

## PRESS ANNOUNCEMENT

### GAMES WORKSHOP GROUP PLC

26 July 2016

#### ANNUAL REPORT

Games Workshop Group PLC ("Games Workshop" or the "Group") announces its annual report for the year to 29 May 2016.

#### Highlights:

	Year to 29 May 2016 £000	Year to 31 May 2015 £000
Revenue	118,069	119,132
Revenue at constant currency*	118,192	119,132
Operating profit - pre-royalties receivable	10,921	14,979
Royalties receivable	5,939	1,498
Operating profit	16,860	16,477
Profit before taxation	16,948	16,585
Cash generated from operations	26,782	25,579
Earnings per share	42.1p	38.3p
Dividends per share declared in the year	40p	52p

Kevin Rountree, CEO of Games Workshop said:

"We made progress in what was another busy and rewarding year. We made progress on the priorities I set for 2015/16, including store openings and broadening our product range. These initiatives will remain key areas of focus through 2016/17.

After a disappointing December we carried out a thorough review of our operational plans and, thanks to a great team effort, we bounced back with four out of five months of profitable sales growth.

We have again honoured our commitment to distribute genuinely surplus cash to our shareholders. That commitment isn't going to change.

We are confident we can achieve the priorities I have set for 2016/17.

The board continues to believe that the prospects for the business are good."

#### For further information, please contact:

##### Games Workshop Group PLC

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Investor relations website  
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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation.

The full 2016 annual report can be downloaded from the investor relations website at [investor.games-workshop.com](http://investor.games-workshop.com)

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2016 and 2015, both converted at the 2015 average exchange rates.

## STRATEGIC REPORT

### Strategy and objectives

Games Workshop's ambitions remain clear: to make the best fantasy miniatures in the world and sell them globally at a profit, and it intends doing so forever. This statement includes all the key elements of what we do and why we do it that way. All of our decision making is focussed on the long term success of Games Workshop, not short term gains.

Let me go through it part by part:

The first element - we make high quality miniatures. We understand that what we make is not for everyone, so to recruit and re-recruit customers we are absolutely focussed 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 them for the price that we believe the investment in quality is worth.

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

The third element is the global nature of our business. We seek out our customers all over the world. We believe that our customers carry our Hobby gene and to find them we apply our tried and tested approach of recruiting customers in our own stores, by offering a fantastic customer experience. Our retail business is supported by our own mail order store (it has the full range of our product) and our independent stockist accounts and trade outlets 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 of our stores. The long term goal is to have both channels (retail and trade) 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 fourth element is being focussed 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 will measure our success on our ability to grow sales whilst maintaining our core business operating profit margin. The way we go about implementing this strategy is to recruit the best staff we can by looking for the appropriate attitudes and behaviour each job we do requires and identifying the value that job brings. It is also important that everyone we employ has a real desire to learn and has a great attitude to change. Our Academy offers all of our staff both personal development and management skills training. It is also worth noting it's not what you know at Games Workshop it's how much you contribute to our success that we value.

We continue to believe there are great opportunities for growth, particularly in North America and Northern Europe.

### 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 factory, main distribution centre and back office support functions are all based in Nottingham.

We are an international business centrally run from our HQ in Nottingham, with 72% of our sales coming from outside the UK.

#### *Design*

Employing 181 people, the design studio in Nottingham creates all the IP and the miniatures, artwork, games and publications that we sell. In 2015/16 we invested £7.5 million in the studio (including software costs) with a further £2.2 million spent on tooling for new plastic miniatures. We are committed to a similar level of investment every year.

#### *Manufacture*

We are proud to manufacture our product in Nottingham. It's where we started and where we intend to stay. We are currently working on a significant project, with a leading UK software supplier, to upgrade our core IT systems that interface with our manufacturing equipment and systems.

#### *Distribute*

All of our product is initially distributed from our warehouse facility in Nottingham. This facility supplies our two hubs in Memphis, Tennessee and Sydney, Australia and either directly to our trade accounts and retail stores or via a third party carrier. Our project to upgrade the IT infrastructure and software for the warehouse that supports our mail order store based in Nottingham will be delivered in the Autumn of 2016/17.

## ***Sell***

We sell via three channels, our own stores 'Retail', third party independent retailers 'Trade' and our 'Mail order' web store.

Retail - provides the focus for the Hobby in their areas. They 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, just new release product and the appropriate extended range. At the year end we had 451 Games Workshop stores in 20 countries. Our stores contributed 41% of the year's sales. We have 355 one man stores, small sites, each one staffed by only one store manager. We also have 96 multi-man stores, which are constantly reviewed to ensure they remain profitable. If not, they will be closed and replaced with one man stores.

Trade - we sell to third party retailers under closely controlled terms and conditions. They help us sell our products around the world and importantly in areas where we don't have our own stores. Independent retailers are an integral part of our business model; Games Workshop strives to support those outlets which help to build the Hobby community in their local area. The bulk of these sales are made via our telesales teams based in Memphis and Nottingham. We also have small teams in Sydney, Tokyo and Shanghai. In 2015/16 we had 3,800 independent retailers (2015: 3,700) in 55 countries. We have successfully introduced over the last few years a stockist programme which is designed to sell the right amount of stock into every account in line with their store format and performance. This programme is reviewed annually. The intention is that we stock all of our stockist accounts with our best sellers. We strive to deliver excellent service, operating in 18 languages covering all time zones. 38% of our sales came from sales to independent retailers in the year reported.

Mail order - the mail order store allows enthusiasts full access to all Games Workshop products. It is run centrally from Nottingham. It accounted for 21% of total sales in 2015/16. All of our stores also have a web store terminal that allows our retail customers access to the full range.

## ***Structure***

We control the business centrally from Nottingham; it is where the people with experience and knowledge of running our niche business work. I have put in place a flat structure: the people with senior responsibility who make all of the big decisions report directly to me. My team is split into three parts: sales, operations and merchandising and marketing.

My channel sales structure comprises retail, trade and mail order. This structure is made up of four key territory retail sales managers in the UK, North America, Continental Europe and Australia and New Zealand. We also have a global trade manager and a global mail order manager along with a sales manager for Asia. During the year I appointed a new global merchandising and marketing manager.

My operations and support structure includes a finance director for Games Workshop who is responsible for accounts, compliance and legal duties. We have a product and supply manager who is responsible for our factory, logistics and design studios (Citadel and Forge World). He also manages our three main distribution hubs in Nottingham, Memphis and Sydney. A personnel manager and our Academy personal development and skills training ensure we take our people recruitment and development seriously. All of our senior managers attend management skills training, as a team, three times per year.

## **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:*

**Moving Annual Total ('MAT') sales growth by channel**

Measures the sales growth achieved in each of our channels on a rolling 12 month basis.

**MAT Group gross margin**

Measures the gross profit achieved on sales after taking account of the direct costs and depreciation of manufacturing equipment and shipping our product to customers/stores on a rolling 12 month basis.

**MAT core business profit**

Measures gross profit less operating expenses on a 12 month rolling basis, before royalty income.

**Number of own stores by territory**

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

**MAT number of ordering stockist accounts by territory**

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.

**Return on capital**

The ratio of operating profit before royalty income against capital employed, as a percentage.

*Our key non-financial performance indicators are:*

**Product quality**

This is an indicator of the effectiveness of our design studio and our continuous improvement in design to manufacture. We measure this by looking at sell through. If the product is great we sell a lot, if not we sell very few.

**Outstanding customer service**

This is an indicator of the effectiveness and efficiency of the service experience customers get in our stores and the time it takes us to resolve a customer query made to our customer service teams. The former is measured by the number of complaints I receive - very few - and the latter is tracked by five micro KPIs. Our approach is that 'the customer is always right' and we do our utmost to resolve successfully any issues.

## **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.

## Review of the year

We made progress in what was another busy and rewarding year. We started the financial year off with a huge product launch; Warhammer: Age of Sigmar, one of the biggest changes we've ever made to one of our core universes. Our design to manufacture was outstanding, over-delivering in terms of original concept art to final manufactured models, producing some of the best models we've ever made. The simplified rules, supporting the models for those who like to play, made it much easier to get started. We learnt some valuable lessons during the year on how to deliver product system changes on this scale and as we released more of the range in the second half of the year, we finished the year with sales of Warhammer: Age of Sigmar at a higher rate than Warhammer has enjoyed for several years.

After a disappointing December we carried out a thorough review of our operational plans and, thanks to a great team effort, we bounced back with four out of five months of profitable sales growth. Our reported sales for the year showed marginal declines in retail (-1.3%) and mail order (-1.8%) and growth in trade (+0.1%).

Gross margin was maintained in the period (2016: 68.3%; 2015: 68.9%). We continued with our policy of only increasing the prices of our new releases (approximately 30% of our sales) to reflect the necessary investment in our product offer and the quality we have built into these new releases. The annual impact of this increase on our UK RRP price list is an average increase of 3%.

Costs have increased in the year, mainly as a result of our store opening programme and the full year effect of the depreciation of the investment in our visitor centre which opened in April 2015.

## Update on priorities for 2015/16

In the year we focussed on the following initiatives designed to improve our performance in our existing stores and support future store openings:

### *Staff recruitment*

In November 2015 I hired a global recruitment consultant. She has been kicking the tyres and carrying out a root and branch review of our teams and our processes. In January we piloted some of the recommendations in North America and recruited a new small team. It's early days but we are pleased with the results. We still require all candidates to write us a great letter telling us why they want the job; we have now complemented this with a direct and online approach to find good staff. The changes are being rolled out across the other retail territories as well as in our global trade teams in 2016/17.

### *One man stores*

The timing of the changes to recruitment in North America coincided with a small experienced project team being seconded from the UK to North America to support the existing team there in delivering two objectives.

They delivered both objectives. We now have a small retail sales HQ in Dallas and have successfully opened 16 stores (net) this year, taking our total to 100 stores. More importantly, we have improved our processes to allow us to open a further 20 each year. Combined with the improved recruitment team in Dallas we are now more confident that we can deliver the potential of Games Workshop in North America.

We focussed on the following initiatives to deliver an improvement in our product offer, our customer service and how we promote our product range:

### *Range*

During the year, I carried out a review of our product strategy. As a direct result, we now offer our models at a broader range of price points. We have piloted a small 'Start Collecting' range of models that have sold well. We have also introduced some stand alone high value box games, a simple gateway into Games Workshop product; they too have been a hit. We will continue to seek to improve our product offer and be more customer focussed in 2016/17.

### *Merchandising and marketing*

We are increasingly focussed on promoting our product range better on a global scale. To assist me I recruited a senior global merchandising and marketing manager in March 2016. He is responsible for supporting our product and supply and sales teams to ensure our stores make the best use of the space that they have and that we back our three channels with the appropriate product and marketing support.

We piloted the following initiatives in the year; I will update you further in 2016/17:

### *Asia*

After overcoming the burden of paper work and complexity of opening businesses in Asia we now have four new sales territory managers in Asia; in Singapore, Hong Kong, Japan and Malaysia in addition to our existing business in China. They will grow Games Workshop profitably by opening stockist accounts and our own stores.

### *High footfall locations*

We have 96 multi-man format stores and 355 one man stores. Due to the timing of the lease breaks the opportunity arose to pilot some larger multi-man format stores uniquely placed to service a greater numbers of customers.

Our Tottenham Court Road store, London, is on target to be our highest transaction and sales value store. It has delivered its promises. The other pilots in Sydney and Copenhagen delivered their promises too. These successes leave us with some format options to deploy when the opportunities arise. Our standard format will continue to be our one man store model.

### *New business opportunities*

To broaden our reach without distracting our core channels, we are piloting a small range of products in new markets. We launched a dispenser of eight products called Battle for Vedros in toy shops in North America in June 2016 and will launch a small range called Build and Paint globally in modelling and toy shops later in 2016/17.

Finally, to assist me in managing our broader commercial opportunities, I have created a new business development team to manage our broader non-core activities. This team will be responsible for sales and profit growth of our non-core activities which include: licensing, digital, export, non-strategic trade accounts, book trade, magazine, and appropriate mass market opportunities. The results are shown under non-core in the segmental analysis.

### Licensing

The team have had an exciting year, probably our best year to date, with some successful launches: Bloodbowl 2, Warhammer: End Times - Vermintide, Warhammer 40,000: Freeblade and the launch on 27 May 2016 of the real time strategy game, Total War: Warhammer.

Reported income is split as follows: 78% PC and console games, 15% mobile and 7% other.

### Projects

In the year we had three major projects being implemented:

- European ERP - enterprise resource planning (core back office systems) - replacement. This project is more complex and costly than we had originally stated and will now launch in 2018 at an estimated cost of £6.0 million (2015 estimate: £4.5 million).
- Forge World mail order store. This was delivered on time in August 2015 and within cash limits.
- Mail order warehouse system replacement. It is estimated to cost £0.9 million and will be implemented in 2016/17.

### Return on capital\*

A key measure of our performance is return on capital. During the year our return on capital fell from 40% to 27%. This was driven by both a decline in operating profit before royalty income and an increase in capital employed.

### Sales

Reported sales fell by 0.9% to £118.1 million for the year. On a constant currency basis, sales were down by 0.8% from £119.1 million to £118.2 million; split by channel this comprised: retail £48.9 million (2015: £49.1 million), trade £44.1 million (2015: £44.4 million) and mail order £25.2 million (2015: £25.6 million).

### Operating profit

Core business operating profit (operating profit before royalty income) fell by £4.1 million to £10.9 million (2015: £15.0 million). On a constant currency basis, core business operating profit decreased by £3.1 million to £11.9 million. This was driven by a decline in our underlying performance in core retail and mail order.

Costs have been managed well. They have increased by £2.5 million in the year mainly as result of investments for the long term; £1.9 million in our store opening programme, £0.4 million in a new sales team in Asia and the additional depreciation of our visitor centre which opened in April 2015.

### Capital employed

Average capital employed\* increased by £1.7 million to £40.2 million. The book value of tangible and intangible assets increased by £2.3 million whilst inventories increased by £0.5 million and current liabilities increased by £1.0 million.

### Cash generation

During the year, the Group's core operating activities generated £19.5 million of cash after tax payments (2015: £20.7 million). The Group also received cash of £4.7 million in respect of royalties in the year (2015: £2.6 million). After purchases of tangible and intangible assets and product development costs of £12.7 million (2015: £12.4 million) and dividends of £12.8 million (2015: £16.6 million) there were net funds at the year end of £11.8 million (2015: £12.6 million).

### Investments in assets

This is what we have been spending your money on:

	2016 £million	2015 £million
Shop fits for new and existing stores	1.8	0.8
Production equipment and tooling	2.6	3.0
Computer equipment and software	3.5	1.6
Lenton site including the new visitor centre	0.1	2.4
<b>Total capital additions</b>	<b>8.0</b>	<b>7.8</b>

In 2015/16 we invested £1.8 million in shop fits: 48 new stores and 20 refurbishments. We also invested £2.6 million in tooling, milling and injection moulding machines. The investment in computer software relates to the new Forge World web store as well as the initial work on the new ERP system and mail order warehouse system replacement. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we upgrade our core back office systems in Nottingham.

### Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of 40 pence per share (2015: 52p) were paid during the year (£12.8 million; 2015: £16.6 million).

### Royalty income

Royalty income increased in the period by £4.4 million to £5.9 million. This was due to the strong performances of Total War: Warhammer and Warhammer: End Times - Vermintide.

### Taxation

The tax rate for the year was 20.4% (2015: 26.1%). We continue to expect a rate above that for business activities based solely in the UK, due to higher overseas tax rates.

### Sales by channel

41% (2015: 41%) of sales were made through our own stores, 38% (2015: 38%) of sales were to independent retailers and 21% (2015: 21%) were mail order.

## Retail

### Store openings and closures during the year

	Number of stores at May 2015	Opened	Closed	Number of stores at May 2016	Number of one man stores at May 2016	Number of one man stores at May 2015
UK	142	9	(3)	148	111	108
North America	84	19	(3)	100	86	72
Europe	145	13	(9)	149	113	105
Australia	43	3	-	46	38	36
Asia	4	4	-	8	7	3
	418	48	(15)	451	355	324

We opened 48 new stores in the year including 7 relocated stores. These new stores generated £2.1 million of sales and made a loss of £0.1 million. Due to the under performance of some of our new stores in Continental Europe, we have paused any new store openings in this territory for 2016/17. Our main focus for store openings will be North America. This will allow us to focus on improving our existing store performance.

Retail sales fell by 1.3 % in the year (-0.4% at constant currency). Our underlying performance was -4.4%, which was mostly offset by the contribution from 33 net new stores and our new visitor centre delivering 100% growth.

Our underlying performance in our own stores to January 2016 wasn't good enough. I made some changes in our in-country retail support structure to address the decline. Our flat management structure did not support the complexity of managing 149 stores across 14 countries in Continental Europe. In January 2016 we moved to a country based solution. We now have four territory managers; Germany/Scandinavia, Netherlands, France and Spain/Italy. We are also piloting five training stores in North America. These training stores are run as profitable stores. To reduce travel time and cost we now send our new recruits for their initial training to one of these stores.

We are launching a new skills based training programme at our August 2016 global retail workshops.

### Trade

Sales increased by 0.1% during the year (-0.7% at constant currency). Our new trade team for accounts in the UK and Continental Europe has settled in well and made some progress in the year. Sales in North America were broadly in line with last year. We have also updated our trade product range in June 2016 to ensure we provide our stockist accounts with our best sellers.

### Mail order

Sales fell by 1.8% (-1.6% at constant currency). Sales of our Forge World range grew by 28% offset by a 12% decline in our Citadel range. In the first half of 2016/17 we will be making a change to our home page; removing complexity and adding a deeper introduction to our worlds. We are committed to continuous investment in our web store shopping experience.

During the year we successfully migrated our web data centre to a new location in North America.

### 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.

### Funding and liquidity risk

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

### Interest rate risk

Net interest receivable for the year (excluding unwinding of discounts on provisions) was £90,000 (2015: £108,000).

### Foreign exchange

Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2016	2015	2016	2015
Year end rate used for the balance sheet	1.32	1.39	1.46	1.53
Average rate used for earnings	1.35	1.31	1.49	1.58

The net impact in the year of these exchange rate fluctuations on our operating profit was a reduction of £0.6 million (2015: reduction of £2.5 million).

## Priorities for 2016/17

As part of our overall strategy, three key initiatives will be prioritised in 2016/17. These are designed to deliver sales growth whilst maintaining our operating profit margin.

Firstly, staff recruitment.

Globally we recruit hundreds of people every year. Building on the progress we made last year we are updating our recruitment web site, our company branding across all other social media platforms and creating a site to enable us to welcome and commence induction prior to new recruits starting with us. These improvements will also give us a global dashboard of recruitment metrics to help us develop and train our global recruitment teams and processes.

Secondly, we will continue to review our product range and offer.

We will be reviewing our entry level 'getting started' product range and in store merchandising. Currently all of our own stores carry the same retail range. We will be looking at a matrix approach of broadening our product range in our higher volume stores and optimising our product range in some of our smaller stores. We will also continue to invest in core IP with exciting product launches planned throughout 2016/17.

Thirdly, we will continue to focus on recruiting new customers and retaining our existing customers for longer. The aim is to:

- 1) Open more of our own stores, mostly in our one man store format. My goal is to open 20 stores (net) in 2016/17, subject to the continued improvement of our existing stores.
- 2) Open more stockist trade accounts using our stockist strategy. This will be based on our well established terms and conditions, selling independent accounts our best selling products and, where appropriate, the extended range.

## Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group. The top five risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained in all circumstances. The principal risks identified in 2015/16 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 that could cause business interruption in the year ahead.

ERP change - as discussed above we are changing our core ERP system in the UK. This is a complicated project with the risk of widespread business disruption if it is not implemented well. It is being implemented and managed by a strong internal project team and specialist ERP software consultants.

Store manager recruitment - this comprises both recruitment of managers for new stores as well as replacing poor performing managers. Retail is our primary method of recruiting new customers and so we need great managers in all our stores. We discuss our approach as to how we are managing this risk in the earlier section on staff recruitment.

Supply chain - as discussed above we are currently changing our mail order warehouse system. This is part of an ongoing programme of continuous improvement for these warehouse systems. As with any system change there are risks associated with the transition. In line with our ERP project, we have a strong internal project team and are utilising specialist supply chain software consultants.

Range management - as discussed above we are reviewing our range to ensure that we are exploring all opportunities. The risk is that we don't fully exploit all the opportunities that are available to us. Our approach to managing this risk is discussed earlier in the section on range.

Distractions - this is anything else that gets in the way of us delivering our goals.

We do not consider that we have material solvency or liquidity risks. We also feel that it is too early to tell what the effects of the recent EU referendum vote will be on Games Workshop.

In my opinion the greatest risk is the same one that we repeat each year, namely, management. So long as we have the right people in the right jobs we will be fine. Problems will arise if the board allows egos and private agendas to rule. I will do my utmost to ensure that this does not happen on my watch.

## Summary

We are working together as one great Games Workshop team and I believe the progress we have made in the second half demonstrates we have built some solid foundations for the year ahead.

We have again honoured our commitment to distribute genuinely surplus cash to our shareholders. That commitment isn't going to change.

We are confident we can achieve the priorities I have set for 2016/17. I will keep you appropriately informed.

The board continues to believe that the prospects for the business are good.

**Kevin Rountree**  
CEO  
25 July 2016

**Statement of directors' responsibilities**

The directors confirm that this condensed consolidated financial information has been prepared in accordance with IFRSs and that the management report herein includes a 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](http://investor.games-workshop.com).

By order of the board

**Kevin Rountree**

CEO

25 July 2016

**Rachel Tongue**

Group finance director

25 July 2016

\*We use average capital employed 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 pre-exceptional 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, deferred royalty income, taxation and dividends.



## CONSOLIDATED INCOME STATEMENT

		Year ended 29 May 2016 £000	Year ended 31 May 2015 £000
	Notes		
<b>Revenue</b>	2	<b>118,069</b>	119,132
Cost of sales		<b>(37,438)</b>	(36,988)
<b>Gross profit</b>		<b>80,631</b>	82,144
Operating expenses	2	<b>(69,710)</b>	(67,207)
Other operating income - royalties receivable		<b>5,939</b>	1,498
Exceptional items	3	-	42
<b>Operating profit</b>	2	<b>16,860</b>	16,477
Finance income		<b>93</b>	109
Finance costs		<b>(5)</b>	(1)
<b>Profit before taxation</b>		<b>16,948</b>	16,585
Income tax expense	5	<b>(3,452)</b>	(4,328)
<b>Profit attributable to owners of the parent</b>		<b>13,496</b>	12,257
		=====	=====
		<b>Year ended 29 May 2016</b>	<b>Year ended 31 May 2015</b>
Basic earnings per ordinary share	6	<b>42.1p</b>	38.3p
Diluted earnings per ordinary share	6	<b>42.0p</b>	38.3p
Basic earnings per ordinary share - pre-exceptional items	6	<b>42.1p</b>	38.2p
Diluted earnings per ordinary share - pre-exceptional items	6	<b>42.0p</b>	38.1p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 29 May 2016 £000	Year ended 31 May 2015 £000
<b>Profit attributable to owners of the parent</b>	<b>13,496</b>	12,257
<b>Other comprehensive income/(expense)</b>		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	<b>485</b>	(473)
Other comprehensive income/(expense) for the period	<b>485</b>	(473)
<b>Total comprehensive income attributable to owners of the parent</b>	<b>13,981</b>	11,784
	=====	=====

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

## CONSOLIDATED BALANCE SHEET

	Notes	29 May 2016 £000	31 May 2015 £000
<b>Non-current assets</b>			
Goodwill		1,433	1,433
Other intangible assets	9	10,501	8,262
Property, plant and equipment	10	22,621	22,719
Trade and other receivables		929	1,195
Deferred tax assets		3,219	3,621
		<u>38,703</u>	<u>37,230</u>
<b>Current assets</b>			
Inventories		8,540	7,625
Trade and other receivables		10,120	9,425
Current tax assets		725	600
Cash and cash equivalents	8	11,775	12,561
		<u>31,160</u>	<u>30,211</u>
<b>Total assets</b>		<u>69,863</u>	<u>67,441</u>
<b>Current liabilities</b>			
Trade and other payables		(12,844)	(13,131)
Current tax liabilities		(1,924)	(1,434)
Provisions	11	(823)	(529)
		<u>(15,591)</u>	<u>(15,094)</u>
<b>Net current assets</b>		<u>15,569</u>	<u>15,117</u>
<b>Non-current liabilities</b>			
Other non-current liabilities		(488)	(364)
Provisions	11	(621)	(458)
		<u>(1,109)</u>	<u>(822)</u>
<b>Net assets</b>		<u>53,163</u>	<u>51,525</u>
<b>Capital and reserves</b>			
Called up share capital		1,606	1,603
Share premium account		10,519	10,218
Other reserves		1,667	1,182
Retained earnings		39,371	38,522
<b>Total equity</b>		<u>53,163</u>	<u>51,525</u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 31 May 2015 and 1 June 2015	1,603	10,218	1,182	38,522	51,525
Profit for the year to 29 May 2016	-	-	-	13,496	13,496
Exchange differences on translation of foreign operations	-	-	485	-	485
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>485</b>	<b>13,496</b>	<b>13,981</b>
Transactions with owners:					
Share-based payments	-	-	-	193	193
Shares issued under employee sharesave scheme	3	301	-	-	304
Current tax charge relating to exercised share options	-	-	-	(3)	(3)
Dividends paid to Company shareholders	-	-	-	(12,837)	(12,837)
<b>Total transactions with owners</b>	<b>3</b>	<b>301</b>	<b>-</b>	<b>(12,647)</b>	<b>(12,343)</b>
<b>At 29 May 2016</b>	<b>1,606</b>	<b>10,519</b>	<b>1,667</b>	<b>39,371</b>	<b>53,163</b>
	=====	=====	=====	=====	=====

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 June 2014 and 2 June 2014	1,593	9,490	1,655	42,656	55,394
Profit for the year to 31 May 2015	-	-	-	12,257	12,257
Exchange differences on translation of foreign operations	-	-	(473)	-	(473)
<b>Total comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(473)</b>	<b>12,257</b>	<b>11,784</b>
Transactions with owners:					
Share-based payments	-	-	-	232	232
Shares issued under employee sharesave scheme	10	728	-	-	738
Deferred tax charge relating to share options	-	-	-	(71)	(71)
Current tax credit relating to exercised share options	-	-	-	49	49
Dividends paid to Company shareholders	-	-	-	(16,601)	(16,601)
<b>Total transactions with owners</b>	<b>10</b>	<b>728</b>	<b>-</b>	<b>(16,391)</b>	<b>(15,653)</b>
<b>At 31 May 2015</b>	<b>1,603</b>	<b>10,218</b>	<b>1,182</b>	<b>38,522</b>	<b>51,525</b>
	=====	=====	=====	=====	=====

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

## CONSOLIDATED CASH FLOW STATEMENT

		Year ended 29 May 2016 £000	Year ended 31 May 2015 £000
	Notes		
<b>Cash flows from operating activities</b>			
Cash generated from operations	7	26,782	25,579
UK corporation tax paid		(2,236)	(1,912)
Overseas tax paid		(316)	(393)
<b>Net cash from operating activities</b>		<b>24,230</b>	<b>23,274</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(5,296)	(6,783)
Proceeds on disposal of property, plant and equipment		-	26
Purchases of other intangible assets		(2,789)	(1,012)
Expenditure on product development		(4,578)	(4,579)
Interest received		86	115
<b>Net cash from investing activities</b>		<b>(12,577)</b>	<b>(12,233)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital		304	738
Interest paid		(3)	(1)
Dividends paid to Company shareholders		(12,837)	(16,601)
<b>Net cash from financing activities</b>		<b>(12,536)</b>	<b>(15,864)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(883)</b>	<b>(4,823)</b>
Opening cash and cash equivalents		12,561	17,550
Effects of foreign exchange rates on cash and cash equivalents		97	(166)
<b>Closing cash and cash equivalents</b>	8	<b>11,775</b>	<b>12,561</b>

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

# NOTES TO THE FINANCIAL INFORMATION

## 1. General information

The consolidated financial statements of Games Workshop Group PLC are prepared under the going concern basis and in accordance with International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee interpretations and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs.

These results for the year ended 29 May 2016 together with the corresponding amounts for the year ended 31 May 2015 are extracts from the 2016 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 29 May 2016, 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 26 July 2016 and will be delivered to the Registrar of Companies in due course. Copies will also be available from Rachel Tongue, 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 10:00am on 14 September 2016.

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 2015 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 period in which the circumstances change. The following areas are considered of greater complexity and/or particularly subject to the exercise of judgement:

- Management estimates and judgements are required in assessing the impairment of assets, including capitalised development costs and fixtures and fittings within loss making retail stores, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.
- Judgement is involved in assessing the exposures in the provisions (including inventory, loss making retail stores, other property, bad debt and returns) and hence in setting the level of the required provisions.

## 2. 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 29 May 2016, 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 directly via the global web store. 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 and 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.
  - Mail order. This includes sales through the Group's global web stores and digital sales through external affiliates.
- Product and supply. This includes the design and manufacture of the products and incorporates the production facility in the UK and the Group logistics and stock management costs. This also includes adjustments for the profit in stock arising from inter-segment sales and charges for inventory provisions.
- Central costs. These include the Company overheads, head office site costs, and the costs of running the Games Workshop Academy.
- Service centre costs. Provides support services (IT, accounting, payroll, personnel, procurement, legal, customer services and credit control) to activities across the Group and undertakes strategic projects.
- Royalties. This is royalty income earned from third party licensees after deducting associated licensing costs.

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'. This has been reconciled to the Group's total profit before taxation below.

The segment information reported to the executive directors for the year ended 29 May 2016 is as follows:

	External revenue	
	Year ended 29 May 2016 £000	Restated* Year ended 31 May 2015 £000
Trade	44,522	44,477
Retail	48,414	49,060
Mail order	25,133	25,595
<b>Total revenue</b>	<b>118,069</b>	<b>119,132</b>
	=====	=====

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, we analyse external revenue further below:

	Year ended 29 May 2016 £000	Restated* Year ended 31 May 2015 £000
<b>Trade</b>		
UK and Continental Europe	15,504	15,656
North America	17,944	17,740
Australia and New Zealand	1,658	2,000
Asia	741	584
Non-core trade	8,675	8,497
<b>Total Trade</b>	<b>44,522</b>	<b>44,477</b>
<b>Retail</b>		
UK	16,074	16,959
Continental Europe	12,878	13,879
North America	10,417	9,806
Australia and New Zealand	5,133	5,619
Asia	417	317
Non-core retail	3,495	2,480
<b>Total Retail</b>	<b>48,414</b>	<b>49,060</b>
<b>Mail order</b>		
Citadel and Forge World	21,018	21,120
Non-core mail order	4,115	4,475
<b>Total Mail order</b>	<b>25,133</b>	<b>25,595</b>
<b>Total external revenue</b>	<b>118,069</b>	<b>119,132</b>
	=====	=====

\*Revenue of £301,000 relating to certain trade customers for the year ended 31 May 2015 has been reclassified from UK and Continental Europe trade into non-core trade above to reflect the way in which the business is structured at 29 May 2016. In addition £537,000 of revenue has been reclassified from UK retail to UK and Continental Europe trade in order to correct a classification error relating to foreign exchange differences in the prior year.

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

	Year ended 29 May 2016 £000	Restated** Year ended 31 May 2015 £000
Trade	(8,899)	(7,945)
Retail	(35,930)	(33,934)
Mail order	(5,002)	(4,135)
Product and supply	(2,767)	(3,111)
Central costs	(5,582)	(6,206)
Service centre costs	(10,907)	(11,215)
Royalties	(430)	(429)
<b>Total segment operating expenses</b>	<b>(69,517)</b>	<b>(66,975)</b>
Share-based payment charge	(193)	(232)
<b>Total group operating expenses</b>	<b>(69,710)</b>	<b>(67,207)</b>
	=====	=====

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

	Year ended 29 May 2016 £000	Restated** Year ended 31 May 2015 £000
Trade	10,625	11,508
Retail	(3,410)	(1,510)
Mail order	13,747	14,432
Product and supply	7,093	8,606
Central costs	(5,424)	(6,179)
Service centre costs	(10,907)	(11,217)
Royalties	5,329	1,069
<b>Total segment operating profit</b>	<b>17,053</b>	<b>16,709</b>
Share-based payment charge	(193)	(232)
Finance income	93	109
Finance costs	(5)	(1)
<b>Profit before taxation</b>	<b>16,948</b>	<b>16,585</b>
	=====	=====

\*\*Segment operating expenses and segment operating profit for the year ended 31 May 2015 have been restated to exclude the share-based payment charge of £232,000. This is now shown as a separate item above.

In addition charges relating to changes in inventory provisions are now all shown within the product and supply segment. A charge of £37,000 for the year ended 31 May 2015 has been reclassified from retail to product and supply to reflect this.

An exceptional credit of £42,000 for the year ended 31 May 2015 has been included within the product and supply segment, being the release of amounts previously provided for the continental european reorganisation.

### 3. Exceptional items

The exceptional credit of £42,000 reported in the prior period relates to the release of amounts previously provided for the continental european restructure.

### 4. Dividends per share

A dividend of 20 pence per share, amounting to a total dividend of £6,373,000, a dividend of 16 pence per share, amounting to a total dividend of £5,099,000, and a further dividend of 16 pence per share, amounting to a total dividend of £5,129,000, were declared and paid during the prior period. A dividend of 20 pence per share, amounting to a total dividend of £6,413,000, and a further dividend of 20 pence per share, amounting to a total dividend of £6,424,000, were declared and paid during the current period.

### 5. Tax

	Year ended 29 May 2016 £000	Year ended 31 May 2015 £000
Current UK taxation:		
UK corporation tax on profits for the period	2,588	3,165
Under provision in respect of prior periods	40	253
UK corporation tax on exceptional items for the period	-	9
	<b>2,628</b>	<b>3,427</b>
Current overseas taxation:		
Overseas corporation tax on profits for the period	349	347
Over provision in respect of prior periods	(32)	(539)
	<b>2,945</b>	<b>3,235</b>
Deferred taxation:		
Origination and reversal of timing differences	660	893
(Over)/under provision in respect of prior periods	(153)	200
<b>Tax expense recognised in the income statement</b>	<b>3,452</b>	<b>4,328</b>
	=====	=====
Current tax charge/(credit) relating to sharesave scheme	3	(49)
Deferred tax charge relating to sharesave scheme	-	71
<b>Charge taken directly to equity</b>	<b>3</b>	<b>22</b>
	=====	=====

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

	Year ended 29 May 2016 £000	Year ended 31 May 2015 £000
Profit before taxation	16,948	16,585
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.83%)	3,390	3,455
Effects of:		
Items not (assessable)/deductible for tax purposes	(248)	481
Movement in deferred tax not recognised	(2)	(4)
Higher tax rates on overseas earnings	457	482
Adjustments to tax charge in respect of prior periods	(145)	(86)
<b>Total tax charge for the period</b>	<b>3,452</b>	<b>4,328</b>
	=====	=====

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. The overall effect of these changes, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £9,000.

## 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 period.

	Year ended 29 May 2016	Year ended 31 May 2015
Profit attributable to owners of the parent (£000)	13,496	12,257
Weighted average number of ordinary shares in issue (thousands)	32,093	31,975
Basic earnings per share (pence per share)	42.1	38.3
	=====	=====

### Basic earnings per share - pre-exceptional items

Basic earnings per share - pre-exceptional items is calculated by dividing the profit attributable to owners of the parent, before exceptional items, by the weighted average number of ordinary shares in issue during the period.

	Year ended 29 May 2016	Year ended 31 May 2015
Pre-exceptional profit attributable to owners of the parent (£000)	13,496	12,215
Weighted average number of ordinary shares in issue (thousands)	32,093	31,975
Basic earnings per share - pre-exceptional items (pence per share)	42.1	38.2
	=====	=====

### 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 period, adjusted for the dilutive effect of share options outstanding at the period end.

	Year ended 29 May 2016	Year ended 31 May 2015
Profit attributable to owners of the parent (£000)	13,496	12,257
Weighted average number of ordinary shares in issue (thousands)	32,093	31,975
Adjustment for share options (thousands)	57	50
Weighted average number of ordinary shares for diluted earnings per share (thousands)	32,150	32,025
Diluted earnings per share (pence per share)	42.0	38.3
	=====	=====

### Diluted earnings per share - pre-exceptional items

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

	Year ended 29 May 2016	Year ended 31 May 2015
Pre-exceptional profit attributable to owners of the parent (£000)	13,496	12,215
Weighted average number of ordinary shares in issue (thousands)	32,093	31,975
Adjustment for share options (thousands)	57	50
Weighted average number of ordinary shares for diluted earnings per share (thousands)	32,150	32,025
Diluted earnings per share - pre-exceptional items (pence per share)	42.0	38.1
	=====	=====



## 7. Reconciliation of profit to net cash from operating activities

	2016 £000	2015 £000
Operating profit	16,860	16,477
Depreciation of property, plant and equipment	5,305	4,991
Net impairment on property, plant and equipment	28	9
Loss on disposal of property, plant and equipment	28	33
Loss on disposal of intangible assets	39	24
Amortisation of capitalised development costs	3,853	4,728
Amortisation of other intangibles	1,232	1,362
Share-based payments	193	232
Changes in working capital:		
- (Increase)/decrease in inventories	(701)	882
- Increase in trade and other receivables	(293)	(242)
- Decrease in trade and other payables	(198)	(395)
- Increase/(decrease) in provisions	436	(2,522)
<b>Net cash from operating activities</b>	<b>26,782</b>	<b>25,579</b>

## 8. Cash and cash equivalents

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

	2016 £000	2015 £000
Cash at bank and in hand	10,998	11,942
Short term bank deposits	777	619
<b>Cash and cash equivalents</b>	<b>11,775</b>	<b>12,561</b>

## 9. Other intangible assets

	2016 £000	2015 £000
Net book value at beginning of the year	8,262	8,683
Additions	7,362	5,695
Exchange differences	1	(2)
Disposals	(39)	(24)
Amortisation charge	(5,085)	(6,090)
<b>Net book value at end of the year</b>	<b>10,501</b>	<b>8,262</b>

## 10. Property, plant and equipment

	2016 £000	2015 £000
Net book value at beginning of the year	22,719	21,027
Additions	5,193	6,753
Exchange differences	70	(2)
Disposals	(28)	(59)
Charge for the period	(5,305)	(4,991)
Impairment	(28)	(9)
<b>Net book value at end of the year</b>	<b>22,621</b>	<b>22,719</b>

## 11. Provisions

Analysis of total provisions:

	2016 £000	2015 £000
Current	823	529
Non-current	621	458
<b>Total provisions</b>	<b>1,444</b>	<b>987</b>

	Exceptional items £000	Employee benefits £000	Property £000	Total £000
At 31 May 2015	26	492	469	987
Charged to the income statement	-	89	562	651
Exchange differences	-	3	16	19
Utilised	(26)	(37)	(150)	(213)
<b>At 29 May 2016</b>	<b>-</b>	<b>547</b>	<b>897</b>	<b>1,444</b>

## **12. Commitments**

Capital expenditure contracted for at the balance sheet date but not yet incurred is £609,000 (2015: £447,000). Inventory purchase commitments contracted for at the balance sheet date are £2,689,000 (2015: £1,898,000).

## **13. Related-party transactions**

Mrs K Kirby (Lathbury) received £66,185 during the prior year from the Group for her work as interim head of IT. Mrs Kirby ceased to work for the Group on 30 November 2014. T H F Kirby provided consultancy at a cost of £35,000 in the year (2015: £25,000).