000	26 November 2006 £000	3 June 2007 £000
Current			
Bank overdraft	6,876	8,404	6,447
Obligations under finance leases	13	13	14
	6,889	8,417	6,461
Non-current			
Bank loans	15,000	9,971	9,811
Obligations under finance leases	4	18	9
	15,004	9,989	9,820
Total borrowings	21,893	18,406	16,281

9. Other intangible assets

	2 December 2007 £000	26 November 2006 £000	3 June 2007 £000
Net book value at beginning of period	4,963	4,320	4,320
Additions	1,957	1,651	3,888
Exchange differences	6	(11)	-
Amortisation charge	(1,381)	(1,585)	(3,245)
Net book value at end of period	5,545	4,375	4,963

10. Property, plant and equipment

	2 December 2007 £000	26 November 2006 £000	3 June 2007 £000
Net book value at beginning of period	27,986	29,475	29,475
Additions	2,569	2,882	6,031
Exchange differences	-	(149)	(181)
Disposals	(125)	(55)	(108)
Charge for the period	(3,377)	(3,294)	(6,925)
Impairment loss	-	-	(306)
Net book value at end of period	27,053	28,859	27,986

11. Provisions

	Employee benefits £000	Property £000	Total £000
As at 29 May 2006	615	896	1,511
Charged/(credited) to the income statement	29	(75)	(46)
Exchange differences	(6)	(8)	(14)
Utilised	(1)	(102)	(103)
As at 26 November 2006	637	711	1,348

	Redundancy £000	Employee benefits £000	Property £000	Total £000
As at 29 May 2006	-	615	896	1,511
Charged to the income statement	1,573	293	1,374	3,240
Exchange differences	-	(4)	(14)	(18)
Increase in provision - discount unwinding	-	-	27	27
Utilised	(17)	(16)	(219)	(252)
As at 3 June 2007 and 4 June 2007	1,556	888	2,064	4,508
Charged to the income statement	415	44	35	494
Exchange differences	29	28	(4)	53
Utilised	(1,657)	(42)	(724)	(2,423)
As at 2 December 2007	343	918	1,371	2,632

12. Seasonality

The Group's monthly sales profile demonstrates an element of seasonality around the Christmas period. This impacts sales in the months of September and December.

13. Related-party transactions

There were no material related-party transactions during the period.

NOTES TO THE FINANCIAL INFORMATION

14. Exceptional items

The exceptional item relates to the cost reduction programme announced in May 2007. As part of this programme, in the six months to 2 December 2007, £42,000 has been incurred in closing loss making stores, £356,000 in rationalising the manufacturing and supply chain and £163,000 in simplifying the support infrastructure. There were no exceptional items in the six months to 26 November 2006.

	Continuing pre-exceptional £000	Continuing exceptional items £000	Six months to 2 December 2007 £000	Six months to 26 November 2006 £000
Revenue	54,630	-	54,630	54,620
Cost of sales	(16,434)	(261)	(16,695)	(15,888)
Gross profit	38,196	(261)	37,935	38,732
Operating expenses	(37,762)	(300)	(38,062)	(38,742)
Other operating income - royalties receivable	670	-	670	466
Operating profit/(loss)	1,104	(561)	543	456

	Continuing pre-exceptional £000	Continuing exceptional items £000	53 weeks to 3 June 2007 £000
Revenue	111,041	-	111,041
Cost of sales	(32,472)	(222)	(32,694)
Gross profit	78,569	(222)	78,347
Operating expenses	(78,039)	(3,806)	(81,845)
Other operating income - royalties receivable	1,423	-	1,423
Operating profit/(loss)	1,953	(4,028)	(2,075)

15. Consolidated statement of changes in shareholders' equity

	Called up share capital £000	Share premium account £000	Other reserves			Retained earnings			Total equity £000
			Capital redemption reserve £000	Translation reserve £000	Other reserve £000	Hedging reserve £000	Treasury shares £000	Profit and loss £000	
As at 29 May 2006	1,556	7,822	101	353	(1,050)	60	(49)	31,143	39,936
Exchange adjustments	-	-	-	(473)	-	-	-	-	(473)
Profit for the period	-	-	-	-	-	-	-	76	76
Dividends paid	-	-	-	-	-	-	-	(4,364)	(4,364)
Share-based payments	-	-	-	-	-	-	-	60	60
Current tax	-	-	-	-	-	(29)	-	-	(29)
Cash flow hedges:									
- fair value gains in the period	-	-	-	-	-	122	-	-	122
- transferred to net profit	-	-	-	-	-	(26)	-	-	(26)
As at 26 November 2006	1,556	7,822	101	(120)	(1,050)	127	(49)	26,915	35,302
As at 29 May 2006	1,556	7,822	101	353	(1,050)	60	(49)	31,143	39,936
Exchange adjustments	-	-	-	(614)	-	-	-	-	(614)
Loss for the year	-	-	-	-	-	-	-	(3,481)	(3,481)
Dividends paid	-	-	-	-	-	-	-	(5,904)	(5,904)
Share-based payments	-	-	-	-	-	-	-	42	42
Current tax	-	-	-	-	-	26	-	-	26
Deferred tax	-	-	-	-	-	26	-	-	26
Cash flow hedges:									
- fair value losses in the period	-	-	-	-	-	(88)	-	-	(88)
- transferred to net profit	-	-	-	-	-	(86)	-	-	(86)
As at 3 June 2007 and 4 June 2007	1,556	7,822	101	(261)	(1,050)	(62)	(49)	21,800	29,857
Exchange adjustments	-	-	-	107	-	-	-	-	107
Loss for the period	-	-	-	-	-	-	-	(115)	(115)
Shares vested	-	-	-	-	-	-	49	(49)	-
Share-based payments	-	-	-	-	-	-	-	79	79
Deferred tax	-	-	-	-	-	52	-	-	52
Cash flow hedges:									
- fair value losses in the period	-	-	-	-	-	(219)	-	-	(219)
- transferred to net profit	-	-	-	-	-	29	-	-	29
As at 2 December 2007	1,556	7,822	101	(154)	(1,050)	(200)	-	21,715	29,790