PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

27 July 2021

ANNUAL REPORT

Games Workshop Group PLC ("Games Workshop" or the "Group") announces its annual report for the year to 30 May 2021.

Highlights

	Year to 30 May 2021 £m	Year to 31 May 2020 £m
Revenue	**353.2**	269.7
Revenue at constant currency*	**361.0**	269.7
Operating profit - pre-royalties receivable	**135.4**	73.2
Royalties receivable	**16.3**	16.8
Operating profit	**151.7**	90.0
Operating profit at constant currency*	**155.7**	90.0
Profit before taxation	**150.9**	89.4
Net increase in cash - pre-dividends paid	**93.4**	70.5
Earnings per share	**372.7p**	218.7p
Dividends per share declared in the year	**235p**	145p
Dividends per share paid in the year	**185p**	145p

Kevin Rountree, CEO of Games Workshop said:

"After a tough year we are delighted that the Warhammer hobby and Games Workshop are in great shape; thanks to everyone involved and thanks to everyone that continues to keep us safe and well."

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The full 2021 annual report can be downloaded from the investor relations website at investor.games-workshop.com

*Constant currency revenue is calculated by comparing results in the underlying currencies for 2021 and 2020, both converted at the 2020 average exchange rates.

STRATEGIC REPORT

Strategy and objectives

Games Workshop is committed to making the Warhammer hobby and our business ever better.

Our ambitions remain clear: to make the best fantasy miniatures in the world, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever. Our decisions are focused on long-term success, not short-term gains.

Let me go through our strategy part-by-part:

The first element is that we make high quality miniatures. We understand that what we make may not appeal to everyone, so to recruit and retain customers we are absolutely focused on making our models the best in the world. In order to continue to do that forever and to deliver a decent return to our owners, we sell our miniatures for a price that we believe represents the investment in their quality.

The second element is that we make fantasy miniatures based in our endless, imaginary worlds. This gives us control over the imagery and styles we use, and ownership of the intellectual property (IP). Aside from our core business, we are constantly looking to grow our licensing income from opportunities to use our IP in other markets.

The third element is that we are customer focused. We aim to communicate in an open, fun way. Whoever and wherever our customers are, and in whichever way they want to engage with Warhammer, we will do our utmost to support them.

The fourth element is the global nature of our business. Our customers can be found anywhere, and we seek them out all over the world. They're a passionate bunch with an interest in science fiction and fantasy. They're collectors, painters, model builders, gamers, book lovers and much more. And while no two engage with Warhammer in exactly the same way, they're all deeply invested in the rich characters and settings of our IP.

To reach them, we have two key tools: our retail chain and our digital content. In retail, we showcase the Warhammer hobby and offer a fantastic customer experience. Our digital offering has never been richer. Through warhammer-community.com and social media we reach thousands of people every day, showing them the very best aspects of the Warhammer hobby and inviting them to join our global community of enthusiastic fans.

Our retail channel is supported by our own online store (it has the full range of our products) and our independent stockist and trade accounts across the world. These independent accounts do a great job supporting our customers in parts of the world where we either have not yet opened one of our stores or where it is not commercially viable for us to have one. Our long-term goal is to have all three channels (retail, trade and online) growing in harmony. We will always have more independent accounts than our own stores. Our strategy is to grow our business through geographic spread, growing all of the three complementary channels.

The fifth element is being focused on cash. By delivering a good cash return every year we can continue to innovate, surprise and delight our loyal existing customers and new customers with great product. To be around forever we also need to invest in both long-term capital and short-term maintenance projects every year, pay our staff what they have earned for the value they contribute and deliver surplus cash to our shareholders. Our dedication and focus should ensure we deliver on time and within our agreed cash limits.

We measure our long-term success by seeking a high return on investment. In the short term, we measure our success on our ability to grow sales whilst maintaining our core business operating profit margin at current levels. The way we go about implementing this strategy is to recruit the best staff we can. We look for those with the appropriate attitude and behaviour a given job requires and for those who are moral, ethical and quality obsessed. It is also important that everyone we employ has a real desire to learn the skills needed to do their job and has a great attitude towards change (there's never a dull moment here!). To support them, we offer all of our staff both personal development and skills training.

We continue to believe there are great opportunities for our business to grow, particularly in North America and Asia.

Our brands

We have originated and are in control of a number of strong, globally recognised brands with their own identities, associations and logos.

Our key consumer facing brand is 'Warhammer'.

We design, make and sell products under a number of brands and sub brands, which denote setting, tone and product type, the key ones being:

- Warhammer: Age of Sigmar - our unique fantasy setting.
- Warhammer 40,000 - our most popular and recognisable brand is a space fantasy setting.
- Horus Heresy - an offshoot of Warhammer 40,000, the Horus Heresy brand is presented as 'fictional history' of that universe.

We believe our IP to be among the best in the world.

Strategy and objectives continued

Our brands continued

The Warhammer settings are incredibly rich and evocative backdrops. They're populated by more than three decades of fantastical characters and comprise thousands of exciting narratives. We are committed to making it easier than ever for people to discover, engage with and immerse themselves in our IP. Aided by a small, senior team we have already begun to find new partners, and new ways to help us bring the worlds of Warhammer to life like never before. Together, we'll continue to explore animation, live action and more. We'll present the very best aspects of our rich IP, delighting audiences while always ensuring we do no harm to our core miniatures business.

Business model and structure

We design, manufacture, distribute and sell our fantasy miniatures and related products. These are fantasy miniatures from our own Warhammer 40,000 and Warhammer: Age of Sigmar universes. Our two factories, two warehouse facilities and back office support functions are all based in or near Nottingham. We are an international business centrally run from our HQ in Nottingham, with 77% of our sales coming from outside the UK.

Design

We design all of our products at our HQ in Nottingham. Employing 262 people, the design studio creates all the IP and all the associated miniatures, artwork, games and publications that we sell. Annually, these specialist staff produce hundreds of new sculpts, illustrations, rules, stories etc. enabling us to deliver new products every week and continue to keep our customers engaged and excited. In 2020/21 we invested £12.7 million in the studio (including software costs) with a further £4.4 million spent on tooling for new plastic miniatures. We are committed to investing in these areas at an appropriate level every year.

All of our plastic miniatures are branded as Citadel Miniatures, a mark with an unparalleled reputation for quality. It denotes both a style and level of detail that we apply to both our own worlds (Warhammer 40,000, Warhammer: Age of Sigmar, etc.) and those of others, e.g. Lord of the Rings.

Our resin miniatures, designed for more experienced customers, are branded as Forge World and are less widely available than their plastic counterparts.

Many customers love personalising their miniatures and our Citadel Colour paint range, brushes and accompanying painting system are designed to help everyone from the complete beginner to the most experienced painters in the world achieve great results. In the pursuit of ever better, we continually develop new types of paint and ways of using them. The result - our paints are used the world over. And for painting more than just our miniatures!

When not interacting with our miniatures, many customers enjoy reading stories set in our rich and immersive worlds. Under our Black Library imprint we publish hundreds of titles a year, from short stories and audio dramas through to full length novels and audio books. These we make available in physical bookstores, third party digital platforms and through our own retail and other specialist stores.

Manufacture

We are proud to manufacture our product in Nottingham. It's where we started and where we intend to stay. During the year we completed the work on Factory 2 of increasing our production facilities in Nottingham, with the expansion of our tooling facility and further office space. We also purchased a further two pieces of land next to our main site in Nottingham which will allow for future expansion.

Logistics

Our product is distributed from our main warehouse at the Nottingham HQ or our new rented warehouse facility approximately 25 minutes from the main HQ. These facilities supply our two hubs; one in Memphis, Tennessee and one in Sydney, Australia. Between these four facilities we are able to then directly supply our independent retailers, our own retail stores and fulfil our online orders. The upgrade of the Memphis facility as well as moving into this new rented warehouse near Nottingham, are now both nearing operational completion.

Sell

We sell via three channels, our own stores 'Retail', third party independent retailers 'Trade' and our online store 'Online'. We also 'sell', or rather generate income, via our licensing partners. We support these channels and activities via our digital and marketing team.

Retail - our stores provide the focus for the Warhammer hobby in their geographical areas. Our stores only stock Games Workshop product. They are where we recruit the majority of our new customers. To do so, the stores don't offer the full range of our product, only starter sets, new release product and the appropriate extended range. At the year end, we had 523 of our own retail stores in 23 countries. Our stores contributed 20% of the year's sales. We have 406 single staff stores: small sites, each one operated by only one store manager. We also have 117 multi-staff stores, which, like our single staff stores, are constantly reviewed to ensure they remain profitable. If not, they will probably be converted to single staff stores.

Trade - we sell to third party retailers under closely controlled terms and conditions. Independent retailers are an integral part of our business model helping us to sell our products around the world and importantly in areas where we don't have our own stores. Games Workshop strives to support those outlets which help to build the Warhammer hobby community in their local areas. The bulk of our sales to independent retailers are made via our telesales teams based in Memphis and Nottingham. We also have small telesales teams in Sydney, Tokyo, Shanghai, Singapore, Hong Kong and Kuala Lumpur. In 2020/21 we had 5,400 independent retailers (2020: 4,900) in 73 countries. We strive to deliver excellent service, operating in 23 languages covering all time zones. 55% of our sales came from sales to independent retailers in the year reported. These sales are from their physical stores as well as their own online web stores.

Business model and structure continued

Sell continued

Online - sales via our own web stores accounted for 25% of total sales in 2020/21. All of our retail stores also have a web store terminal that allows our customers to access the full range from within the store. Our web stores are run centrally from our Nottingham HQ.

Licensing - we grant licences to a number of carefully chosen partners. This allows us to leverage our IP to broaden the presence and brand exposure of Warhammer around the world, often entering new markets such as board games, apparel or accessories and media and entertainment. It also allows us to generate additional income. Currently, the majority of this income is generated by computer games sales in North America, the UK and Continental Europe.

Marketing - keeps us customer focused. This team acts as the bridge between our other business areas, ensuring we have a joined up approach between product (design to manufacture) and sales. Marketing spends a lot of time listening and developing a two way dialogue with our customers to make sure we keep their needs at the forefront, championing the Warhammer hobby around the globe and injecting our content and communications with a real sense of passion and fun.

Structure

We control the business centrally from our HQ in Nottingham; it is where the majority of people with experience and knowledge of running our business work. I have put in place a flat structure: the people with senior responsibility that make all of the big decisions report directly to me. To bring extra focus and ambition, my team is now split into six parts: product design and IP creation, manufacturing and supply chain, sales, digital and marketing, operations and support, and IP exploitation.

We have a global IP and product design director who is responsible for our design studios (miniatures, books and box games, specialist systems, Warhammer hobby product and our publishing business, Black Library).

The responsibility for our retail chain is split between two retail territory heads, one for North America and Asia and one for the rest of the world. Our trade sales are the responsibility of a single head of trade sales. All of our online and digital sales are the responsibility of a global marketing and digital director.

These sales channels are supported by a merchandising team, managed by the global manufacturing and supply chain director and by the marketing team that sits under the global marketing and digital director. The global manufacturing and supply chain director also manages the factories and our four main warehouse facilities in Nottingham, Memphis and Sydney.

Our operations and support structure includes a chief financial officer for Games Workshop who is responsible for accounts, HR, legal and compliance, and licensing as well as ensuring we invest in our core IT systems to help us deliver our long-term goals.

Key performance indicators

The board and management team use a number of key performance indicators to provide a consistent method of analysing performance, in addition to allowing the board to benchmark performance against our forecast. The key performance indicators utilised by the board can be split into key financial performance indicators and key non-financial performance indicators.

Our key financial performance indicators are:

Monthly and year-to-date sales growth by channel

This measures the sales growth achieved in each of our channels on a monthly and year to date basis.

Monthly and year to date Group gross margin

This measures the gross margin achieved on sales after taking account of the direct costs and depreciation of manufacturing equipment and shipping our product to customers/stores on a monthly and year to date basis.

Year to date core business operating profit percentage

The ratio of core business operating profit before royalty income against revenue, as a percentage. This is considered to be a measure which reflects sales under our direct control.

Monthly and year to date core business profit

This measures gross profit less operating expenses on a monthly and year to date basis, before royalty income. This is considered to be a measure which reflects sales under our direct control.

Our key non-financial performance indicators are:

Number of own stores by territory

This measures the number of our own stores which is an indicator of our global reach.

Number of ordering stockist accounts by territory

This measures the number of trade outlets that have ordered from us in the last six months. It is an indicator of our global reach and the health of our trade account base.

Key performance indicators continued
Key non-financial performance indicators continued
Customer engagement
We measure this through our owned content channel warhammer-community.com and reach delivered through our social platform.

Staff engagement
We have a monthly Games Workshop Group Communications Forum which is attended by staff representatives and senior managers. This is to ensure regular staff engagement across the Group. Information on topics discussed at these meetings is circulated to all staff and to the board.

Shareholder value
We believe shareholder value is created, primarily, by not destroying it. We have no intention to acquire other companies, nor to dispose of any of those we own.

We return our surplus cash to our owners and try to do so in ever increasing amounts. A 'working cash buffer' of three months' worth of working capital requirement has been set aside along with six months' worth of future capital spend and tax payments before deciding how much cash is truly surplus for the purpose of declaring dividends.

Review of the year

Core business
COVID-19
As ever, our global team has been focused on delivering a better performance, and making the Warhammer hobby ever more fun and engaging. With a challenging backdrop we have been able to deliver on our core strategy and our customers have continued to enjoy Warhammer as best they can. We look forward to the easing of restrictions, healthy and happy staff and customers, all able to engage in our full Warhammer hobby experience.

Our priorities during the year have not changed - to protect the health and safety of our staff and to do our utmost to balance the needs of all stakeholders. We have done well; supporting governments fully with their health and safety guidelines keeping people safe, our staff with job security, wellbeing support and full pay. Our customers have had considerably more free, engaging digital content and the best new miniatures we have ever made! To our disappointment, we have also had more customers' service issues, chiefly delays on deliveries. These were primarily driven by our internal issues with capacity constraints at our warehouse facilities, rather than by external factors. To support affected customers we upscaled our customer service resource. We have continued to support our suppliers, staying loyal whenever possible and paying their invoices on time. Our shareholders have had record dividends too. Our focus on spending cash wisely has proven the right approach, we have had good cash balances throughout the year in line with our short term forecasts. We will continue to focus on improving our relationships with all stakeholders and make decisions with all in mind.

Where possible our office based staff (global services, studios, trade sales teams etc.) have worked from home. We have now been clear with all of our staff what their new working arrangements will be going forward. In summary, our office based support and operations staff will have some flexibility, working from home for some or all of the week. All other staff will operate full-time from one of our business locations. We are currently working on making the HQ office space in Nottingham more flexible to meet our new requirements. This should be completed by September 2021. Office based staff are being phased back as we complete the work on their areas. I hope everyone settles into their new areas well, and I look forward to playing musical chairs with everyone, including the senior team, who will be making use of our new hot desk areas!

Our manufacturing, warehousing and support teams at our main HQ in Nottingham and warehouse hubs in Memphis, Tennessee and Sydney, Australia, not only worked well within our health and safety procedures but they have also made, picked and packed a significant increase in volume compared to the same period last year. All our staff in these areas are still working to local social distancing guidelines, these will be amended as government guidelines change.

The majority of our 523 retail stores have been restricted or closed during the period, following local government guidelines. It was great to see, during the periods our stores were allowed to open, our store managers doing a fantastic job of delivering their normal outrageous service for our loyal customers during such a challenging time. Our retail offer is one of our unique services. You'll find no better place to immerse yourself in the Warhammer hobby. Many trade accounts have been able to access government assistance, and many have the flexibility to sell outside of their physical location (online via 'click and collect', 'curbside pickup' and delivery). It is still early days to predict what 2021/22 is going to look like. We continue to invest in all of our sales channels.

In line with our earlier announcement regarding repayment of furlough support and other government subsidies, we have cancelled the UK expanded business rates retail discount scheme for 2020/21. We made no claims for financial support or subsidies from governments during the period.

There still remains the potential for further disruption, so we will continue to monitor the impact and do what is necessary to ensure our staff, their families and our customers are safe. This is, and will remain, at the forefront of our minds.

Year to May 2021
This has been a tough and challenging year operationally for everyone. As a global, vertically integrated business it has taken a considerable effort to keep our operational plans on track. I'd like to take the opportunity to acknowledge everyone that has helped us during these challenging times. Thanks to you all, you have been amazing.

Our core strategy is unchanged and we have delivered on all of the key elements. They have again driven our growth in sales and profits. The key elements are:

- Make the best fantasy miniatures
- Engage and inspire our customers
- Sell our product profitably, globally
- Make decisions with long term success in mind

More Warhammer. More Often - core business
At our 2019 AGM we shared a new phrase 'More Warhammer. More Often'. We believe Warhammer is immense fun, and we wanted to be clear that there are many more ways to take part than ever before and that all of them should be embraced and supported equally.

To help more people enjoy Warhammer in more ways, we a core business which focuses on realising our IP as miniatures and supporting products - the core Warhammer hobby. A licensing team which is there to enrich and expand the ways in which Warhammer fans can interact with the IP. As ever we want to make sure Warhammer is around forever and so we pick partners carefully, ones with respect for the IP and the creative vision to help strengthen and enrich it. To bridge these areas, we aim to bring everything to My Warhammer, a single source of truth for all things Warhammer. We continue to develop this platform.

The main highlight of the year for the core business was a confident global launch of our updated Warhammer 40,000 system which, given the increased volumes, tested our legacy IT systems to their maximum. They mostly passed the tests. Our relentless focus on producing the highest quality miniatures continues to deliver results. That combined with a customer focused approach helped us sell more miniatures than any year before.

The low point - at times we looked under considerable pressure, but the shared understanding of our beliefs amongst my senior team, and many others, pulled us through. Our understanding that there are no silver bullets and our attitude to hard work, and our compassion and camaraderie have never been more essential. The global team has documented and delivered an ever changing operational plan again, and it continues (I actively encourage) to be a little flexible around the edges leaving us the freedom to make changes to and explore unproven new initiatives.

The results: another solid year building on the great progress and profitable growth we have been consistently delivering over the last six years. I will continue to set the bar higher; it is worth noting that historically the launch year of a new Warhammer 40,000 edition is normally the financial high point... until the next edition of Warhammer 40,000. The goal is to ensure we help more and more people share our love for Warhammer. Our immediate operational plans look encouraging.

Given the backdrop I am delighted to report an exceptional financial performance; record constant currency sales, profit and cash generation in the period. In line with our Group Profit Share scheme and previous years, we have paid in total £2.6 million (2020: £2.4 million) to staff. To further reward their exceptional performance in helping to increase our profitability significantly in the period reported, we have also paid in cash a discretionary bonus equally to all employees a total of £10.6 million (2020: £nil). Total dividends declared in the period reported were 235 pence per share (2020: 145 pence per share).

Update on priorities for 2020/21

We have made some reasonable progress with our key priorities. Each of these is designed to ensure we deliver our exciting operational plan and continue to engage and inspire our loyal customers.

Some have been delayed by COVID-19 and Brexit, others by our inability at times to implement large scale projects on time. I accept full responsibility for the delays, clearly the plan wasn't good enough. We are working to address any issues. Most are under our control.

Business recovery
Our factory sites and logistics hubs have adopted COVID-19 social distancing measures and practices, above and beyond basic government minimum requirements. Whilst these measures have constrained capacity a little, they have ensured that staff remain safe. As a minimum, we will continue to adhere to government guidelines.

Design
The new edition of the Warhammer 40,000 range, set in our unique science fiction IP, was released in July 2020 and has, by a considerable margin, been our most successful launch to date. Along with fantastic new models, the new edition introduced a step change in narrative gaming for those Warhammer hobbyists whose primary passion is bringing our worlds to life on the tabletop. Sales of subsequent new releases and existing lines have all enjoyed good levels of success since the launch.

Releases for Age of Sigmar, our primary fantasy IP, included three new factions, and the Cursed City game which, dramatically exceeding expectations, sold out very quickly. We do our best to guess the right number to make, sometimes we are wrong. The second half of the year has seen releases focused around a series of dramatic in-world events leading up to the launch of a new edition of the game in the first quarter of next financial year - we can't wait!

Update on priorities for 2020/21 continued

Design continued

To improve the quality and accessibility of our offer we are expanding our translation teams. In-house Chinese and Russian translation teams will be in place in Q1 and Q2 respectively next financial year.

There were four magazine partworks based on our Warhammer miniatures hobby running throughout the year and tests were successfully conducted in the UK, Spain, Germany and (for the first time) the US for launches in 2021/22.

Our other intellectual properties - Necromunda, Adeptus Titanicus, Aeronautica and Lord of the Rings, are all in good health receiving a steady stream of new product in the year while Blood Bowl, our irreverent game of fantasy football, had a new edition which was enthusiastically received by both new and existing customers alike. We will continue to develop and periodically bring to market new IPs and game systems, giving both existing and new customers more reasons to collect our wonderful miniatures. We have plenty of exciting plans in the pipeline.

Paint sales were flat in the year following a significant new release launch in the summer of 2019. We are committed to continuing to develop new and innovative paint, enabling customers to get ever better results from this popular aspect of the Warhammer hobby.

Black Library, our novel publishing division, also had its best year so far publishing over 150 new titles. It was no surprise that digital sales of these titles were popular on the large digital platforms, more than offsetting the lower sales from third party physical bookstores that were closed during the period.

The strategy of keeping customers engaged by broadening and deepening our offer sees us continue to invest in IP and design with studio payroll costs increasing by £1.1 million to £10.0 million; as a percentage of Group revenue they have fallen by 0.5% to 2.8%. Studio payroll costs as a percentage of Group revenue are forecast to be higher in the next financial year, which will allow us to bring additional product lines to the market and also provide additional intellectual property for exploitation through our licensing team.

Manufacturing

Another busy year and step change in output versus last year against a backdrop of significant disruption in the global supply chain. Our two factories are up and running and are now fully operational. In line with our aim of maximising output from our two current factories, permanent night shifts have been established in key areas with additional weekend shifts used to respond to spikes in demand.

Our phased increase in plastic production capacity will continue with an additional five injection moulding machines scheduled to be operational by August 2021 and a further eight by January 2022. New paint filling equipment will be installed in the second quarter of 2021/22 delivering both capacity and cost efficiencies. Additional land adjacent to our new Factory 2 has been secured to ensure that space does not become a constraint to output in the future.

Having received CCC product safety registration for China last year we now have c. 750 products that have successfully been registered. Due to some cross border delays with customs clearance they have not all been on sale in the country just yet. We hope to have them all on sale soon.

Production payroll costs rose in the year in line with costs increasing by £2.5 million to £10.0 million; being maintained at 2.8% of Group revenue despite COVID disruption and pay rises.

Warehousing

UK

A very busy year, with multiple issues initially beyond our control thrown at us. I'm keeping my fingers crossed when I say we're starting to see some good progress addressing delays delivering product to our very patient and understanding customers.

A wide array of activities have been supported through the new East Midlands Gateway (EMG) facility following its partial opening in summer 2020. Reliance upon third party warehousing services has dramatically reduced, and our interim warehouse management solutions, whilst far from optimal, have delivered record component volumes, in turn supporting unparalleled factory output.

The warehousing operation development works at our EMG facility are now well progressed with the installation of racking, conveyor, robotics solutions and our strategic warehouse management system (mirroring the facility in Memphis). These are all progressing at pace and should be completed during the summer of 2021, soon! Consultation with staff moving between the old and new facilities is well advanced with the main body of staff transitioning from September 2021. Works to reconfigure and repurpose the original Eurohub facility in Nottingham to become our primary component facility will commence in late 2021.

North America

Development and testing of our much needed warehouse equipment and systems upgrade in Memphis continued throughout the year. The phased implementation of new solutions, which commenced at the end of May 2021, dramatically increased our capacity, though in recent months even this has not been able to keep pace with customer demand. We are confident that once fully operational, our new solutions will enable us to provide the levels of service we and our customers expect going forward.

Update on priorities for 2020/21 continued

Warehousing continued

Australia

During much of the year global shipping and container constraints heavily restricted our ability to flow product into Australia, with customer demand regularly outstripping available supply before gradually improving in the last six months. We have again extended the lease on our current Sydney facility for a two year period.

Total warehousing costs have increased by £5.1 million to £16.8 million; as a percentage of sales they have increased from 4.3% to 4.8%. We would expect this percentage to rise to 5.2% and then remain at similar sales levels following the investments described above.

Services

We continue to invest in the core support functions of the business.

During the past year we have restructured our people team to place clear emphasis on the key functions of business support and advice, and resourcing and development. Our support and advisory function gives managers and staff the support they need with day-to-day employment matters. In recent months it has (and continues to) manage the transition of staff to new ways of working in the future, whether office based or flexible, and in the year ahead is focussed on ensuring that all managers across the business have the tools they need to manage their teams effectively. Set goals, keep score, take appropriate action remains our overriding management principle. Our resourcing and development function has had a busy year. They have successfully launched our new learning management system (LMS) across the business, giving us an effective way of managing training across the Group and a platform through which we can give staff access to the training and development material they need, whenever they need it. The team have also launched a new induction programme for new starters in the UK which we will be replicating globally in the year ahead. We continue to strive to make sure that everyone feels welcome and supported at Games Workshop, both on arrival and throughout what we hope will be long and successful careers.

We have recently merged our health and safety and wellbeing functions into a combined team and we are very excited to be planning for the launch of a new Group wide wellbeing programme later in the year. This programme will include a range of new initiatives for Games Workshop, across the key subjects of health, mental wellbeing, engagement and personal and professional development. Now more than ever, we recognise the importance of wellbeing, and this is a priority for us in the year ahead.

Our IT team has provided solutions for a successful transition for staff in the office to be able to do their jobs from home. These included a new VPN solution, upgrading of internet connectivity to our data centres, providing laptops and hardware for all home workers and ensuring we all work in a safe and secure manner, protecting our IP and data. IT has played a significant part in working closely with all key business areas in continuing to deliver key projects including ERP, new warehouse solutions and new offices and factory sites. Along with all the projects the IT team has done a sterling job in managing the pressure on our IT systems with the increased growth in sales, manufacturing and warehousing operations.

Brexit

Since the UK referendum result on membership of the EU in June 2016, we have been working to assess and mitigate the likely impacts of Brexit on our customers and suppliers. Our fundamental objective was to ensure that we offer continuity of service and supply to our customers, wherever they are. We identified a number of key areas of focus for a potential Brexit impact, specifically:

- The movement of goods from the UK to the EU across all sales channels has faced significant disruption. We again acknowledge that unfortunately delivery service to our Continental European customers was well below expectations during the opening months of 2021. We have offered full refunds and if needed, extended credit to trade accounts whenever it was needed. Total refunds were £1.2 million in the period. We continue to monitor the impact on our trade account base as it is too early to see the impact of this disruption. It is still early days, but we now have a reliable cross border service up and running which was implemented in April 2021. We are strengthening our logistics team further with in-country resources to better support our international growth; the world seems to be getting smaller but crossing borders much harder.

- The recruitment and retention of EU nationals working in the UK has, as you would expect, not been plain sailing this year either. Our EU trade team is based in Nottingham and during the year we never really had a full team. The team we did have though are an engaging, international bunch who tackled the year with their usual lively style.

Diversity

Our behaviour led culture governs how we work and our shared beliefs guide our interactions with each other. We will continue to performance manage and recruit for the personal qualities you need to do a particular job as well as the necessary skills. We do not select based on any other criteria. I will continue to do my best to ensure this is the case and that we are fair and free from any bias and/or prejudice.

Sustainability

Climate change has enormous implications for society. We acknowledge that fully. We are committed to doing our bit. We won't make any long term promises - we never do on any topic. We will guarantee to take it seriously and make progress every year. By continuing to do the right thing we will deliver change.

More recently we have created a new 'Sustainability action list' which aligns our approach of just doing the right thing with better external reporting. The action list will focus our efforts on where we can make the biggest difference. We believe that we create long-term value for our stakeholders through delivering on each of these elements: growth, good cash returns and by having a positive impact on others.

Update on priorities for 2020/21 continued

Customer focus

This year, perhaps more than ever before, we focused on supporting our global community through engaging and inspiring content. With the world in lockdown, our digital spaces became the core way in which people could engage with the Warhammer hobby. This posed some unique challenges and allowed us to highlight one of the greatest things about Warhammer - it is far more than just a game.

Over the year we put out over 10,000 pieces of digital content, giving our fans constant encouragement, inspiration and support as they enjoyed building and painting their collections, sharing their efforts digitally and immersing themselves in Warhammer lore. To take the place of physical events and Warhammer gatherings, we hosted special online events and streamed live seminars, each of which saw over a million interactions. The result - the best year for engagement and online sales we've ever had.

Warhammer-community.com, the cornerstone of our online presence, saw visits increase by 16% compared to the prior year. We saw strong growth across our social media channels too, with engagements up 25% on the prior year. Our email lists also performed well with 21.2 million opens in the period, up 18% on prior year and subscribers are now approaching 600,000.

More Warhammer. More Often - media and entertainment

We're now very close to launching our bespoke subscription service, Warhammer +. This service will provide our loyal fans with a new way to experience the worlds of Warhammer and is how we will distribute the animated shows our internal Warhammer animations team have been working on. Launching with a host of animation shows, as well as all-new gaming, painting and lore shows, Warhammer + will also give subscribers access to free exclusive miniatures and more.

When we previewed Warhammer + and some of its exciting shows, it quickly became some of our most viewed content of all time. Our fans were thrilled at the opportunity to see their favourite characters and settings on screen and enjoying these new media ventures is fast becoming a core part of what it means to be a Warhammer hobbyist.

Licensing

Our strategy is to exploit the value in our huge and extensive (nearly 40 years) library of IP across multiple markets globally and in multiple categories for both direct income and increased brand awareness and engagement. We intend to ensure Warhammer's place as one of the top fantasy IPs globally through a number of key goals. These are:

- Increasing our video game activity and revenues
- Establishing our IPs use in widely distributed entertainment projects

We only intend to work with high calibre expert companies in each one. We focus the majority of our efforts on key franchises, specific interpretations of parts of our IPs, typically driven by video game or media projects, for example the Vermintide and the Total War series of games.

Video games

In the year we launched nine new games (five PC/console, four mobile) and continued to see successful sales of top titles supported by ongoing releases of extra content and expansions. The majority of video game income came from the ongoing success of existing titles this year, highlighting the long term revenue stream generated by the franchise strategy and the lack of exposure to any one new release's performance. Several large franchise games were announced as launching in the next 12 months including Warhammer 40,000: Darktide, Total War: Warhammer 3 and Total War Battles: Warhammer. There are currently 15 video games in development across all platforms ranging from AAA PC/console titles to mobile projects, which will be released over the next few years. Further out, more large scale projects are in the early stages as well.

Entertainment

A number of projects are in development with various partners around the world, using well known established writers across the entertainment spectrum from Hollywood to the Japanese animation industry. We have recruited an industry veteran who is overseeing our development in this area.

We have further invested in our licensing business with the recruitment of more senior staff to the team including marketing expertise from the entertainment industry. We are also engaging with various marketing agencies to ensure we maximise the return on our key franchises by reaching the largest possible market.

Total number of licenses signed in the year was 14, with 13 expiring as they ran their course, leaving us with a total of 125 current contracts.

Whilst recognised income is down due to lower levels of deals with high minimum guarantees compared to the prior year, actual sales of licensed products at retail value was the highest ever this year. In other words more customers bought more Warhammer licensed products than ever - in excess of £133 million worth. In the recent 'Top 150 Global Licensors 2020' list we placed at 66th.

Priorities for 2021/22
Core business
As part of our overall strategy, six key initiatives will be prioritised in 2021/22. These are designed to deliver further sales growth whilst maintaining our operating profit margin and continuing to surprise and delight our customers. They are in addition to our investment in new product quality and ensuring our new factories and warehouses deliver the appropriate cash payback.

Firstly, staff training and development:
We will recruit only essential new jobs or where we need to back-fill positions. Many of these recruits will be in order to scale - in our factories and warehouse facilities as well as in our support functions, mainly IT. Health, safety and wellbeing is a strategic priority, not because we have any major concerns, rather that the last 18 months has taught us that we can do much more; it's the right thing to do. We are still getting to grips with ensuring our new management processes allow everyone to succeed at Games Workshop; some of our staff need the freedom to explore new ways of doing things (innovation not continuous improvement) others need to focus on delivering our proven methods. Management training remains a key area of focus.

Secondly, growth:
Although the backdrop is still uncertain I see no reason to pause our growth plans. We aim to grow in every major country in the world, and via all of our three sales channels with all of our core IP. The only real obstacles are lack of ambition and focus- and these are not things I will allow us to be held back by. We will continue to search for customers everywhere.

China and Japan - not significant contributors to our performance yet, but we remain focused on sharing our passion for Warhammer to more people in these countries as well as the rest of Asia. We would like to show new people the Warhammer hobby, it's great fun and a great way to hang out with like minded enthusiasts. It's a shame not everyone can visit the Warhammer World visitor centre at our HQ. The closest experience to that is our Warhammer cafes in Dallas and LA. They offer a wonderful glimpse of what our Warhammer hobby is really like. All being well, we plan to open one in Shanghai and one in Tokyo in 2021/22. They are too expensive to run as a profitable format everywhere but sparingly they work. These will be supported by a new third party online store and more community and marketing support. We remain focused on growing profitably, in a way that is sustainable. It will be interesting to see if the brand awareness from some of our licensee mobile/PC game launches help market Warhammer to more people.

We will continue to open more independent retailer accounts. Selling via physical outlets remains an important sales channel for us. Some have their own online store, some not. We have seen sales grow healthily in both. This will be based on our well established terms and conditions, selling independent retailers our best selling products and, where appropriate, the extended range. The goal is to make sure our products are available where our customers want to shop. We will also continue with our plan to open another 10 Warhammer stores per year in North America.

Thirdly, we will continue to be customer focused, better engaging our existing ones and reaching whole new audiences with the Warhammer hobby. We are investing in our digital offer. Work has started on another strategic priority: our new online store, subject to our ERP project going live, it will be our major IT project for the next few years. It will integrate with a customer's My Warhammer account which was successfully launched this year. A reminder for some - a My Warhammer account serves as a dashboard into our incredible Warhammer Community experience. Given the year we have had, customer service improvements will be a key deliverable.

Finally, we have added social responsibility as a key area of focus. We have been making some good progress quietly in the background. However, with the evolving expectations of our different stakeholders and authorities we will examine our existing and potential social and environmental risks in greater depth. Some of the findings may be translated into us tracking new key performance indicators. We are looking for significant ways we can support global initiatives including climate change, diversity and equality. A huge area so we will be documenting a realistic plan to make some progress, *forever*. We will of course comply with any future reporting requirements, no small task in itself, needs must. One of the biggest challenges for us will be finding a plastic alternative. We will be working closer with the industry to see if we can help in any way. One of the biggest opportunities is to continue to make Games Workshop and the Warhammer hobby even more inclusive.

This will be an investment we commit to every year. Often long-term commitments like these are paused when financial KPIs need to be maintained. To deliver a long term change we really need to commit for the long term.

Media and entertainment
The priority remains the same - to successfully launch our IP to live action or animation shows.

Inhouse projects
As I write our new Warhammer + offer is getting its final tests. An exciting new way to interact with the worlds of Warhammer. This is not just a place to see content, it will be much more. It will launch this summer.

Licensed projects
The small team continues to search for the right deals. They have been busy during the year, separating our IP into some exciting franchises. A fancy term for us splitting our IP up into significant distinctive brands. We are always looking to assign rights to deliver value whilst appropriately protecting our IP. We are pursuing many interesting projects; some directly profit enhancing, some great for brand awareness which I'm sure will help us show more people that Warhammer is one of the best fantasy IPs. There are many opportunities, none are guaranteed successes. With the team adding some industry experience, I'm sure we will get more projects right than we get wrong.

Sales
Reported sales grew by 31% to £353.2 million for the period. On a constant currency basis, sales were up by 34% from £269.7 million to £361.0 million; split by channel this comprised: Trade £200.6 million (2020: £140.0 million), Retail £72.0 million (2020: £78.0 million) and Online £88.4 million (2020: £51.7 million).

Sales by segment

	Year to 30 May 2021 Constant currency £m	Year to 31 May 2020 Constant currency £m	**Year to 30 May 2021 Actual rates £m**	Year to 31 May 2020 Actual rates £m	**2021 % of total sales**	2020 % of total sales
Trade	**200.6**	140.0	**194.8**	140.0	**55%**	52%
Retail	**72.0**	78.0	**70.7**	78.0	**20%**	29%
Online	**88.4**	51.7	**87.7**	51.7	**25%**	19%
Total sales	**361.0**	269.7	**353.2**	269.7		

Sales by channel
55% (2020: 52%) of sales were to independent retailers, 20% (2020: 29%) of sales were made through our own stores and 25% (2020: 19%) were online.

Trade
Trade achieved significant growth of 39% with growth in all key countries. In the period, our net number of trade outlets increased by c.500 accounts to 5,400 which helped drive forward sales in this channel. It's worth noting that a large number of independent retailers now also sell our products online, meaning our customers have more choice than ever about where to buy Warhammer.

Retail
Store openings and closures during the year:

	Number of stores at 31 May 2020	Opened	Closed	**Number of stores at 30 May 2021**	**Number of single staff stores at 30 May 2021**	Number of single staff stores at 31 May 2020
UK	140	2	4	**138**	**96**	98
North America	160	3	2	**161**	**142**	141
Continental Europe	157	2	6	**153**	**113**	113
Australia	49	2	2	**49**	**37**	37
Asia	25	-	3	**22**	**18**	22
	531	9	17	**523**	**406**	411

We believe our stores are the best place to start your Warhammer hobby journey with us. It is not a surprise that our +500 own stores have never sold the highest volume of our specific getting started product ranges, that has always been +5,000 independent outlets, but, they have always had a dedicated team with extensive Warhammer knowledge building local communities and offering Warhammer hobby guidance and support. It is an essential and unique customer service offer that we are proud of.

In the period, we opened, including relocations, 9 stores. After closing 17 stores, our net total number of stores at the end of the period is 523. Retail remains a challenging environment. We finished the year surprisingly well after what seemed an endless period of closure in most countries broadly in line with government restrictions. As the retail stores re-open, the performance of each store will be kept under review and any stores that do not meet our financial model will be closed. Of the 90 stores that did not break even in the year, the value of the assets related to these stores is not material.

Our relatively new Warhammer cafe store in Dallas, Texas is a great example of a new format that we have piloted that is profitable. It, like most of our North American stores, could offer 'phone and collect' throughout the period. We opened our second cafe store in California in June 2021 and are planning a further 10 new stores in North America in the new year too. The majority of new store openings will continue to follow our low cost single staff model. These were previously known as 'one-man stores'. On reflection this was a poor choice of term, and doesn't accurately reflect the diverse group of individuals running our stores. We have never meant any offence ever to anyone. We will continue to review the format of our stores pragmatically. Ensuring we always recruit great store managers and offer our customers an exceptional in-store experience, remains a priority for us.

Online
Online sales continue to grow by 70% compared to the same period last year. It more than made up for the sales volume shortfall when physical stores were closed. As noted above, our customers have a lot of options when it comes to shopping for Warhammer online, and are able to buy our products both through our own web stores (reported in Online) and through those of independent retailers (reported in Trade).

Our online store is, however, looking a little dated and the back-end systems at times cannot cope with current volumes, clearly not a long term solution or as customer focussed as we would like it to be. The complexity of our ERP upgrade has pushed back the start of a project to upgrade our digital offer, which includes personalising content and improving navigation, by about a year. We are currently in the scoping phase. The early concepts look amazing. It will be another major IT supported project so we will be resourcing it appropriately with third party expertise.

Gross margin

Gross margin improved in the year (2021: 72.7%; 2020: 67.0%). This was due to a combination of the disruption in production and inventory provisions booked in the prior year due to COVID-19, as well as being positively impacted in the current year by the sales mix of new and existing product (38% of sales from new releases and 62% of sales from existing product) and channel mix changes.

Costs

Costs have increased by £14.1 million in the year (2021: 34.4% of sales; 2020: 39.8% of sales): £4.1 million additional spend on our operations, support and marketing teams including staff costs in support functions of £1.5 million, IT related costs of £1.0 million, brand marketing costs of £1.1 million and administrative cost increases of £0.5 million. Web store running costs have increased by £1.9 million, whilst retail costs have decreased by £5.1 million due to reduced travel, retail workshops and variable staffing costs during store closures. We have invested an additional £0.4 million in the licensing team. As a direct result of our performance we rewarded all our staff with a £1,000 profit share payment each (2021: £2.6 million; 2020: £2.4 million) as well as a discretionary payment of £4,000 each (total cost £10.6 million; 2020 £nil). Bonuses to the senior management team were £1.1 million (2020: £0.3 million).

Operating profit

Operating profit/(loss) by segment

	Year to 30 May 2021 Constant currency £m	Year to 31 May 2020 Constant currency £m	**Year to 30 May 2021 Actual rates £m**	Year to 31 May 2020 Actual rates £m
Trade	**6.6**	4.6	**6.4**	4.6
Retail	**2.9**	2.9	**2.8**	2.9
Online	**2.9**	1.7	**2.6**	1.7
Design to manufacture	**226.0**	134.3	**222.6**	134.3
Merchandising and logistics	**(47.5)**	(36.2)	**(47.3)**	(36.2)
Other costs	**(50.8)**	(33.1)	**(50.4)**	(33.1)
Licensing (net of costs)	**15.6**	15.8	**15.0**	15.8
Total operating profit	**155.7**	90.0	**151.7**	90.0

Core business operating profit (operating profit before royalty income)

Core business operating profit grew by £62.2 million to £135.4 million (2020: £73.2 million). On a constant currency basis, core business operating profit increased by £65.7 million to £138.9 million. As a percentage of sales core business operating profit was 38.3% (2020: 27.1%).

Royalty income

Royalty income decreased in the year by £0.5 million to £16.3 million. This was largely due to a high level of guarantee income on multi year contracts signed in the prior year; this income is recognised in full at the inception of the contract in line with IFRS 15 'Revenue from contracts with customers'. Reported income is split as follows: 73% PC and console games, 13% mobile and 14% other.

Cash generation

During the year, the Group's core operating activities generated £131.7 million of cash after tax payments (2020: £94.4 million. The Group received cash of £14.2 million in respect of royalties in the year (2020: £12.5 million). After purchases of tangible and intangible assets and product development costs of £30.0 million (2020: £24.6 million), dividends of £60.5 million (2020: £47.3 million), group profit share to employees of £13.2 million (2020: £2.4 million), proceeds from the issue of ordinary share capital relating to the sharesave scheme of £1.4 million (2020: £0.8 million) and net interest and foreign exchange losses of £0.4 million (2020: gains of £0.4 million), there was cash at the year end of £85.2 million (2020: £52.9 million).

Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of £76.9 million (2020: £47.3 million) were declared during the year. A 'working cash buffer' of three months' worth of working capital requirement alongside six months' worth of tax payments and capital expenditure has been set aside before deciding how much cash is truly surplus for the purpose of declaring dividends.

Return on capital

A long-term measure of our performance has been return on capital. During the year our return on capital improved from 94% to 184%. This is an exceptional result, driven by the growth in operating profit before royalties on a reduced average capital base, a result of the volume growth in the year and the impact of COVID-19 in the prior year.

For this calculation, we use average capital employed averaged over a 12 month period to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade receivables in the pre-Christmas trading period. Return is defined as operating profit before royalty income, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation, royalties receivable and dividends. If return on capital employed was calculated using the year end values, it would be 155% (2020: 114%).

Capital employed

Average capital employed decreased by £4.4 million to £73.8 million. The average book value of tangible and intangible assets increased by £21.9 million. Average inventories decreased by £0.8 million and trade and other receivables decreased by £2.8 million. Average liabilities increased by £22.7 million. Average balances are calculated over the 12 month period.

Investments in assets

This is what we have been spending your money on:

	2021	2020
	£m	£m
Shop fits for new and existing stores	**0.6**	1.1
Production equipment and tooling	**7.5**	6.7
Computer equipment and software	**5.2**	3.4
Site	**7.3**	6.8
Total capital additions	**20.6**	18.0

In 2020/21, we invested £2.8 million in tooling, milling and injection moulding and paint machines and a further £4.7 million on moulding tools. The investment in computer equipment and software includes £2.3 million on the new warehousing facility in Nottingham and work on the new ERP system of £1.1 million. The investment in site includes £2.6 million to expand our production, warehousing and office capacity in Nottingham and £2.7 million of land at the Nottingham site for future expansion. £0.7 million on the North America warehouse upgrade is included within site and software above. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we upgrade our core back office systems and the web store.

Inventories

Inventories have increased by £6.8 million; mainly due to our factory being closed for a period in the prior year and higher levels of inventory provisions being booked in 2019/20. Inventory provision reduced by 2.1% to 0.3% of sales. We continue to offer a broad range of price points. The average increase in the price of product sales varies by product category and ranges from 2% to 7%.

Trade and other receivables

Trade and other receivables increased by £9.8 million, which includes a £5.4 million VAT receivable, £0.3 million increase in trade debt, £2.1 million in respect of royalty income receivable, £0.5 million increase in accrued digital income, £0.8 million in rent and rates prepayments and £1.5 million increase in inventory deposits, partially offset by other reductions.

Trade and other payables

Trade and other payables increased by £5.1 million, including a £5.8 million increase in trade payables and an increase of £3.5 million in accruals. This was, partially offset by a £1.6 million decrease in deferred income, payment of other payables for COVID-19 support and deferrals held at the prior year end.

Taxation

The effective tax rate for the year was 19.2% (2020: 20.2%). While we continue to expect a rate above that for a business with activities solely in the UK due to higher overseas rates, this has been largely offset by increased profit in inventory provisions at those same rates.

Treasury

The objective of our treasury operation is the cost effective management of financial risk. The relationship with the Group's bank is managed centrally. It operates within a range of board approved policies. No transactions of a speculative nature are permitted. A six month overdraft facility of £25 million was agreed in May 2020 with Santander to cover cash flow during the COVID-19 pandemic. It was not utilised and has now been cancelled.

Funding and liquidity risk

The Group pays for its operations entirely from our cash flow.

Interest rate risk

Net interest receivable for the year was £0.2 million (2020: £0.1 million).

Foreign exchange

Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2021	2020	**2021**	2020
Year end rate used for the balance sheet	**1.16**	1.11	**1.42**	1.23
Average rate used for earnings	**1.13**	1.14	**1.34**	1.26

The net impact in the year of exchange rate fluctuations on our operating profit was a decrease of £4.0 million (2020: increase of £0.4 million).

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group and has carried out a robust assessment of the principal risks to the business. The top four strategic risks to the Group are regularly reviewed by the board. The principal strategic risks identified in 2020/21 are discussed below. These risks are not intended to be an extensive analysis of all risks that may arise but more importantly are the ones which we believe could cause business interruption in the period ahead.

- Digital selling strategy - as sales through our online channel continue to grow, it is now more important than ever that we have a robust plan in place which ensures we are making product available to our customers in a manner consistent with modern consumer expectations/behaviour. We are reviewing our digital selling strategy and the people resources and technology required to deliver it.
- IT strategy and delivery - with a number of significant business projects in play, all of which are dependent on IT support, there is a requirement for a robust IT strategy which enables us to deliver key strategic projects as well as supporting day to day activities. We are keeping the structure of our global IT team under review to ensure the IT support needs of the business can be delivered.
- Media - whilst this remains an area for future growth, it is imperative that exploitation of our IP through media channels does no harm to our core business. Our IP steering team meets every month to discuss ongoing and future exploitation, to ensure that all use of our IP, through all channels, is approved, correct and consistent. They are fully supported by our in-house legal team who will act when needed.
- Social responsibility - we don't intend to 'greenwash' or to be 'politically correct'. We believe we are already good corporate citizens and we have been making some good progress quietly in the background. We are looking for ways we can support global initiatives including climate change, diversity and equality and we are documenting a realistic plan to make some progress, forever.

We consider that COVID-19 is not a specific risk that we can mitigate against but we are managing our response to it alongside our operational risks. We also do not consider that we have material solvency or liquidity risks.

Outlook

I'll repeat the words from the half year, not because I'm lazy, they are still very relevant…'I'm really proud to say that I have seen Games Workshop at its very best during these uncertain times: our staff have 'walked the walk' with a can-do attitude offering wonderful support to their work-mates and friends. Our senior team has been on the front foot, not watching but actively managing the constant changes.

We will continue to do what is right for Games Workshop and our customers. We will focus on what is in our control; delivering on our operational plan rather than worrying about, for example, any short term share price volatility or the weather. Most days that's making sure management is doing the right thing for Games Workshop. Ensuring that we have the right person in the right job helps enormously and this is even more important as we continue to grow and we recruit additional senior people. Our biggest risk is senior management becoming complacent. I will continue to do my best to ensure that does not happen.

I'm mindful of the uncertainty caused by COVID-19 and Brexit. Like every other company we have our internal plans as to our future performance, which show a range of outcomes which are not shared with the stock market: predicting the future is always a risky business. To help inform shareholders and followers of Games Workshop as best we can, we will continue to provide regular updates of our trading in each current year (much as we do already).'

Finally, after a tough year we are delighted that the Warhammer hobby and Games Workshop are in great shape; thanks to everyone involved and thanks to everyone that continues to keep us safe and well.

Kevin Rountree
CEO
26 July 2021

Statement of directors' responsibilities

The directors confirm that this condensed consolidated financial information has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and that the management report herein includes a true and fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties; and
- material related-party transactions in the year and any material changes in the related-party transactions described in the last annual report.

A list of all current directors is maintained on the investor relations website at investor.games-workshop.com.

By order of the board

Kevin Rountree
CEO
26 July 2021

Rachel Tongue
CFO

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 30 May 2021 £m**	Year ended 31 May 2020 £m
Revenue	3	**353.2**	269.7
Cost of sales		**(96.3)**	(89.1)
Gross profit		**256.9**	180.6
Operating expenses	3	**(121.5)**	(107.4)
Other operating income – royalties receivable		**16.3**	16.8
Operating profit		**151.7**	90.0
Finance income		**0.2**	0.1
Finance costs		**(1.0)**	(0.7)
Profit before taxation		**150.9**	89.4
Income tax expense	5	**(28.9)**	(18.1)
Profit attributable to owners of the parent		**122.0**	71.3

Earnings per share for profit attributable to the owners of the parent during the year (expressed in pence per share):

	Notes	**Year ended 30 May 2021**	Year ended 31 May 2020
Basic earnings per ordinary share	6	**372.7p**	218.7p
Diluted earnings per ordinary share	6	**370.5p**	217.8p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Profit attributable to owners of the parent	**122.0**	71.3
Other comprehensive (expense)/income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3.1)**	0.5
Other comprehensive (expense)/income for the year	**(3.1)**	0.5
Total comprehensive income attributable to owners of the parent	**118.9**	71.8

The following notes form an integral part of this condensed consolidated financial information.

CONSOLIDATED BALANCE SHEET

	Notes	30 May 2021 £m	Restated 31 May 2020 £m
Non-current assets			
Goodwill		**1.4**	1.4
Other intangible assets	9	**23.7**	17.6
Property, plant and equipment	10	**49.8**	42.0
Right-of-use assets	11	**46.0**	36.8
Deferred tax assets		**10.1**	8.9
Trade and other receivables		**6.3**	7.5
		137.3	114.2
Current assets			
Inventories		**27.5**	20.7
Trade and other receivables		**30.6**	19.6
Current tax assets		**1.1**	0.2
Cash and cash equivalents	8	**85.2**	52.9
		144.4	93.4
Total assets		**281.7**	207.6
Current liabilities			
Lease liabilities		**(8.6)**	(8.5)
Trade and other payables		**(35.4)**	(30.3)
Current tax liabilities		**(0.1)**	(2.8)
Provisions for other liabilities and charges	12	**(0.6)**	(1.7)
		(44.7)	(43.3)
Net current assets		**99.7**	50.1
Non-current liabilities			
Lease liabilities		**(38.4)**	(28.5)
Other non-current liabilities		**(0.6)**	(0.5)
Provisions for other liabilities and charges	12	**(1.7)**	(1.6)
		(40.7)	(30.6)
Net assets		**196.3**	133.7
Capital and reserves			
Called up share capital		**1.6**	1.6
Share premium account		**14.5**	13.1
Other reserves		**2.1**	5.2
Retained earnings		**178.1**	113.8
Total equity		**196.3**	133.7

Comparative financial information for right-of-use assets, non-current lease liabilities and current lease liabilities has been restated. See note 11 for further information.

The following notes form an integral part of this condensed consolidated financial information.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
At 2 June 2019 and 3 June 2019	1.6	12.3	4.7	87.9	106.5
Profit for the year to 31 May 2020	-	-	-	71.3	71.3
Exchange differences on translation of foreign operations	-	-	0.5	-	0.5
Total comprehensive income for the year	-	-	0.5	71.3	71.8
Transactions with owners:					
Share-based payments	-	-	-	0.5	0.5
Shares issued under employee sharesave scheme	-	0.8	-	-	0.8
Deferred tax credit relating to share options	-	-	-	0.1	0.1
Current tax credit relating to exercised share options	-	-	-	1.3	1.3
Dividends declared and paid to Company shareholders	-	-	-	(47.3)	(47.3)
Total transactions with owners	-	0.8	-	(45.4)	(44.6)
At 31 May 2020 and 1 June 2020	1.6	13.1	5.2	113.8	133.7
Profit for the year to 30 May 2021	-	-	-	122.0	122.0
Exchange differences on translation of foreign operations	-	-	(3.1)	-	(3.1)
Total comprehensive income for the year	**-**	**-**	**(3.1)**	**122.0**	**118.9**
Transactions with owners:					
Share-based payments	-	-	-	1.2	1.2
Shares issued under employee sharesave scheme	-	1.4	-	-	1.4
Deferred tax credit relating to share options	-	-	-	0.1	0.1
Current tax credit relating to exercised share options	-	-	-	1.5	1.5
Dividends declared and paid to Company shareholders	-	-	-	(60.5)	(60.5)
Total transactions with owners	**-**	**1.4**	**-**	**(57.7)**	**(56.3)**
At 30 May 2021	**1.6**	**14.5**	**2.1**	**178.1**	**196.3**

The following notes form an integral part of this condensed consolidated financial information.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Cash flows from operating activities			
Cash generated from operations	7	**164.8**	127.2
UK corporation tax paid		**(28.8)**	(20.8)
Overseas tax paid		**(3.3)**	(1.9)
Net cash generated from operating activities		**132.7**	104.5
Cash flows from investing activities			
Purchases of property, plant and equipment		**(17.4)**	(16.3)
Purchases of other intangible assets		**(2.9)**	(2.3)
Expenditure on product development		**(9.7)**	(6.0)
Interest received		**0.2**	0.1
Net cash used in from investing activities		**(29.8)**	(24.5)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**1.4**	0.8
Repayment of principal under leases		**(10.9)**	(10.3)
Dividends declared and paid to Company shareholders		**(60.5)**	(47.3)
Net cash used in financing activities		**(70.0)**	(56.8)
Net increase in cash and cash equivalents		**32.9**	23.2
Opening cash and cash equivalents		**52.9**	29.4
Effects of foreign exchange rates on cash and cash equivalents		**(0.6)**	0.3
Closing cash and cash equivalents		**85.2**	52.9

The following notes form an integral part of this condensed consolidated financial information.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Games Workshop Group PLC are prepared under the going concern basis and in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These results for the year ended 30 May 2021 together with the corresponding amounts for the year ended 31 May 2020 are extracts from the 2021 annual report and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The annual report for the year ended 30 May 2021, on which the auditors have issued a report that does not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006, will be posted to shareholders on 28 July 2021 and will be delivered to the Registrar of Companies in due course. Copies will also be available from Ross Matthews, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS. This information is also available on the Company's website at http://investor.games-workshop.com.

The annual general meeting will be held at Willow Road, Lenton, Nottingham, NG7 2WS at 10am on 15 September 2021.

The annual financial report is prepared in accordance with the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority and accounting policies consistent with those used in the 2020 annual report.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the balance sheet date. If in future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the year in which the circumstances change.

Management do not consider there to be any critical accounting estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Change in accounting policy

The Group has applied amendments to IAS 1 and IAS 8 ('Definition of Material') for the first time in the financial statements. The application of these new standards and amendments did not have a material impact on the financial statements. The Group considers that there are no new accounting standards, amendments or interpretations issued by the IASB, but not yet applicable, which have had, or are expected to have a significant effect on the financial statements. The Group have considered the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement and the application of this agenda decision did not have a material impact on the financial statements.

3. Segment information

The chief operating decision-maker has been identified as the executive directors. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. At 30 May 2021, the Group is organised as follows:

- Sales channels: these channels sell product to external customers, through the Group's network of retail stores, independent retailers and online via the global web stores. The sales channels have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods, and if they are affected by similar economic factors. The segments are as follows:
  - Trade: this sales channel sells globally to independent retailers, agents and distributors. It also includes the Group's magazine newsstand business and the distributor sales from the Group's publishing business (Black Library).
  - Retail: this includes sales through the Group's retail stores, the Group's visitor centre in Nottingham and global exhibitions.
  - Online: this includes sales through the Group's global web stores and digital sales through external affiliates.
- Design to manufacture: this includes manufacture of the products and incorporates the production facility and the design studios. This includes adjustments for the profit in stock arising from inter-segment sales.
- Merchandising and logistics: this includes the warehouses, logistics costs and charges for inventory provisions.
- Group: this includes the Company overheads.
- Operations and support: this provides support services (marketing, IT, accounting, payroll, personnel, procurement, legal, health and safety, customer services and credit control) to activities across the Group and undertakes strategic projects, including animation costs for brand marketing.
- Licensing: this is royalty income earned from third party licensees after deducting associated licensing costs, including the development of digital content for animation and TV.

The chief operating decision-maker assesses the performance of each segment based on operating profit, excluding share option charges recognised under IFRS 2, 'Share-based payment' and charges in respect of the Group's profit share scheme and the discretionary payment to employees for the prior year. This has been reconciled to the Group's total profit before taxation below.

3. Segment information continued

The segment information reported to the executive directors for the year ended 30 May 2021 is as follows:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade	**194.8**	140.0
Retail	**70.7**	78.0
Online	**87.7**	51.7
Total external revenue	**353.2**	269.7

Segment revenue and segment profit include transactions between business segments; these transactions are eliminated on consolidation. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement. For information, external revenue is analysed further below:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade		
UK and Continental Europe	**82.3**	61.9
North America	**85.4**	59.4
Australia and New Zealand	**10.2**	5.7
Asia	**9.0**	6.5
Rest of world	**5.6**	4.1
Black Library	**2.3**	2.4
Total Trade	**194.8**	140.0
Retail		
UK	**13.3**	23.0
Continental Europe	**16.4**	19.5
North America	**28.2**	25.2
Australia and New Zealand	**10.3**	7.6
Asia	**2.5**	2.7
Total Retail	**70.7**	78.0
Online		
UK	**22.2**	12.4
Continental Europe	**18.0**	11.2
North America	**30.6**	16.7
Australia and New Zealand	**5.5**	2.6
Asia	**0.5**	0.5
Rest of world	**1.3**	0.9
Digital	**9.6**	7.4
Total Online	**87.7**	51.7
Total external revenue	**353.2**	269.7

Operating expenses by segment are regularly reviewed by the executive directors and are provided below:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade	**9.1**	9.3
Retail	**50.2**	55.6
Online	**7.5**	5.5
Design to manufacture	**1.8**	1.7
Merchandising and logistics	**2.2**	2.1
Operations and support	**31.5**	26.5
Group	**3.5**	2.7
Licensing	**1.3**	1.1
Total segment operating expenses	**107.1**	104.5
Share-based payment charge	**1.2**	0.5
Profit share scheme charge	**2.6**	2.4
Discretionary payment to employees	**10.6**	-
Total group operating expenses	**121.5**	107.4

3. Segment information continued

Total segment operating profit is as follows and is reconciled to profit before taxation below:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade	**6.4**	4.6
Retail	**2.8**	2.9
Online	**2.6**	1.7
Design to manufacture	**222.6**	134.3
Merchandising and logistics	**(47.3)**	(36.2)
Operations and support	**(32.5)**	(27.4)
Group	**(3.5)**	(2.7)
Licensing	**15.0**	15.7
Total segment operating profit	**166.1**	92.9
Share-based payment charge	**(1.2)**	(0.5)
Profit share scheme charge	**(2.6)**	(2.4)
Discretionary payment to employees	**(10.6)**	-
Total group operating profit	**151.7**	90.0
Finance income	**0.2**	0.1
Finance costs	**(1.0)**	(0.7)
Profit before taxation	**150.9**	89.4

4. Dividends per share

Dividends of £9.8m (30 pence per share), £16.3m (50 pence per share), £19.7m (60 pence per share) and £14.7m (45 pence per share) were declared and paid during the current year. A dividend of £16.4m (50 pence per share) was declared during the year and paid after the year end.

Dividends of £9.8m (30 pence per share), £11.4m (35 pence per share), £11.4m (35 pence per share) and £14.7m (45 pence per share) were declared and paid during the prior year.

5. Taxation

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Current UK taxation:		
- UK corporation tax on profits for the year	**28.1**	15.3
Adjustments to tax charge in respect of prior years	**(0.6)**	0.3
	27.5	15.6
Current overseas taxation:		
- Overseas corporation tax on profits for the year	**2.9**	2.5
Adjustments to tax charge in respect of prior years	**(0.3)**	0.2
Total current taxation	**30.1**	18.3
Deferred taxation:		
Origination and reversal of timing differences	**(2.0)**	0.1
Adjustments to tax charge in respect of prior years	**0.8**	(0.3)
Tax expense recognised in the income statement	**28.9**	18.1
Current tax credit relating to sharesave scheme	**(1.5)**	(1.3)
Deferred tax credit relating to sharesave scheme	**(0.1)**	(0.1)
Credit taken directly to equity	**(1.6)**	(1.4)

5. Taxation continued

The tax on the Group's profit before taxation differs in both years presented from the standard rate of corporation tax in the UK as follows:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Profit before taxation	**150.9**	89.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**28.7**	17.0
Effects of:		
Items not assessable for tax purposes	**(0.3)**	(0.1)
Higher tax rates on overseas earnings	**0.5**	0.9
Tax rate changes	**0.1**	0.1
Adjustments to tax charge in respect of prior years	**(0.1)**	0.2
Total tax charge for the year	**28.9**	18.1

On 3 March 2021, the Chancellor announced that the main UK corporation tax rate will be increased from 19% to 25% from April 2023. This change had been substantively enacted at the balance sheet date and its impact has therefore been included in these financial statements.

Items not assessable for tax purposes include the release of provisions no longer considered a risk to the Group as well as tax relief for other taxes paid.

6. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Year ended 30 May 2021	Year ended 31 May 2020
Profit attributable to owners of the parent (£m)	**122.0**	71.3
Weighted average number of ordinary shares in issue (thousands)	**32,733**	32,438
Basic earnings per share (pence per share)	**372.7**	218.7

Diluted earnings per share

The calculation of diluted earnings per share has been based on the profit attributable to owners of the parent and the weighted average number of shares in issue throughout the year, adjusted for the dilutive effect of share options outstanding at the year end.

	Year ended 30 May 2021	Year ended 31 May 2020
Profit attributable to owners of the parent (£m)	**122.0**	71.3
Weighted average number of ordinary shares in issue (thousands)	**32,733**	32,602
Adjustment for share options (thousands)	**194**	134
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,927**	32,736
Diluted earnings per share (pence per share)	**370.5**	217.8

7. Reconciliation of profit to net cash from operating activities

	2021 £m	2020 £m
Operating profit	**151.7**	90.0
Depreciation of property, plant and equipment	**9.2**	8.8
Depreciation of right-of-use assets	**11.0**	10.1
Net impairment charge of property, plant and equipment	**-**	0.1
Net impairment charge of right-of-use assets	**-**	0.2
Net impairment charge of intangible assets	**0.4**	0.3
Loss on disposal of intangible assets	**0.1**	0.3
Amortisation of capitalised development costs	**4.8**	4.9
Amortisation of other intangibles	**1.2**	1.2
Share-based payments	**1.2**	0.5
Changes in working capital:		
- (Increase)/decrease in inventories	**(6.2)**	3.7
- Increase in trade and other receivables	**(10.8)**	(5.1)
- Increase in trade and other payables	**3.1**	10.7
- (Decrease)/increase in provisions	**(0.9)**	1.5
Net cash from operating activities	**164.8**	127.2

8. Cash and cash equivalents

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

	2021	2020
	£m	£m
Cash at bank and in hand	**85.2**	52.9
Cash and cash equivalents	**85.2**	52.9

9. Other intangible assets

	2021	2020
	£m	£m
Net book value at the beginning of the year	**17.6**	16.0
Additions	**12.6**	8.3
Disposals	**(0.1)**	(0.3)
Amortisation charge	**(6.0)**	(6.1)
Impairment	**(0.4)**	(0.3)
Net book value at the end of the year	**23.7**	17.6

10. Property, plant and equipment

	2021	2020
	£m	£m
Net book value at the beginning of the year	**42.0**	35.3
Exchange differences	**(0.6)**	0.1
Additions	**17.7**	15.5
Disposals	**(0.1)**	-
Depreciation charge	**(9.2)**	(8.8)
Impairment	**-**	(0.1)
Net book value at the end of the year	**49.8**	42.0

11. Right-of-use assets

		Restated
	2021	2020
	£m	£m
Net book value at the beginning of the year	**36.8**	-
Exchange differences	**(2.5)**	0.3
Additions	**23.0**	46.8
Disposals	**(0.3)**	-
Depreciation charge	**(11.0)**	(10.1)
Impairment	**-**	(0.2)
Net book value at the end of the year	**46.0**	36.8

Additions to the right-of-use assets during the financial year were £23.0m (2020: £46.8m including £33.6m of assets recognised on transition to IFRS 16, restated from prior year as described below).

The comparative right-of-use assets and corresponding lease liabilities have been restated to reflect the extension of the lease on our warehouse in Memphis, US. The lease renewal was signed in the year ending 31 May 2020 but was not recognised as an addition under IFRS 16. Accordingly, a prior year adjustment has been made to restate the 2020 balances to their correct amounts. The impact of the adjustment was to increase right-of-use assets by £4.9m and increase current lease liabilities by £0.2m and non-current lease liabilities by £4.7m. The impact to the income statement and cash flow statement is below £0.1m and has therefore not been adjusted. There was no impact on any period prior to 2020.

12. Provisions for other liabilities and charges

Analysis of total provisions:

	2021	2020
	£m	£m
Current	**0.6**	1.7
Non-current	**1.7**	1.6
Total provisions for other liabilities and charges	**2.3**	3.3

	Employee benefits	Other	Total
	£m	£m	£m
At 1 June 2020	2.1	1.2	3.3
Charged/(credited) to the income statement:			
- Additional provisions	0.4	-	0.4
- Unused amounts reversed	(0.1)	(1.2)	(1.3)
Utilised	(0.1)	-	(0.1)
At 30 May 2021	**2.3**	**-**	**2.3**

13. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £3.5m (2020: £2.8m). Inventory purchase commitments contracted for at the balance sheet date are £4.5m (2020: £3.9m). Lease commitments at the balance sheet date were £0.2m (2020: £11.0m).