

## CHAIRMAN'S PREAMBLE

Games Workshop has had a really good year.

If your measure of 'good' is the current financial year's numbers, you may not agree. But if your measure is the long-term survivability of a great cash generating business that still has a lot of potential growth, then you will agree.

Having taken on the conversion of our stores to a one man format with all the concomitant complexity of staff changes and new sites and new lease negotiations – a long job not quite finished – we decided to re-arrange the management of our sales channels from a country-based system to a central one. This meant removing four European headquarters, consolidating all trade (third party) sales personnel at our Nottingham base, creating a new continental European grouping of our retail stores, and recruiting new management for these divisions whilst flattening the structure by removing all middle management. At the same time we changed leadership of our retail chain in the North American area, and gave birth to our new web store after many months' labour.

All this has significantly de-risked the business. We have far fewer key personnel to replace if need be, and a much lower cost base (£2 million p.a. less). It has cost, in total, around £4.5 million to accomplish. The new web store allows us to sell online more efficiently. It cost around £4 million.

This augurs well for our long term health and cash flow.

What is really remarkable, however, is that it was all accomplished in five months. The levels of complexity handled by our 'back-office' staff – personnel, IT and accounts – are beyond my descriptive abilities. And yet it was co-operatively done with precision, efficiency and calmness at a ferocious speed.

We all owe these people a big vote of thanks. They have saved the company millions.

Working with people like this is why it is a pleasure to work here.

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In the technological world we occupy there is constant debate over who 'innovates' and who merely copies. We have, this last year, spent an indecent amount of your money trying to stop someone stealing our ideas and images. It is a very difficult thing to do when it is done through a legal system designed to prevent people stealing hogs from one another. Our experience has probably been typical of most – far too much money spent on far too little gain. The argument is that we have to do this or we will, bit by bit, lose everything that we hold dear, everything that keeps the business going. Our crops will wither, our children will die piteous deaths and the sun will be swept from the sky. But is it true?

Last year I published the secret that I believe is at the heart of what makes this business great. Steve Jobs once did the same over at heavily litigating Apple. He said they ignored everything that did not lead to 'insanely great products' and that was what made them great. None of the people Apple are suing are trying to do that, so why sue?

I said, 'we recruit for attitude and not for skill'. It is what makes us great. It is those people who design the miniatures; those people who make them and those people who sell them; those people who transformed our business systems in five short months. I have been deluged with two comments about that statement, neither of which was: 'you fool, you just gave away the crown jewels'. Why doesn't everyone do it? Ask them.

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Because no one seems able to grasp the essential simplicity of what we do there has always been the search for the Achilles heel, the one thing that Kirby and his cronies have overlooked. These are legion. I run through the list from time to time when someone says that computer games will be the death of us – they are so much more realistic now! – again. This year it is 3-D printing. Pretty soon everyone will be printing their own miniatures and where will we be then, eh?

We know quite a lot about 3-D printers, having been at the forefront of the technology for many years. We know of what we speak. One day 3-D printers will be affordable (agreed), they are now, they will be able to produce fantastic detail (the affordable ones won't) and they will do it faster than one miniature per day (no, they won't, look it up). So we may get to the time when someone can make a poorly detailed miniature at home and have enough for an army in less than a year. That pre-supposes that 3-D scanning technology will be affordable and good enough (don't bet the mortgage on that one) and that everyone will be happy to have nothing but copies of old miniatures.

All of our great new miniatures come from Citadel. It is possible that one day we will sell them direct via 3-D printers to grateful hobbyists around the world. That will not happen in the next few years (or, in City-speak, 'forever') but *if* and when it does it will just mean that we can cut yet more cost out of the supply chain and be making good margins selling Citadel 3-D printers.

At the heart of the delusion is the notion that designing and making miniatures is easy. It isn't.

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On the first of January next year I will be stepping down as CEO of Games Workshop. I intend staying on as non-executive Chairman (if the board will have me), so those of you who want to see an end to these preambles (rhymes with rambles), don't get your hopes up just yet.

The board has prepared a job specification for CEO, and the consequential advertisement. The ad. will be published the day after our AGM (September 18th). If you apply, we require that you write a letter saying why you want the job. No letter, no interview. The interviews will take place on November 7th and will be at Nottingham. An announcement will be made the following week. We have not decided what will happen if no suitable candidate is found but I suspect my wife will be livid.

Let me dilate about this letter. Last year I wrote here about our recruitment process, and shortly afterwards we recruited a new non-executive director (NXD) using the method described. We got a great (not good, great) new board member. She is still surprised that I did not read her CV (exasperated would be a more accurate word) but there was no need. Her letter told us what kind of person she was: sincere, open-minded, a learner, excited at the opportunity. The interview told us she had all the qualities needed. It mattered not one jot what her CV said. Appointing NXDs because of their careers rather than *who they are* is at the heart of the rot in the corporate world.

**Tom Kirby**

Chairman and acting CEO

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