

GAMES WORKSHOP GROUP PLC

Annual report 2020

FINANCIAL HIGHLIGHTS

	2020	2019
	£m	£m
Revenue	269.7	256.6
Revenue at constant currency*	268.3	256.6
Operating profit - pre-royalties receivable	73.2	69.9
Royalties receivable	16.8	11.3
Operating profit	90.0	81.2
Operating profit at constant currency*	89.6	81.2
Profit before taxation	89.4	81.3
Net increase in cash - pre-dividends paid	70.5	50.7
Earnings per share	218.7p	202.9p
Dividends per share declared and paid in the year	145p	155p

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*Constant currency revenue and operating profit are calculated by comparing results in the underlying currencies for 2020 and 2019, both converted at the 2019 average exchange rates as set out on page 13.

CHAIRMAN'S STATEMENT

What a time we're living through right now!

I hope that everyone reading this annual report – the stakeholders in Games Workshop – are doing as well as can be in this extraordinary period. It is without precedent.

At Games Workshop, after a great year to 2 June 2019, our 2019/20 first half performance was strong. That trend continued into early in the calendar year 2020.

Then, along came COVID-19.

As most, if not all, of you know, we closed down our business in response to the UK Government's directions on 24 March 2020, the safety and the health of the Games Workshop team, their families and our customers being our principal concern. Notwithstanding this, our digital product sales continued positively, demonstrating our customers' love for our hobby.

In April 2020, in accordance with UK Government and other local guidance, we started to reopen the business. It's no surprise to me that Games Workshop staff were keen to get back to work. This continues to be work in progress – but I believe that it is positive.

We ended the 2019/20 financial year with revenue of £270 million and profit before tax of £89 million. In overall terms and notwithstanding the massive disruption caused by the virus, in my view your Company's performance in the year to 31 May 2020 was tremendous.

Alongside responding to COVID-19, there has been a lot going on at Games Workshop this year. Our revenues have been growing well in our core business and in our developing licensing business. Our project to expand our production facilities in Nottingham is nearing completion. As Kev reports later in this annual report, further capital investment is underway in our UK and North America operations.

Our key business risks (set out later in this document in Kev's strategic review) – which are of course heightened for a fast-growing business – have been made more complicated by COVID-19. We are working hard to address these risks. The continuing strength and loyalty of the Games Workshop team are invaluable here (as elsewhere).

We believe that a principled approach to doing business is central to our present and future success. Our culture encourages responsible practices throughout the Company and presents clear principles that drive ethical interactions with our stakeholders. As set out in some detail later in this annual report, we work hard to ensure that this mind set is evident across the business: in the way that we interact with our customers, our suppliers and with each other; in the way that we engage in our communities; and in our respect for the environment.

We continue to work on refreshing the composition of the non-executive board of the Company. As I have said before, to find people who 'fit' (the right values, skills and behaviours) with Games Workshop is not an easy task, quickly accomplished. We have conducted a further search process since our 2019 AGM, but to date we have made no further appointment; the COVID-19 'lockdown' has certainly hampered our efforts on this front. Nevertheless, our search for an additional non-executive director continues. In my statement last year I said that I expected my successor as non-executive chairman of Games Workshop to be appointed from within this group of talented individuals 'within the next few years'. This timetable continues: I will stand down from the board of Games Workshop (at the latest) at our 2021 AGM, when the board (excluding me) has decided upon my replacement.

No one can predict with confidence the future – and that applies all the more so with the advent of COVID-19. Nevertheless, I have absolute confidence that the Games Workshop team will ensure that this business survives and succeeds. And I have absolute confidence in the loyalty and passion of all of our Warhammer hobbyists who continue to reward us with their custom.

Finally, and as in previous years, I have three enjoyable responsibilities to discharge before concluding this statement:

- Firstly, to thank our executive directors and the Games Workshop team as a whole for achieving so much in this extraordinary year. The team's performance has been fantastic.
- Secondly, to thank our loyal customers: we will do our best to continue to surprise and delight you with ever better products and services and to continue to include you in the conversation.
- Thirdly, to thank you, our shareholders, for your support and your loyalty. I am sorry we will not be meeting in person at this year's AGM.

With thanks, and best wishes.

Nick Donaldson

Non-executive chairman

27 July 2020

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 - we make high quality miniatures. We understand that what we make may not appeal to everyone, so to recruit and re-recruit 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 them 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 royalty income from opportunities to use our IP in other markets.

The third element is that we are customer focused. We talk to our customers. 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. We seek out our customers all over the world. We believe that our customers carry our Warhammer hobby gene and to help find them we have two key tools: our retail chain and our online content. In retail we continue to apply our tried and tested approach of recruiting customers - in our own stores, by showcasing the Warhammer hobby and offering a fantastic customer experience. Online our offering has never been richer. Through Warhammer-community.com and social media we reach thousands of new 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 business 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 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 the skills needed to do their job and has a great attitude to change. 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.

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.

STRATEGIC REPORT continued

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 warehouse facility and back office support functions are all based in Nottingham. We are an international business centrally run from our HQ in Nottingham, with 74% of our sales coming from outside the UK.

Design

We design all of our products at our HQ in Nottingham. Employing 231 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 2019/20 we invested £11.4 million in the studio (including software costs) with a further £3.7 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 with the result that 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 full length novels and audio books which we make available in physical bookstores, third party online 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 continued work on phase 2 of increasing our production facilities in Nottingham, with the expansion of our tooling facility and further office space. This is now nearing completion.

Logistics

All of our product is initially distributed from our warehouse facility in Nottingham. This facility supplies our two hubs; one in Memphis, Tennessee and one in Sydney, Australia. Between these three facilities we are able to then directly supply our independent retailers, our own retail stores and fulfil our online orders. A project to extend and upgrade the Memphis facility was started in March 2019 and is now nearing completion alongside an additional new rented warehouse facility near Nottingham.

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 community 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 new release product and the appropriate extended range. At the year end we had 531 of our own retail stores in 23 countries. Our stores contributed 29% of the year's sales. We have 411 one man stores: small sites, each one staffed by only one store manager. We also have 120 multi-man stores, which, like our one man stores, are constantly reviewed to ensure they remain profitable. If not, they will probably be converted to one man 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 2019/20 we had 4,900 independent retailers (2019: 4,700) in 72 countries. We strive to deliver excellent service, operating in 22 languages covering all time zones. 52% of our sales came from sales to independent retailers in the year reported. These sales are from their bricks and mortar stores as well as their own online web stores.

Online - sales via our own web stores accounted for 19% of total sales in 2019/20. 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.

Business model and structure continued

Sell continued

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. My team is split into seven parts: design to manufacture, sales, merchandising and logistics, digital and community, operations and support, systems and IP exploitation.

We have a global head of design to manufacture who is responsible for our factory and design studios (miniatures, books and box games, specialist systems, hobby product and our publishing business, Black Library).

The responsibility for our retail chain is split between two retail territory heads in North America 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 head of digital and community.

These sales channels are supported by a global head of merchandising and logistics and by the marketing team that sits under the global head of digital and community. The global head of merchandising and logistics also manages our three main warehouse facilities in Nottingham, Memphis and Sydney.

Our operations and support structure includes a finance director for Games Workshop who is responsible for accounts, compliance, licensing and legal duties. Our global people manager ensures we take our people recruitment and development seriously. Our group head of IT ensures we invest in our core systems as well as consider how we can leverage technology 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: see page 10.

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: see page 11.

Year to date core business operating profit percentage

The ratio of core business operating profit before royalty income against revenue, as a percentage: see page 11.

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: see page 11.

Number of own stores by territory

This measures the number of our own stores which is an indicator of our global reach: see page 10.

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: see 'Trade' paragraph on page 4.

Our key non-financial performance indicators are:

Customer engagement

We measure this through our owned content channel warhammer-community.com and reach delivered through our social platforms: see page 11.

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.

STRATEGIC REPORT continued

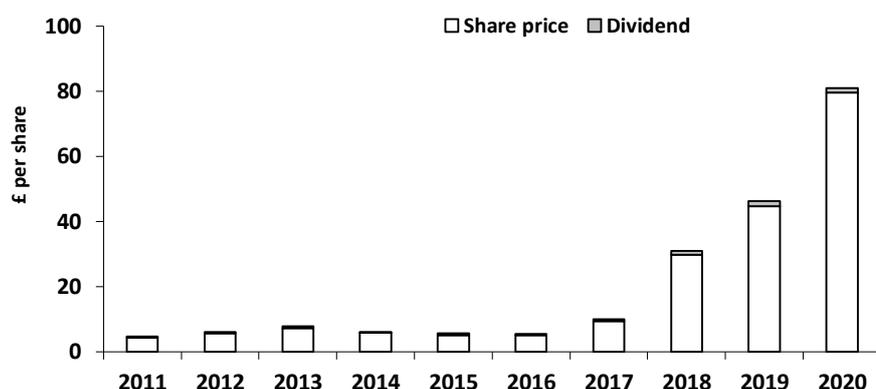
Shareholder value

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. Given recent events, in future, a working 'cash buffer' of three months' worth of working capital requirement will be set aside before deciding how much cash is truly surplus for the purpose of declaring dividends.

Graph of shareholder value

Shareholder value for this graph is calculated as the price of our shares at year end plus the dividend per share declared in the year.



Review of the year

Core business

COVID-19

As the pandemic developed in the year reported on, we assessed the potential impact on our staff, their families and our customers and closed the business globally on 24 March 2020. We could not guarantee that we could operate by following government guidelines. Most of our business is now recovering and some staff continue to work from home. There is 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.

I am not going to go into too much detail on the impact of COVID-19 on the business. In summary, after an incredible team performance, we only lost c. six weeks of sales and profit. Our retail channel was hardest hit and has taken longer to recover; fully adhering to government guidelines regarding opening non-essential stores. We initially claimed furlough relief and other governmental support, which we are in the process of repaying in full, where possible. We strengthened our cash management procedures and asked our suppliers for their support. We put in place an overdraft facility with a big bank, which we have not drawn on. We had a healthy balance sheet at the end of February and we have a healthy balance sheet at the end of May. My sincere thanks to everyone who supported us through such a challenging time, your help has been invaluable in achieving the strong position we find ourselves in.

Year to May 2020

Wow, what a year! Despite the challenging backdrop, this was another record performance from the global Games Workshop team. We once again proved we could face any challenge head on. Well done to you all, thank you for your outstanding performance, commitment and resilience.

I am pleased to report a fourth year of record constant currency sales, profit and cash generation. This year proved how resilient we are and how robust the Warhammer hobby is. I thank our customers and our partners for their continued support during the year; more so in the final period, helping us deliver a record May after more than a month of global shut down.

Since November 2015, our financial performance has gone from strength to strength. This is the direct result of the operational team delivering a well thought through plan. This year more than any other, I thank the executive team at Games Workshop for their focus on managing cash which helped us enormously through the final quarter. Our net cash from operations and cash conversion rate are still healthy. (Note: the net operating cash movement this year looks better than it really is due to accounting standard changes on leases which we are obliged to change and the timing of some COVID-19 repayments and staff bonuses).

How naïve was I to say last year 'I do not see anything significant that will get in the way'? Looking forward I will ensure our operational plan is even more robust. We will continue to deliver on that plan, and at the same time invest in the potential sales growth. Our recovery plan is going well, but we are not taking anything for granted. We will not hesitate to close our operations again to protect our staff, their families and our customers.

Core business continued

Year to May 2020 continued

We will remain focused on delivering our strategy, which has not changed. It is our mission to share our love for the Warhammer hobby and enable everyone that would love to take part to do so. Our retail stores remain paramount to achieving that. It is where you will find a manager who will deliver outrageous customer service and support you, in a safe, welcoming environment.

Diversity

We continue to recruit for fit: 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 do my best to ensure this is the case, and that we are fair and free from any bias and/or prejudice.

Growth

We continue to focus on expanding the Warhammer hobby with a focus on North America and China. In the short term, as we recover from the events of the past few months, we have paused our store opening programme. However, we continue to look around the globe for stockists and partners that can help us share our love for miniatures and our fantastic Warhammer characters and settings. Meanwhile our online sales continue to go from strength to strength: in a changing shopping landscape we will stay on the front foot.

Design to manufacture

Design studios

We continued our successful strategy of broadening and deepening our offer, providing Warhammer hobbyists with more ways to collect, build and play with their models. For example, Warhammer 40,000: Apocalypse focuses on playing huge games involving hundreds of models a side, while WarCry brought detailed skirmish gaming to the Age of Sigmar universe. 2019/20 also saw the return of a much requested fan favourite, the Sisters of Battle for Warhammer 40,000. We also added another brand new gaming system in the form of Aeronautica Imperialis, which introduced aerial combat to the Warhammer 40,000 universe, and gave our customers a whole new range of dynamic models to collect.

The summer saw the next evolution in our paint offer with the introduction of Citadel Colour Contrast Paint, which has been enthusiastically embraced by our customers. We are putting additional resource into this area of our hobby so that we can continue to provide our customers with the best miniatures painting products in the world.

The responsibility to protect and develop our IP now sits with our global design to manufacture manager. He, with the support of the IP steering team and our in-house legal team, will always actively defend it against infringements. We will focus on both real and digital representations of our IP.

Studio payroll costs have increased by £0.8 million to £8.9 million; as a percentage of Group revenue they have increased by 0.2% to 3.3%.

Manufacturing

Our second factory has now been operational for a year, providing us with the space and opportunity to trial new ways of working. In the autumn we will begin a programme to modernise our original factory, optimising output and efficiency. Phase 2 of the second factory has been delayed but is scheduled to come on line at the end of summer with both an expanded tool room and dedicated R&D function. Product innovation remains a key area of focus.

We implemented a new quality management system while also applying for and receiving CCC product safety registration in China. Going forward, this will allow us to access more locations and sales channels in China.

In addition to producing goods for our core channels, our factory produced over 4 million components for the existing magazine part-works with Hachette and six additional launches in 2019/20.

Production payroll costs remain a key area of focus. During the year they remain constant at £7.5 million; as a percentage of Group revenue they have decreased by 0.1% to 2.8%. We expect this percentage to stay at similar levels in the year ahead.

Warehousing

In May 2020 we consolidated all of our sourcing and warehousing functions under our global head of merchandising and logistics. He, with the support of his team, is now implementing an operational plan to upgrade our main warehouse facilities in Memphis and Nottingham, including component warehousing. He is also reviewing our sourcing strategy and will ensure all projects linked to stock management will be delivered on time and within cash limits.

North America

We are investing c. £5 million in new warehousing fixtures and fittings and technology. This project started in May 2019 and is due for completion in 2020. The project remains on track, subject to events outside of our control. Whilst principally about increasing our capacity, we will also benefit from better range management. We will be able to hold a wider variety of range items, including more translated product and hold more stock of secondary items such as paint, specialist games and Black Library novels. These extra picking locations will also lead to a better service and product availability in North America.

UK

We are investing in a purpose built rented facility less than 11 miles from our HQ in Nottingham and will be investing c. £5 million in new warehouse fixtures and fittings and technology. This project started in the autumn of 2019 and is due to become operational across a number of phases from July 2020, with the project being completed in May 2021. The current warehouse at our HQ will become our component warehouse, saving on third party warehouse costs.

STRATEGIC REPORT continued

Core business continued

Warehousing continued

Australia

We are in a rented facility on the outskirts of Sydney. The Warhammer hobby is growing in Australia too and so we are currently reviewing our capacity limits and the need to upgrade our IT solutions.

Logistics costs continue to be an area of focus. Total warehousing costs have increased by £2.1 million to £11.6 million; as a percentage of sales they have increased from 3.7% to 4.3%. We would expect this percentage to rise to c. 5% and then remain at similar sales levels following the investments described above.

Services

It has taken us a while, however, we are finally embracing off the shelf and third party supported IT solutions. I have been concerned for years that the business has become over reliant on old technology and old nous. Our investment in our IT internal team and the tools we need to manage a global vertically integrated business is paramount; it is a significant area of risk to our growth plans. We are three years into a plan to remove old technology and we have not made enough progress. We have some catching up to do; last year saw us gather pace.

Media and entertainment

We have made some progress, as expected it is a little slower than I'd like - hey ho. We have signed the co-development agreement with Big Light Productions and are in the final stages of developing the project for the TV market: a story based on one of our most popular Black Library novel series, Eisenhorn. We are in discussions with other companies regarding other media projects, both live action and animation, all over the world. To help, we are strengthening the team by recruiting a few professionals from the media industry to assist with progress. It is truly an exciting time. I can't wait to see the outcome of this work.

Licensing

Our goal is AAA video games. We have signed multiple licences and we continue to negotiate many more, we will update you once they are announced. At the time of writing, we have 73 licences and are signing new ones every 2-3 months.

We have collaborated with some of the biggest multiplayer games in the world by putting Warhammer IP in games like Counter Strike Global Offensive (400,000 sticker packs sold in the first week) and World of Tanks/Warships.

Global reach - we now have licensing staff in China and are actively pursuing a number of projects there. In the year, we launched our first Chinese developed mobile game. We also formed a relationship with Bandai for collectibles, launching our first ever action figure that sold out in three days, and our first collectible product to be sold through gashapon machines in Japan, which also sold well.

Product reach - we diversified the use of Warhammer into many new categories and styles this year, including a deal with Marvel to publish comics across all of our IPs, the Bandai relationship for chibi style models, and our first ever Funko Pops release. We also launched our dedicated Warhammer print on demand merchandise site in the year. In general we have formed partnerships that have and will take Warhammer products into many new locations, particularly in North America and Japan.

In total we signed 18 licences and terminated 11 in the year, the latter mostly being cleaning house on things that weren't worth keeping or had run their course.

Digital content

In addition to these third party projects, our internal team (in partnership with a range of animation studios) has also finished development and begun production on three Warhammer 40,000 animated series, 'Angels of Death', 'Hammer and Bolter' and 'Interrogator'.

For all of these we're still exploring distribution options, and it might well be that they launch on warhammer-community.com. Our internal team also captained our efforts to bring about something entirely new for Games Workshop - a cinematic trailer for Warhammer 40,000. Collaborating with world-class animation talent, we have fashioned a short film showcasing new Warhammer 40,000. The most popular video we've ever released, this effort bodes well for the release of the other shows and of course the launch of Warhammer 40,000 itself. These projects are just the beginning of what will be an exciting future for fans of Warhammer everywhere and those looking to discover our worlds for the first time.

Update on priorities for 2019/20

In the year, we focused on the following initiatives designed to help us support all of our staff and continually improve their performance:

Staff recruitment, training and development

We have great staff and our ongoing success relies on us developing the talent we have and finding more people to join our global team. To be honest, we have finished the year focusing on recovery and looking after the health and wellbeing of our staff, their families and our customers. We have paused most other initiatives. We will soon be re-starting our monthly Games Workshop Global Communication Forum at which my senior team and I regularly update staff representatives on each area of our business. As we recover, it is more important than ever that our staff know how their hard work not only helps their teams deliver their goals but also helps me deliver Games Workshop's strategic goals. Our successes are always built on a global team effort.

Update on priorities for 2019/20 continued

Staff recruitment, training and development continued

In line with our expectations and cost conscious plan, our headcount has risen from 2,110 to 2,188 in the year. To ensure we always have the right people in the right jobs at the right time, the people team have been asked to deliver a step change in how we link job specifications, training, core KPIs and staff development to remuneration. All of our staff globally will be offered the tools they need to improve their performance and we will continue to support their wellbeing. I am committed to ensuring Games Workshop continues to be a place where we can improve ourselves and our performance. Our continued focus on an individual's values, behaviour and skills remain integral to these plans.

Initiatives for recruiting new customers and retaining existing customers in the Warhammer hobby

We opened 14 (net) of our own stores, mostly in North America and Continental Europe. We opened 200 more trade accounts in line with our well established terms and conditions, selling to independent retailers our best selling products and, where appropriate, the extended range. We also placed a small range of Warhammer product in over 2,000 new locations in the mass market, e.g. Target in North America.

Range

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

To ensure we have the right product at the right place at the right time, we have been investing in our merchandising and logistics team throughout the year. We have started to tailor the retail range by location. At the heart of our range is our core IP and the core product lines that support it. We are committed every year to further extending the Warhammer worlds through great products: it is what we are great at and one of the key things that drives success.

Core systems and manufacturing and warehousing capacity

We focused on the following initiatives to ensure we keep the lights on and have enough capacity to allow us to deliver our operational plan:

Core manufacturing and warehousing capacity projects

Our additional factory in Nottingham is due for completion in the summer of 2020. This will increase our tool making production as well as additional office space. As discussed above, we are nearing completion of the expansion of our US warehouse and have signed a lease for an additional new warehouse facility near Nottingham. These projects are both due to be completed in the autumn of 2020.

European ERP

We are in the process of replacing our enterprise resource planning systems (core back office systems) for the UK and European businesses. Following our move to a more agile methodology some phases of this complex project are now live with the remaining phases planned to go live in 2020/21.

Priorities for 2020/21

Core business

As part of our overall strategy, six key initiatives will be prioritised in 2020/21. These are designed to deliver further sales growth whilst maintaining our operating profit margin, and continuing to surprise and delight our customers.

Staff training and development:

We currently have a recruitment freeze in place, only recruiting essential new jobs or replacing existing ones. We are not planning to make any significant reductions anywhere in the world. We are continuing with our investment in our people and we are working on delivering a revised workforce plan to ensure we can meet our global needs today and in the near future, in both the core business and in exploiting our IP.

Business recovery:

We will seek to ensure our global business continues to recover from the shut down and weather any challenges and uncertainties that lie ahead. In the short term we have paused any significant investment in Asia to focus on our current territories. We are planning for Brexit, subject to receiving clear guidelines. We are also reviewing our global pricing and trade terms and any other stuff that this significant change has forced on us.

Customer focus:

We will continue to be customer focused, better engaging our existing ones and reaching whole new audiences with the Warhammer hobby. We have paused our store opening programme for the foreseeable future. We will be focusing our efforts on making sure our existing stores can recover.

Sales growth:

The goal is to sell all of our products where our customers want to shop. There will be more focus on leveraging our own online store. We will also continue to open more independent retailer accounts. This will be based on clearer terms and conditions, selling our best selling products to independent accounts and, where appropriate, the extended range. We will continue the project of updating our online service tools to ensure our customers and all of our third party accounts get outrageous customer service and support.

Communities:

We will continue to improve our digital marketing and customer engagement to help us expand our communities around the world.

STRATEGIC REPORT continued

Priorities for 2020/21 continued

Core business continued

Capital investment:

Finally, in our core business, as discussed above, we will continue our investment in core IT systems, our online sales platforms and our manufacturing and warehouse capacity projects, keeping fingers crossed that nothing significant gets in the way. We are playing catch up so our capital investment may be higher than this year.

Media and entertainment

This is still early days for this new team. They will be working with lawyers and a small group of advisers with our new media partners on scripts that will eventually bring the worlds of Warhammer to screens. A team of internal creative and trusted writers continue to write outline scripts and develop a series of internally produced animation projects. They will also continue to support our licensing team with any external media projects.

Licensing

Our licensing team will continue with the good progress they have made over the last few years. We believe our IP to be among the best in the world and we want to work with big, value-adding partners. Our licensing team will focus on signing some new AAA deals for Warhammer on digital platforms. We are open for business.

Sales

Reported sales grew by 5.1% to £269.7 million for the year. On a constant currency basis, sales were up by 4.6% from £256.6 million to £268.3 million.

Sales by segment

	Year to 31 May 2020 Constant currency	Year to 2 June 2019 Constant currency	Year to 31 May 2020 Actual rates	Year to 2 June 2019 Actual rates	2020 % of total sales	2019 % of total sales
Trade	£139.0m	£121.5m	£140.0m	£121.5m	52%	47%
Retail	£77.6m	£87.8m	£78.0m	£87.8m	29%	34%
Online	£51.7m	£47.3m	£51.7m	£47.3m	19%	19%
Total sales	£268.3m	£256.6m	£269.7m	£256.6m		

Sales by channel

29% (2019: 34%) of sales were made through our own stores, 52% (2019: 47%) of sales were to independent retailers and 19% (2019: 19%) were online.

Retail

Store openings and closures during the year:

	Number of stores at 2 June 2019	Opened	Closed	Number of stores at 31 May 2020	Number of one man stores at 31 May 2020	Number of one man stores at 2 June 2019
UK	140	5	5	140	98	100
North America	153	8	1	160	141	140
Continental Europe	151	8	2	157	113	108
Australia	50	-	1	49	37	41
Asia	23	2	-	25	22	21
	517	23	9	531	411	410

We opened 23 new stores in the year including 7 relocated stores (shown within both the opened and closed store numbers above). These new stores generated £1.6 million of profitable sales. We have paused our store opening plans for 2020/21. Our main focus for the year ahead will be improving our existing store performance. Recent events have made this more challenging.

Retail sales decreased by 11% in the year (12% at constant currency), including additional growth from 14 net new stores and sales in our visitor centre fell by 17%. The decline was significantly COVID-19 related as stores were closed for a number of weeks in April and May. We continue to fine tune our skills-based training for all of our store managers at our retail workshops.

Trade

Sales increased by 15% during the year (14% at constant currency). Thanks to the hard work of our telesales teams we delivered growth in every major country in which we sell our products. Sales to trade accounts which sell primarily online continue to perform well. We will continue to offer support to all types of third party accounts. To increase our reach, we will continue to offer a small range of Warhammer entry level products in the mass market.

Online

Sales grew by 9% (9% at constant currency). We are committed to continuous investment in our online shopping experience and it is a key area of operational focus in the year ahead.

Marketing

As ever, when we say marketing at Games Workshop, we mean engaging, informing and inspiring our global community.

We continue to be customer focused, keeping them at the forefront of all we do and the decisions we make. In return, our customers have never been more engaged - reading and interacting with more Warhammer content, more often than ever before. Warhammer-community.com, the cornerstone of our online presence, had over 145 million page views in the year, more than 30% growth on the previous year. This is from over 8 million users, up almost 40% from last year. In the year, we further increased our social media presence with all of our channels growing.

We've also continued to support sales in our retail stores, with promotions, activities and seasonal themes. One of the most exciting of these last year was the Everchosen global Warhammer painting competition. Everchosen was the first of its kind and saw tens of thousands of Warhammer fans enter their lovingly painted miniatures at thousands of venues around the world, including at over 500 of our official Warhammer stores.

Despite the challenges and restrictions of COVID-19, the team managed to unite people around the world through the enjoyment and escapism that Warhammer brings. With physical spaces closed and events cancelled, they streamed content live to thousands of viewers every day. This culminated in the announcement of the new edition of Warhammer 40,000. The online event achieved 4 million reach in less than 24 hours, and saw Warhammer trend on social media and video platforms. At the time of writing, the Warhammer 40,000 trailer has been watched more than 2 million times. This was, by orders of magnitude, the most successful announcement in Games Workshop's history.

Gross margin

Gross margin declined in the year (2020: 67.0%; 2019: 67.5%). This was a combination of the disruption of production in April 2020 due to COVID-19, as well as the impact of 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 £4.0 million in the year (2020: 39.8% of sales; 2019: 40.3% of sales) as a result of investments for the long term: £3.0 million in our store opening programme, which has partially helped us to deliver organic sales growth by expanding into new geographic locations, £2.3 million additional spend on our operations, support and marketing teams and £0.6 million on our merchandising and logistics teams. As a direct result of our performance we rewarded all our staff with a £1,000 profit share payment each (total cost £2.4 million; 2019: £5.5 million including discretionary payment). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £0.7 million; 2019: £1.0 million) who achieved sales growth whilst maintaining costs broadly in line with last year. Variable costs directly attributable to sales volume growth increased by £1.7 million in the year.

Operating profit

Operating profit by segment

	Year to 31 May 2020 Constant currency	Restated Year to 2 June 2019 Constant currency	Year to 31 May 2020 Actual rates	Restated Year to 2 June 2019 Actual rates
Trade	£4.6m	£4.0m	£4.6m	£4.0m
Retail	£2.9m	£3.2m	£2.9m	£3.2m
Online	£1.7m	£1.5m	£1.7m	£1.5m
Design to manufacture	£133.7m	£125.9m	£134.3m	£125.9m
Merchandising and logistics	£(35.5)m	£(33.2)m	£(36.2)m	£(33.2)m
Other costs	£(33.0)m	£(30.8)m	£(33.1)m	£(30.8)m
Royalties (net of costs)	£15.2m	£10.6m	£15.8m	£10.6m
Total operating profit	£89.6m	£81.2m	£90.0m	£81.2m

During the year the Group reassessed the operating profit margins of the sales segments. Operating profit margins have been set at benchmark levels comparable with third party businesses performing similar functions. Prior year amounts have been restated to reflect this change.

Core business operating profit (operating profit before royalty income)

Core business operating profit grew by £3.3 million to £73.2 million (2019: £69.9 million). On a constant currency basis, core business operating profit increased by £3.4 million to £73.3 million. As a percentage of sales core business operating profit was 27.1% (2019: 27.2%).

Royalty income

Royalty income increased in the year by £5.5 million to £16.8 million. This was largely due to an increase in guarantee income on new contracts signed in the 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: 72% PC and console games, 13% mobile and 15% other.

Cash generation

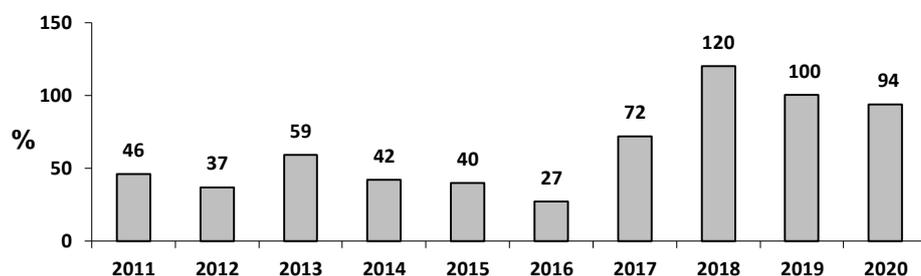
During the year, the Group's core operating activities generated £94.4 million of cash after tax payments (2019: £69.0 million). This figure excludes lease payments of £10.3m which replace rental payments, following transition to IFRS 16 (note 3). The Group also received cash of £12.5 million in respect of royalties in the year (2019: £9.1 million). After purchases of tangible and intangible assets and product development costs of £24.6 million (2019: £22.5 million), dividends of £47.3 million (2019: £50.2 million), group profit share to employees of £2.4 million (2019: £5.5 million including discretionary payment), proceeds from the issue of ordinary share capital relating to the sharesave scheme of £0.8 million (2019: £0.7 million) and net interest and foreign exchange gains of £0.4 million (2019: gains of £0.4 million), there were net funds at the year end of £52.9 million (2019: £29.4 million).

STRATEGIC REPORT continued

Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of £47.3 million (2019: £50.2 million) were declared during the year. Given recent events, in future, a working 'cash buffer' of three months' worth of working capital requirement will be 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 declined from 100% to 94%. This was driven by an increase in average capital employed, offset by an increase in operating profit before royalty income.

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 was calculated using the year end values, it would be 114% (2019: 98%).

Capital employed

Average capital employed increased by £8.2 million to £78.2 million. The average book value of tangible and intangible assets increased by £39.2 million, of which £30.8 million arose following the adoption of IFRS 16. Average inventories increased by £2.7 million and trade and other receivables increased by £1.9 million. Average liabilities increased by £35.7 million, of which £30.7 million is due to the impact of IFRS 16. Average balances are calculated over the 12 month period.

Investments in assets

This is what we have been spending your money on:

	2020 £m	2019 £m
Shop fits for new and existing stores	1.1	1.7
Production equipment and tooling	6.7	7.2
Computer equipment and software	3.4	3.7
Site	6.8	3.6
Total capital additions	18.0	16.2

In 2019/20 we invested £1.1 million in shop fits: 23 new stores and 9 refurbishments and in addition we have rebranded 211 stores to Warhammer. We also invested £2.4 million in tooling, milling and injection moulding and paint machines and a further £3.9 million on moulding tools. The investment in computer software includes work on the new ERP system of £1.8m. The investment in site includes £3.6 million building costs to expand our production capacity in Nottingham and £2.0 million on the North America warehouse upgrade. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we increase our logistics capacity and upgrade our core back office systems in Nottingham.

Inventories

Inventories have decreased by £3.5 million; mainly due to our factory being closed for a period and strong sell through of new releases during the year. Stock provision increased by 0.5% to 2.4% of sales. We continue to offer a broad range of price points. The annual impact of price increases based on the average price of product sales is 4%.

Trade and other receivables

Trade and other receivables increased by £5.2 million, which includes a £1.0 million increase in trade debt and £4.3 million in respect of royalty income receivable offset by a reduction in rents and rates prepayments.

Trade and other payables

Trade and other payables increased by £11.1 million, this includes COVID-19 support and deferrals repaid in June 2020, additional holiday pay accruals and bonus payments as well as a £2.0 million increase in deferred income and a £1.0 million increase in rent and rates accruals, partially offset by a £1.0m decrease in trade payables.

Taxation

The effective tax rate for the year was 20.2% (2019: 19.0%). We expect a rate above that for a business with activities solely in the UK due to higher overseas rates, in the prior year this was offset by increased profit in stock 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 has not been utilised.

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 £0.1 million.

Foreign exchange

Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2020	2019	2020	2019
Year end rate used for the balance sheet	1.11	1.13	1.23	1.26
Average rate used for earnings	1.14	1.14	1.26	1.30

The net impact in the year of these exchange rate fluctuations on our operating profit was an increase of £0.4 million (2019: decrease of £0.8 million).

Non-financial information statement

As highlighted in the business model section earlier in this annual report, we are a relatively complex business. With this in mind, we aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below and the information it refers to is intended to help stakeholders understand our position on key non-financial matters and how we are addressing our reporting requirements. This is an area of focus for us going forwards.

Reporting requirement	Key policies and standards which govern our approach and controls	Where this is referenced in this annual report
Employees	Employee statement Attendance and absence policies including career break, maternity, paternity and shared parental leave Disciplinary, grievance and appeals policy Social media policy Health and safety policy	Pages 20 -21
Anti-corruption and bribery	Anti-bribery policy Anti-slavery policy Insider dealing policy Whistleblowing policy	Page 29 Page 22
Human rights	Safeguarding policy Data protection policy Dignity at work policy Equal opportunities policy	
Environmental matters	Environmental statement Product safety policy	Pages 18-19
Business model		Pages 4-5
Non-financial KPIs		Page 5
Description of principal risks		Page 14

Gender diversity, greenhouse gases, social, community and human rights, and employees

We report on these topics in the directors' report on pages 16 to 22.

STRATEGIC REPORT continued

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 five strategic risks to the Group are regularly reviewed by the board. The principal strategic risks identified in 2019/20 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 year ahead.

- Online selling strategy – as revenue through our online sales channel continues 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 online selling strategy and the people and technology required to deliver it.
- Management – as stated in prior years, it is imperative that we have the right people in the right jobs, both now and in the future. Our senior managers must anticipate needs, prepare solutions, respond to change and never get caught out by events. This year we focused more on a group wide people plan, to ensure that we have identified the jobs which are critical to the ongoing success of Games Workshop and to ensure that we are proactively planning for the future resource needs of the business. We continue to work on these plans.
- Manufacturing capacity and processes – it is essential that we are able to manufacture product in the right volumes which guarantees stock availability in the right places around the world, and that we continue to innovate in respect of our production methods and processes. We are currently conducting feasibility studies in respect of new production methods and processes for use within our manufacturing operations.
- IT strategy and delivery – with a number of significant business projects in play, each 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 currently reviewing the structure of our global IT team to ensure the IT support needs of the business can be delivered. This review will be completed and implemented in 2020/21.
- Media – whilst this remains a major opportunity 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 meet every month to discuss ongoing and future exploitation, to ensure that all use of our IP, through all channels, is approved, correct and consistent.

Our operational risks are identified, managed and mitigated in accordance with the process detailed on page 28. 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.

Games Workshop relies upon the continued availability and integrity of its IT systems. Our business critical systems are monitored and disaster recovery plans are in place and reviewed to ensure they remain up to date.

We do not consider that we have material solvency or liquidity risks.

Following the UK Government invoking Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU, Games Workshop has reviewed the impact that this may have on the Group. The key risks for Games Workshop relate to the movement of goods from the UK to the EU across all sales channels as well as the recruitment and retention of EU nationals working in the UK. These risks have been assessed and plans have been put in place to help mitigate the possible impact of these changes depending on the nature of the UK's withdrawal from the EU.

Section 172 statement

This section describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 in exercising their duty to promote the success of the company for the benefit of its members as a whole.

The likely consequences of any decision in the long term

To be around forever, it is essential that the board makes decisions which are the best for Games Workshop in the long term. These decisions are focused on long-term success, not short-term gains. The best example of this is the ongoing long-term capital investment being made by the business in new production facilities, warehousing space, and global IT infrastructure, all of which will stand us in good stead for the future.

Section 172 statement continued

The interests of the Group's employees

The board actively engages with employees to ensure that the opinions and ideas of staff are always considered, and that staff are kept up to date and informed. This has been achieved in a number of different ways over the past 12 months:

- Our global communications forum continues to support clear and open communication between senior management and staff, with representatives from all departments, in all territories around the world. The matters discussed at the Games Workshop Global Communications Forum (GWGCF) are circulated to the board and discussed at board meetings to ensure that the board understands the views and concerns of employees. Nick Donaldson attended his first GWGCF meeting in October 2019 to help increase board engagement with employees.
- Throughout the COVID-19 pandemic, staff have received regular communications and updates from me to ensure that they are kept up to date and informed in respect of action being taken by the business, and of the impact of the situation on business performance. All of the non-executive directors attended one of our daily COVID-19 meetings.

The need to foster the Group's business relationships with suppliers, customers and others

- **Suppliers**
The board is briefed on a monthly basis regarding major investments and ongoing relationships with key suppliers as required, most notably in the past 12 months in respect of the ongoing ERP implementation project, investment in new production and warehousing facilities and during the COVID-19 situation where supply could have been restricted. The board also has oversight of relationships with suppliers through regular updates and reports from the executive directors. Details of how we engage with suppliers can be found in our corporate governance report on page 25.
- **Customers**
The enjoyment of all things Warhammer by our customers is our priority. The board assess and consider customer satisfaction and engagement on a regular basis. Sales and performance information provide the board with good visibility of customer demand on a monthly basis. Key performance indicators in respect of engagement with customers through our Warhammer Community website, digital communications, and initiatives like Warhammer Schools Alliance are likewise reported in to, and assessed by, the board regularly. Any other significant trends, issues or opinions of our customers are reported up to and discussed by the board when appropriate. Details of how we engage with customers can be found in our corporate governance report on page 25.

The impact of the Group's operations on the community and the environment

The board recognises the importance of managing the social impact of the business and minimising any adverse impact of our operations on the environment. Details of the progress made in respect of environmental sustainability and social impact can be found in the directors' report on pages 18 and 19. This is an important subject for the board and the wider business, which will continue to be an area of focus in the next year.

The desirability of the Group maintaining a reputation for high standards of business conduct

The board expects the highest standards of business conduct. Nothing else will do. The board receives regular updates in respect of matters of regulatory compliance, and the business has policies, procedures and processes in place in respect of modern slavery, bribery and corruption, ethical sourcing and tax evasion.

The board recognises the importance of good corporate governance. Details of the approach taken by Games Workshop can be found in our corporate governance report on page 23.

The need to act fairly as between members of the Company

The Company has one class of shares so all shareholders are treated equally. Details of how we engage with shareholders can be found in our corporate governance report on page 25.

Summary

An amazing set of results - the best year in Games Workshop's history, *so far*. You can once again see from these results that our business and the Warhammer hobby are in good shape. We look forward to the year ahead and will face any challenges head on and learn from our mistakes. We thank our staff and customers and other stakeholders for their continued support during these uncertain times.

The board and I continue to believe that the prospects for the business are good.

Kevin Rountree

CEO

27 July 2020

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements and independent auditors' report for the year ended 31 May 2020.

General information

Games Workshop Group PLC (the 'Company') and its subsidiaries (together the 'Group' or 'Games Workshop') designs and manufactures miniature figures and games and distributes these through its own network of retail stores, independent retailers and online via the global web stores. The Group has manufacturing activities in the UK and sells mainly in Europe, North America and Asia Pacific.

The Company is a public listed company, incorporated and domiciled in the United Kingdom. The address of its registered office is Willow Road, Lenton, Nottingham, NG7 2WS, United Kingdom. The Company's ordinary share capital is listed on the London Stock Exchange.

Dividends

Dividends of 145 pence per share (2019: 155 pence) were declared during the year (£47.3 million; 2019: £50.2 million).

Directors

The present directors of the Company are listed on page 40. All of the directors were members of the board throughout the year and up to the date of signing the financial statements with the exception of K E Marsh, who was appointed on 24 July 2019.

In accordance with the 2018 UK Corporate Governance Code, all directors are subject to annual re-election. In relation to the non-executive directors, the chairman has confirmed that, following formal performance evaluation, the performance of E O'Donnell, J R A Brewis and K E Marsh continues to be effective and they continue to demonstrate commitment to their roles as non-executive directors, including commitment of the necessary time to board and committee meetings and other duties. N J Donaldson is considered by the board to be independent of the Group, as set out in the corporate governance report. The non-executive directors have formally evaluated the performance of N J Donaldson as non-executive chairman and consider him to be effective in his role.

Directors' interests

The interests of the directors in the shares of the Company, together with details of share options granted to the directors, are disclosed in the remuneration report on page 38. None of the directors had a material interest in any contract of significance to which the Company, or any of its subsidiaries, was a party during the year.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year and up to 27 July 2020.

Information on executive directors

K D Rountree (age 50), CEO. Kevin joined Games Workshop in March 1998 as assistant group accountant. He then had various management roles within Games Workshop, including head of sales for the Other Activities division (including Black Library, Licensing and Sabertooth Games). Kevin was appointed CFO in October 2008. During the year ended 29 May 2011, he took on the responsibility of managing the Group's service centres globally. To reflect this, his title was changed to chief operating officer from chief financial officer. He became chief executive on 1 January 2015. He qualified as a chartered management accountant in 2001. Prior to joining Games Workshop, Kevin was the management accountant at J Barbour & Sons Limited and trained at Price Waterhouse.

R F Tongue (age 49), group finance director. Rachel joined Games Workshop in September 1996 as group tax manager. She then had various accounting roles within Games Workshop and was appointed company secretary in October 2008. She has also managed the legal and compliance functions within Games Workshop since November 2012. She was appointed group finance director in January 2015. Rachel qualified as a chartered accountant in 1995 and as a chartered tax adviser in 1996 having trained with Arthur Andersen.

Information on non-executive directors

N J Donaldson (age 66). Nick Donaldson was appointed to the board on 18 April 2002 and became non-executive chairman in September 2017. A barrister by profession, Nick is a partner of London Bridge Capital Partners LLP. Nick was, until 2003, head of corporate finance at Arbutnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is non-executive chairman of DP Poland PLC and a director of The Fulham Shore plc.

E O'Donnell (age 49). Elaine O'Donnell was appointed to the board on 28 November 2013. A chartered accountant by profession, Elaine was previously a corporate finance partner with EY. She is also a non-executive director of Studio Retail Group plc and On the Beach Group plc.

J R A Brewis (age 53). John Brewis was appointed to the board on 20 June 2018. John has over 25 years' experience in high volume manufacturing businesses and since 2004 has had various roles within Trinity Mirror Printing, including commercial director. John is currently managing director of Reach Printing Services, a division of Reach plc, formerly Trinity Mirror plc.

Information on non-executive directors continued

K E Marsh (age 58). Kate Marsh was appointed to the board on 24 July 2019. Kate has over 30 years' experience in digital and media businesses. She is currently non-executive director at Independent News & Media Group Limited, Elstree Film Studios Limited and is heading up international development for MGM Studios' digital networks. Kate has built and managed significant media businesses across Europe holding senior roles with Sky, GroupM, the BBC, and Sony Pictures Television.

Independent auditors

As at 27 July 2020, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Share capital, share rights and other information

As at 27 July 2020, the Company's authorised share capital was £2,100,000 divided into 42,000,000 ordinary shares of 5p each nominal value ('ordinary shares'). On 27 July 2020 there were 32,677,031 (2019: 32,502,716) ordinary shares in issue. These ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally with respect to voting rights and the right to receive dividends. Shares acquired through the Company's share schemes rank *pari passu* with the shares in issue and have no special rights. The holders of ordinary shares are entitled to receive the Company's annual report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of share and no requirements for prior approval of any transfers. The directors may refuse to register a transfer of shares if there is a failure to comply with certain requirements of the Company's articles of association. None of the shares carry any special rights with regard to control of the Company.

In accordance with the Company's articles of associations, each share (other than those held in treasury) entitles the holder to one vote at general meetings of the Company on votes taken on a poll. On a show of hands at a meeting, every member present in person or by one or more proxies and entitled to vote has one vote. Unless the directors decide otherwise, if a shareholder is given notice that he has failed to provide information required in relation to any shares pursuant to a notice under section 793 of the Companies Act 2006, that member will be unable to vote on those shares both in a general meeting and at a meeting of the shareholders of that class. If such shareholder holds more than 0.25% of the issued shares of a class (excluding treasury shares) and is in default of a section 793 notice, the directors may also state in the notice that: (i) the payment of any dividend shall be withheld; and (ii) that there can be no transfer of the shares held by such shareholder.

Subject to the provision of law, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interest, but no dividend may exceed the amount recommended by the directors. The directors may also declare and pay interim dividends. Subject to shareholder approval, the directors may pay dividends by issuing shares credited as fully paid up in lieu of cash dividends. If dividends remain unclaimed for 12 years they are forfeited and revert to the Company.

The rules about the appointment and replacement of directors are contained in the Company's articles of association. The Company's articles of association state that a director may be appointed by an ordinary resolution of the shareholders or by the directors, either to fill a vacancy or as an addition to the existing board but so that the total number of directors does not exceed the maximum number of directors allowed pursuant to the Company's articles of association. The Company's articles of association do not currently specify a maximum number of directors. The Company may by ordinary resolution remove a director from the board of directors.

The Company's articles of association also state that the board of directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company's constitutional documentation. The powers of the directors set out in the Company's articles of association include those in relation to the issue and buy-back of shares. As at 31 May 2020, the Company had an unexpired authority to repurchase shares up to a maximum of 3,250,271 shares. During the year no shares were purchased in the market for cancellation.

Changes to the articles of association must be approved by the shareholders in accordance with the legislation in force from time to time.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that the provisions of the Company's sharesave scheme may cause options to be exercised in a takeover.

Constructive use of the AGM

Throughout the ongoing COVID-19 pandemic, the health and safety of our staff, customers and shareholders has remained our priority. With this in mind we regret that it will not be possible for shareholders to attend our AGM this year. The AGM will be run as a closed meeting and shareholders will not be permitted to attend in person. The AGM will only be attended by two directors who hold shares, such that they can form a quorate meeting and duly record the proxy votes. The chairmen of the audit and risk committee, and the remuneration and nomination committees will answer any e-mailed questions from shareholders, as detailed in the notice of meeting. Separate resolutions are proposed for substantially separate issues at the meeting and the chairman will declare the number of proxy votes received both for and against each resolution.

DIRECTORS' REPORT continued

Corporate governance

The Company's statement on corporate governance is included in the corporate governance report on pages 23 to 26.

Environment

We have detailed below our progress in relation to environmental sustainability.

Renewable energy

Our primary manufacturing, warehousing and head office sites in Nottingham continue to be powered using renewable energy and we are contracted to use renewable energy at these sites until October 2021. The solar panels installed in 2017 at our HQ site in Nottingham operated at 114% of expected renewable energy generation in the year, producing over 389 mWh, which equates to 5.9% of the annual electricity required to power that site. In addition to the renewable energy currently generated at our Nottingham site, we are conducting solar feasibility studies to assess the viability of increased solar power generation across our other sites in Nottingham.

Since 1 May 2020 our UK retail chain has been powered by renewable energy, and we are contracted to using renewable energy throughout our UK retail stores until May 2021.

Greenhouse gases

We recognise that our global operations have an environmental impact and we are committed to monitoring and reducing our greenhouse gas (GHG) emissions. This year we have improved the scope of our energy and carbon reporting to meet the requirements of the Streamlined Energy and Carbon Reporting (SECR) legislation, but also to increase the transparency with which we communicate about our environmental impact to our stakeholders.

We have taken a conservative approach to reporting on our full emissions based on a business-as-usual scenario without factoring in the impact of COVID-19 on our operations during the reporting year. We report on all material global emissions in scopes 1 and 2, plus selected scope 3 emissions, using an operational control approach. The methodology used to compile our GHG emissions inventory is in accordance with the requirements of the following standards: the WRI GHG Protocol Corporate Standard (revised version) and Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). Our energy and carbon disclosures for the period 1 May 2019 to 30 April 2020 are set out below:

Scope	Emissions source	2020			2019
		UK emissions	Non-UK emissions	Total emissions	Total emissions
Scope 1	Natural gas	180	70	250	
	Company cars	49	-	49	
	Other fuels	4	-	4	
	Refrigerants	459	29	488	
	Total scope 1	692	99	791	814
Scope 2	Electricity (location based)	1,988	2,691	4,679	
	Total scope 2 *	1,988	2,691	4,679	4,426
Scope 3	Air transport	5,261	1,133	6,394	
	Sea transport	1,219	14,392	15,611	
	Road transport	472	1,807	2,279	
	Purchase of goods and services	18,848	9,300	28,148	
	Business travel - flights	719	989	1,708	
	Business travel-other**	35	65	100	
	Waste	23	121	144	
	Water	15	6	21	
Total scope 3	26,592	27,813	54,405		
Total – all scopes	29,272	30,603	59,875		
Total energy usage (mWh)	8,755	7,122	15,877	9,078 ***	
			2020	2019	
Carbon intensity (tCO ₂ e/£000) scope 1 and 2			0.02	0.02	
Carbon intensity (tCO ₂ e/sq. ft.) scope 1 and 2			0.005	0.004	

* This work is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, © OECD/IEA 2018, but the resulting work has been prepared by Games Workshop and does not necessarily reflect the views of the International Energy Agency.

** Business travel - other includes, rail, international rail, non-company cars, coach hire, public transport and taxis.

*** Energy reporting includes mWh from scope 1 natural gas and scope 2 electricity (as required by the SECR regulation).

Environment continued

Greenhouse gases continued

- Scope 1 – our direct scope 1 emissions have reduced by 3% which covers our operational emissions at the following sites, Nottingham (UK), Sydney (Australia) and Memphis (USA). Our manufacturing operations in Nottingham contributed 81% of our scope 1 emissions.
- Scope 2 – the 6% increase in our scope 2 emissions is primarily due to improvement in data collection on electricity consumption and use of IEA emission factors for our non-UK stores which we did not previously take into account. However, the electricity consumption for our UK stores has reduced by 10% from 1,289 mWh to 1,154 mWh. This year we have collected actual meter readings from our UK stores whereas our non-UK stores still rely on average data for one store per country. To ensure that we are not under-estimating, we have reported a higher mWh/year for our non-UK stores. The average electricity consumption for UK stores is 8 mWh/store whereas for our non-UK stores it is 14 mWh/store. We will continue to work with our retail stores outside the UK to improve reporting in future by obtaining actual data for all global stores (where possible) and applying country-specific electricity emissions factors.
- Scope 3 – this makes up 91% of our total emissions and is primarily driven by upstream transportation of our products and the purchasing of goods and services for our production. The freighting of our supply chain materials and goods is predominantly done by sea freight which makes up 64% of our transport emissions, with 26% associated with air freighting and 10% on road freighting.

During the next 12 months we will be formalising and implementing Games Workshop's first ever carbon footprint reduction programme. This will include the setting of carbon reduction targets across the Group.

Energy consumption

We work hard to reduce our energy consumption and associated carbon emissions through the course of each year. The majority of our scope 1 and 2 emissions (as detailed above) are from our manufacturing operations at our Nottingham site and across our retail stores.

Our energy saving steering group continues to identify, assess, implement and review energy reduction opportunities across the Group. In the last 12 months we have completed numerous air conditioning upgrades across our Nottingham site, replacing old systems with significantly more energy efficient systems. At the same time, we continue to install replacement PIR and LED lighting systems, and upgrade emergency lighting systems, to continue to reduce energy consumption across our HQ site.

In line with the Energy Savings Opportunity Scheme (ESOS), Games Workshop has conducted a full assessment of its energy use, carried out by an ESOS lead assessor and we have identified opportunities to reduce our energy consumption further. Following on from this assessment, we have established a project team to implement the identified energy saving opportunities wherever possible, and will be launching an internal energy saving campaign to raise awareness of energy consumption and reduce energy usage across our sites and stores. This campaign was due to be launched in April 2020 and is currently on hold due to the COVID-19 situation.

Waste and recycling

We have invested in a dedicated recycling facility at our new warehouse near Nottingham. We have also committed to invest in recycling machinery for this facility which will allow for streamlined sorting and recycling of plastic and cardboard waste. We are currently conducting feasibility assessments in respect of a replicated facility at our Memphis warehouse.

Transport and travel

Prior to the COVID-19 situation, we continued to promote the liftshare, tram2work and Robin Hood Network schemes in respect of staff travelling to, and from, our HQ site in Nottingham. We now have 337 employees signed up to the liftshare scheme, and 182 active users of Nottingham's tram2work and Robin Hood Network travel schemes.

Due to the COVID-19 situation, where staff are unable to work from home, staff have been advised to walk or cycle to work where this is practical, and to avoid lift sharing and public transport wherever possible.

We continue to have a high ratio of cyclists (over 10% of employees) at our HQ site, with 271 bikes being purchased through the cycle to work scheme since Games Workshop became a member of the scheme.

Product packaging

We have now completed a product packaging review in respect of our range of core product types. This review has been guided and supported by specialist packaging consultants, and has identified opportunities for sustainable packaging improvements across our core product range. Over the next 12 months we will be looking to adopt and implement these packaging solutions where appropriate on a priority basis. It will continue to be an area of focus.

DIRECTORS' REPORT continued

Social

We have detailed below our work in managing the social impact of the Group.

Customers

Details of how we engage with customers can be found in our corporate governance report on pages 25. The effect of this is detailed in our section 172 statement on pages 14 and 15.

Product safety

Our product safety and integrity team work closely with our design, manufacturing and sourcing teams to ensure that all products sold by Games Workshop are developed, produced and purchased with safety in mind, so that they are safe for use by the intended customer. During the last 12 months we have reinforced our quality management controls within the plastic injection moulding and packing processes at our manufacturing operations in Nottingham.

In the past year we have had one product recall in respect of a product manufactured and supplied to Games Workshop by a third party supplier. This was a voluntary recall in respect of a low volume product, specific to a single territory. As always, we are focused on continuous improvement, and have carried out a detailed review and identified the necessary corrective actions to ensure that the situation does not re-occur.

Health and safety

Our stores are where many of our customers first come to learn about the Warhammer hobby, or chat with fellow hobbyists - it is essential that they are safe places to visit. Our store managers know that the health and safety of their customers is paramount. This year has seen the launch of an improved health and safety auditing system across our retail stores, ensuring that the high standards we set ourselves are consistently implemented across the retail chain, and allowing us to promptly identify where improvements need to be made and then focus resources appropriately.

Employees

People plan

This year we carried out a group-wide people plan. This plan will be used to identify the jobs which are critical to the ongoing success of Games Workshop. It will allow us to proactively plan for the future resource needs of the business, to mitigate against any resourcing risks, and to identify the development needs of our staff. It should also ensure that we have the right people, in the right jobs, at the right time, both now and in the future.

People development

Our employees are constantly looking for ways to improve. We strive to create a culture and environment that encourages everyone to achieve their potential. Our people development team support this, using workshops and development sessions to help staff understand that what they are like influences their behaviour, and how this behaviour impacts other people, their job and the business as a whole.

Apprenticeships and training

Games Workshop recruits for fit and trains for skills. With this in mind, we have formed partnerships with trusted apprenticeship schemes in the UK. These support, complement and enhance our staff recruitment, retention and development, providing us with 'home-grown' employees with the right fit, knowledge and skills for our business. We currently have apprentices working in positions across our manufacturing and engineering teams.

Staff communications

It is the Group's policy to consult on and discuss with employees, matters likely to affect employees' interests. Earlier this year we appointed an internal communications manager to support our ongoing commitment to information sharing and staff engagement. Our global communications forum continues to support clear and open communication between senior management and staff, with representatives from all departments, in all territories around the world. The forum has the aim of motivating employees to give their best for Games Workshop, whilst contributing towards their own sense of personal well-being and achievement. Throughout the COVID-19 pandemic we have increased the frequency of staff communications to keep employees informed and reassured, and provide support and guidance as appropriate. Further details of how we engage with staff, and the effect of this is detailed in our section 172 statement on pages 14 and 15.

Staff wellbeing

Our new wellbeing programme manager is responsible for identifying the wellbeing needs of our employees, and supporting their emotional, physical and financial welfare. This support has been crucial throughout the COVID-19 situation with staff having to deal with unprecedented challenges in both their personal and professional lives. The wellbeing of our staff is of paramount importance, and we're proud of the support we have been able to offer during such a difficult time.

Living wage

The Group maintains the UK national living wage for all UK employees, regardless of age.

Sharesave

The Group operates an employee sharesave scheme as a means of further encouraging the involvement of employees in the Group's performance.

Employees continued

Diversity

The board believes that business can benefit from a wide range of perspectives and backgrounds. The Company's aim as regards composition of the board is that it should have a balance of attitudes and knowledge to enable each director and the board as a whole to discharge their duties effectively. Consideration is given to diversity and gender across all employees, including the board and senior management, with a view to appointing the best placed individual for each new job. The Company does not, however, consider that diversity can be best achieved by establishing specific quotas and targets.

As at the end of the financial year:

	2020			2019		
	Female	Male	Total	Female	Male	Total
The board	3	3	6	2	4	6
Senior management	1	8	9	1	10	11
Total workforce	460	1,728	2,188	434	1,676	2,110

Disability

The Group's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All reasonable adjustments will be made for disabled workers, and all necessary assistance with training is provided. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Health and safety

Protecting the health and safety of all our employees is a principle we hold dearly. Never before has this been more important than now with the COVID-19 pandemic threatening our workplaces, our colleagues, and the communities in which we live and work.

The importance of this principle was demonstrated with Games Workshop taking swift and decisive action in closing our global operations, allowing us the necessary time to implement the required control measures to keep our staff safe at work. Only when this work was complete and it was safe to return, did we restart our operations.

In last year's annual report we talked about the progress we had made in delivering our IOSH accredited safety training programme, the focus on reporting and investigating near misses, and the improvements to our H&S auditing. We are now seeing the results of these initiatives, with zero RIDDOR reportable incidents this year. Whilst we recognise that high severity/low frequency incidents aren't always the best indicators of overall performance, this is still undoubtedly a positive reflection of the hard work and focus that both the H&S team, and all operational teams across the business, have put into health and safety over the last few years.

Ensuring we embed these standards, whilst also maintaining a safe, COVID-Secure workplace will be the focus for the coming year.

As discussed above, during the year there were no injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 in the UK (2018/19: 5) and 8 reportable cases reported to the US Occupational Safety and Health Administration (2018/19: 4)

Suppliers

Details of how we engage with suppliers can be found in our corporate governance report on page 25. The effect of this is detailed in our section 172 statement on pages 14 and 15.

Ethical sourcing

We are committed to implementing effective controls to ensure good ethical sourcing standards throughout our supply chain. This commitment is driven by the CEO and the board throughout the entire Group and a commitment is expected of all who work for, or who supply into, Games Workshop.

Games Workshop is a buyer member of an ethical sourcing audit programme. This programme requires suppliers to uphold ethical sourcing standards to support the rights and wellbeing of workers. The programme covers workplace safety, wage payments, working hours, underage labour, freedom of association and the right to collective bargaining, non-discrimination, disciplinary practices, forced labour and environment and chemical safety.

All suppliers of (i) products for resale by Games Workshop, and (ii) components and materials used within products being sold by Games Workshop, are now required to become supplier members of this ethical sourcing programme and to be audited and maintain valid certification in order to receive orders from Games Workshop. Our suppliers continue to proceed through the registration and audit process. Suppliers will be subject to an annual auditing programme in the future to ensure that ethical sourcing standards throughout the Games Workshop supply chain are maintained.

DIRECTORS' REPORT continued

Suppliers continued

Anti-slavery

Modern slavery is a crime and a violation of fundamental human rights. Games Workshop has a zero-tolerance approach to modern slavery and is committed to acting ethically to implement and enforce effective systems and controls to ensure modern slavery is not taking place within Games Workshop or its supply chains. This commitment is driven by the CEO and the board throughout the entire Group and a commitment is expected of all who work for, or who supply into, Games Workshop.

Donations

Games Workshop does not make any donations to charities or political parties. Notwithstanding this, our employees continue to carry out fundraising events for their chosen charities, and we are fully supportive of the work our employees do.

Research and development

The Group does not undertake research activities. Development activities relate to the development of new product lines. The charge to the income statement for the year in respect of development activities is detailed in note 9 to the financial statements.

Future developments

The future developments for the Group are discussed in the strategic report on pages 3 to 15.

Financial risks

The financial risks facing the Group are set out in note 22 to these financial statements.

Going concern and viability statement

Assessment of prospects

The Group operates a strategic planning process which includes monthly reviews of business and financial performance, regular financial projections and an annual planning review for the next financial year. Medium term projections (for periods ending two years and three years hence) are reviewed taking into account known strategy changes in that time frame. The three year plan considers the Group's growth potential, cash flows and key financial ratios. This strategic planning process is managed centrally, led by the finance director.

Assessment of viability

The strategic plan reflects the directors' cautious view of possible outcomes. It is not used to set targets for performance. The directors have considered a base case going concern model which takes account of potential impacts of COVID-19, reflecting the ability of our customers to access both our own retail stores and independent outlets. We modelled scenarios covering up to two further six week periods of lockdown of stores and warehouses over the next 12 months and have taken into consideration the current cash balances and the availability of accessing the agreed overdraft facility.

The viability assessment has been conducted for a period of three years which is in line with the Group's strategic planning period as discussed above. The board believes that this time frame is the most appropriate as it is difficult to make meaningful projections beyond three years. This assessment of viability has been made with reference to the Group's current position and future prospects, its strategy and its principal risks and the mitigation in place to manage them. In making the viability assessment the principal risks facing the business have been considered and a number of severe but plausible scenarios assessed for the impact of these on the medium term projections. The scenarios tested include:

- Further downside scenarios relating to COVID-19, including further stay at home orders, additional disruption in supply operations and a prolonged period of social distancing.
- A significant interruption in the supply chain impacting the manufacturing operations.

Viability statement

Based on the board's assessment as described above and the Group's strong balance sheet, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 28 May 2023.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

On behalf of the board

R Matthews

Company secretary
27 July 2020

CORPORATE GOVERNANCE REPORT

An introduction from our non-executive chairman

I have pleasure in introducing the corporate governance report. In this section of our annual report we have set out our approach to governance and provided further information on how the board and its committees operate. We recognise that applying sound governance principles is essential to the successful running of the Group.

As you will see below, we have three principal committees: audit and risk, remuneration and nomination. Their composition and their areas of focus are described below.

Regarding board composition, following on from Kate Marsh's appointment as non-executive director in July 2019, we continue the process of appointing a further new non-executive director. As discussed in my chairman's statement, I will stand down from the board of Games Workshop (at the latest) at our 2021 AGM, when the board (excluding me) has decided upon my replacement.

We also set out below details of our board effectiveness review, which was conducted this year by internal review. Succession and board and committee effectiveness continue to be important considerations for us. The 2018 UK Corporate Governance Code ('the Code') has been adopted as required and this did not require any significant changes to how we operate from a corporate governance perspective.

At our AGM this year, as usual, all of our continuing directors will be seeking reappointment.

Best regards.

Nick Donaldson

Non-executive chairman

The Listing Rules of the Financial Conduct Authority require listed companies to disclose, in relation to the Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting period. The UK Corporate Governance Code can be found at www.frc.org.uk.

This statement, together with the remuneration report on pages 30 to 38, explains how the Company has applied the principles and complied with the provisions set out in the Code.

The board operates through monthly meetings which senior executives attend on a regular basis. The board is responsible for leading and controlling the Group and monitoring executive management. It considers all issues relating to strategy, management and future direction of the Company. The board is also responsible for assessing and monitoring culture within the Group. This is achieved through regular visits and meetings by the non-executive directors with a variety of employees across the Group as well as attendance at the Games Workshop Global Communication Forum meetings. The board has a schedule of matters reserved to it for decision that is regularly updated; these include decisions on the Group's strategy, financial plans, major capital expenditure and dividend policy. The board is updated about operational decisions through the monthly meetings. It meets at least nine times a year. In 2019/20 the board had ten scheduled meetings, each of which was attended by all members of the board with the exception of Kevin Rountree who attended nine. Terms of reference for the board committees (as set out below) are available on the Company's website.

The Company maintains an appropriate level of director and officer liability insurance cover and has agreed to indemnify the directors against certain liabilities as discussed in the directors' report on page 16.

A review of the performance of the Group's main business activities is included in the strategic review. The board presents this review, together with the directors' report on pages 16 to 22, to give a fair, balanced and understandable assessment of the Group's position and prospects.

The board

The board comprises the non-executive chairman, the CEO, the group finance director and three further non-executive directors. It is chaired by the chairman, Nick Donaldson.

The senior independent director is Elaine O'Donnell. The principal responsibilities of this role include:

- to be a sounding board for the chairman;
- to be available to shareholders if they have concerns which contact through the normal channels of the chairman, the CEO or the group finance director has failed to resolve, or for which such contact is not appropriate; and
- to ensure that the performance evaluation of the chairman is conducted effectively.

The four non-executive directors have a breadth of successful commercial and professional experience and are considered by the board to be independent of the Group. The Code states that the board should identify each non-executive director it considers to be independent, and the Code then lists various circumstances which may appear relevant to its determination. This includes (amongst others) if the non-executive director has served on the board for more than nine years.

CORPORATE GOVERNANCE REPORT continued

The board continued

At Games Workshop the board has had to confront one of these circumstances as the non-executive chairman, Nick Donaldson, has served as non-executive director for more than nine years.

In making this assessment as to independence, the board has taken into account the personal attributes of each director in relation to the current and future needs of the board. In the opinion of the board, independence (like judgement and wisdom) is not an attribute which can be measured by reference to a checklist. It is rather an attribute which the members of the board can observe being demonstrated by a director in his actions and interactions with other members of the board as it faces the various issues which are placed before it. Independence is the absence of complacency, lazy thinking and acceptance of the status quo.

Regarding the specific Code circumstance of service of over nine years, the board's position is as follows:

The 'nine year rule' is a helpful guide to the risk of directors becoming 'stale'. The board considers this risk periodically, but has not yet found it to be an issue at Games Workshop. If it did, it would react accordingly. At present the board feels that the requirement for members of the board to have a real understanding of, and empathy with, the Warhammer hobby to be a point in favour of retaining the experience which the board currently has.

Based upon its assessment, which focuses on each director's attitude towards making his best contribution to the progress of the Company, the board considers that Nick Donaldson is independent.

All directors bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. The board considers that it has been supplied with sufficient timely and accurate information to enable it to discharge its duties.

All members of the board have access to the services and advice of the company secretary. There is a procedure for directors to take independent professional advice at the Company's expense where relevant to the execution of their duties. The executive directors attach great importance to ensuring that the non-executive directors are provided with accurate, timely and clear information on the Group. In addition, the non-executive directors are actively encouraged to update continually their knowledge of and familiarity with the Group and the issues affecting it, so as to enable them to fulfil effectively their roles on both the board and its committees.

In 2019/20 the board undertook an internally facilitated review of its performance, in addition to the board's already established process for the ongoing assessment of its own performance and that of its committees. A questionnaire was used covering topics including board composition, dynamics, strategic focus, oversight of risk management, meeting arrangements, board papers and the committees. This was completed by all board directors. A summary of the results was circulated to the whole board and discussed at a board meeting. The results of this review were positive in how the board and committees operate and the quality of discussions during the respective meetings. The review suggested, amongst other things, that the technology strategy and planning, people resource planning and risk management remain key areas of focus for the board, now and over the next few years.

Board committees

The board has three principal committees, all with written terms of reference which are published on the Company's website and which are available on application to the company secretary at the Company's registered office. The company secretary serves as secretary to all three committees. The chairmen of the audit and risk committee, the remuneration committee and the nomination committee will be available to answer e-mailed questions prior to the AGM.

Audit and risk committee

The audit and risk committee currently comprises the non-executive directors under the chairmanship of Elaine O'Donnell who is a chartered accountant and has significant relevant financial and accounting knowledge and experience. Nick Donaldson is not a member of this committee. The audit and risk committee's terms of reference include monitoring the integrity of the financial statements and other announcements relating to the Company's financial performance including reviewing significant financial reporting judgements, internal control and risk assessment and keeping under review the scope, results and effectiveness of the external and internal audits and the independence of the Company's external auditors.

Audit and risk committee report

A more detailed description of the activities of the audit and risk committee and the internal control and risk management systems that are in place are discussed in the audit and risk committee report on pages 27 to 29.

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by John Brewis. Nick Donaldson is not a member of the committee. The remuneration committee normally meets at least twice a year and is responsible for making recommendations to the board on remuneration policy for all executive directors and senior management (including determining specific remuneration packages, terms of employment and performance incentive arrangements). The procedures and guidelines used by the remuneration committee in determining remuneration are outlined in the separate remuneration report. The remuneration committee held one meeting in the year, which was attended by all members of the committee. The committee meets without the executive directors at least annually to appraise the executive directors' performance.

Remuneration report

The Company's policy on executive remuneration and details of the executive directors' salaries, profit share and pensions, and fees for the non-executive directors are set out in the board report on remuneration on pages 30 to 38.

Nomination committee

The nomination committee comprises the non-executive directors and is chaired by Nick Donaldson and is responsible for nominating, for approval by the board, candidates for appointment to the board. The committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and gives consideration to succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the board in the future. It also encourages the development of greater diversity within senior and middle management levels of the Company's businesses. The committee held one meeting in the year which was attended by all members of the committee.

Appointments to the board

Newly appointed directors are given training appropriate to the level of their previous experience. Non-executive directors meet regularly with members of the executive and other staff within the Group. In addition, site visits ensure that the non-executive directors gain first-hand experience of developments within the Group.

Any director appointed during the year is required, under the provisions of the Company's articles of association, to retire and seek election by the shareholders at the next AGM.

Stakeholder engagement

The Company understands the importance of engaging with our stakeholders. The board seeks to understand the views and interests of the stakeholder groups detailed below to ensure that these are always considered as part of any decision making.

Shareholders

We maintain an open dialogue with our shareholders. On a continuing basis the Company encourages two way communication with its institutional and private shareholders and responds promptly to queries received verbally, in writing or directly through its investor relations website, investor.games-workshop.com. In addition to the annual report and half yearly report, the chairman, the CEO and group finance director are available to meet and do meet with shareholders and potential shareholders to discuss any questions they may have and ensure that the board has a clear understanding of the views of shareholders. Any issues arising at such meetings are reported to and considered by the board. We try to ensure our shareholders have a good understanding of our strategy, business model and culture.

Our people

We rely on the hard work and creativity of employees to make sure we drive the creation of value in the long term. We engage with our employees through formal and informal meetings, including the Games Workshop Global Communications Forum (GWGCF) as well as local newsletters and works councils. The matters discussed at the GWGCF in particular are circulated to the board and discussed at board meetings to ensure we understand the views and concerns of employees. Nick Donaldson attended his first GWGCF meeting in October 2019 to help increase board engagement with employees.

Customers

We engage with our customers through our retail stores, our social media sites, through warhammer-community.com and at both Games Workshop and third party gaming events. This allows two way communication with our customers. Any recurring topics or points of note are shared with and considered by the board. Members of the board and senior management also visit retail stores as well as independent retailers to help understand customer views.

Suppliers

The integrity of our supply chain is an essential part of ensuring we design and make great products. Although as a vertically integrated company we are in control of large parts of the design and manufacturing process, it is important that our suppliers share the same standards and ethics as we do. We have strong partnerships with our key suppliers that have been built up over a number of years to ensure we get the best materials. The importance of long term trusted relationships has been highlighted throughout the COVID-19 pandemic, during which we have worked closely with our suppliers to overcome challenges in respect of the factory shutdown, shipping restrictions, supply shortages and cash flow concerns. We thank our suppliers for their support and flexibility during this period.

Culture

Companies are run by people. Games Workshop is run by people. How our people get on with the task of running Games Workshop and how they get on with one another is vital.

How we behave does matter. Therefore what we are like does matter.

This is why we make such efforts to recruit people who are likely to have the right qualities to be successful at their job. Everything we do is for the good of Games Workshop, and thereby our customers and colleagues and shareholders. No one's personality is bigger than that; none of us is more important than this ultimate goal. This is a huge challenge and it requires lots of humility, honesty and courage.

That is, humility in recognising we must put Games Workshop's needs first, honesty to identify truly those occasions when we are being driven by our ego or our selfishness, and courage to do something about it.

CORPORATE GOVERNANCE REPORT continued

Culture continued

It is always better to work amongst nice people and to have fun. We love that too. But here, what we ultimately mean by 'good behaviour' is:

- an absolute belief that it is better to do what is right rather than what is easy;
- an ego-free environment, this leads to people who put the business first and don't have private agendas; and
- an absolute commitment to the niche market business model and the quality of our products and services.

Conflicts of interests

The Company's articles of association take account of certain provisions of the Companies Act 2006 relating to directors' conflicts of interests. These provisions permit the board to consider, and if thought fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The board has adopted procedures for the approval of such conflicts. The board's powers to authorise conflicts are operating effectively and the procedures are being followed.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 31 May 2020 have been disclosed to the Company:

	No. of shares	%
Aberdeen Standard Life	2,514,416	7.7
BlackRock	2,108,799	6.5
Schroders plc	1,908,204	5.8
JP Morgan Asset Management (UK) Limited	1,875,564	5.7
Sandford Deland Asset Management	1,402,000	4.3
Vanguard	1,285,914	3.9
T H F Kirby	1,096,611	3.4

The Company has not been notified of any changes in these interests since the year end. The Company has not been notified of any other substantial shareholdings.

Statement of compliance with the UK Corporate Governance Code

The Company has complied with all of the provisions set out in the Code.

On behalf of the board

N J Donaldson

Non-executive chairman

27 July 2020

AUDIT AND RISK COMMITTEE REPORT

The report details the role of the audit and risk committee and the work it has undertaken during the year as well as its meeting in July 2020 when this annual report and financial statements were approved.

Committee membership

The audit and risk committee comprises the three non-executive directors under the chairmanship of Elaine O'Donnell who is a chartered accountant. Elaine O'Donnell replaced Chris Myatt as chairman following his retirement from the board at the 2019 AGM. Nick Donaldson is not a member of this committee but is invited to attend as an observer. The board considers that as serving chairman, both Chris Myatt and Elaine O'Donnell have recent relevant financial experience by virtue of their professional qualifications and their previous executive roles. Members of the committee can also demonstrate a breadth of experience across the manufacturing, retail and media sectors through their current and previous roles.

Significant issues considered by the audit and risk committee

The committee had three meetings during the year which were attended by all members of the committee. It has an agenda linked to the events in the Group's financial calendar. The external auditors met with the committee without management being present and the chairman and members of the committee have direct contact with the audit partner as required. During the year the committee:

- reviewed the half-year and full-year results;
- received and considered, as part of the review of the annual financial statements, reports from the external auditors in respect of the auditors' audit plan for the year and the results of the annual audit. These reports included the scope of the annual audit, the approach adopted by the auditors to address and conclude upon key estimates and other key audit areas, the basis on which the auditors assess materiality, the terms of engagement for the auditors and an ongoing assessment of the impact of future accounting developments on the Group;
- considered whether the annual report is fair, balanced and understandable. In doing so, the committee reviewed and discussed with management the content and appropriateness of the information included within the 2020 annual report. This provided the committee with the supporting detail to ensure that it was in a position to report to the board that the 2020 annual report taken as a whole was fair, balanced and understandable. This was on the basis that the business description, business model and strategy agreed with its own understanding of the Group, and the balance in the reporting of performance reflected both positive and negative issues and reflected the Group's activities during the year;
- considered the effectiveness and independence of the external auditors and made a recommendation to the board regarding the re-appointment of PricewaterhouseCoopers LLP as external auditors;
- reviewed the Company's policy on non-audit fees and ensured appropriate safeguards are in place;
- considered and agreed the internal audit work programme and received regular reports on the key issues arising from its implementation during the year;
- after conducting a thorough search, approved the appointment of a dedicated group internal auditor to enhance and improve the internal audit work going forwards; and
- reviewed reports on the key business risks, including a review of the internal control processes used to identify, monitor and mitigate the principal risks and uncertainties.

The committee received, reviewed and challenged reports from management and the external auditors setting out the significant issues in relation to the 2020 annual report and made their own assessment. These issues were discussed and challenged with management during the year. They were also discussed with the auditors at the time the committee reviewed and agreed the auditors' Group audit plan and at the conclusion of the audit of the financial statements. The issues that were discussed were:

- The impact of COVID-19 on cash liquidity within the business, going concern and viability statement: in the light of significant uncertainties caused by COVID-19, the committee challenged whether the business could withstand various downside sensitivities to three year forecasts and examined the extent of contingency planning and mitigating factors that could be applied. The committee was satisfied with the responses to its challenges.
- Recoverability of trade receivables: given the uncertainties around the ongoing viability of certain trade accounts in light of the impact of COVID-19, more regular reporting on the status of trade debt was discussed and reviewed during the last two months of the year. The committee agreed that the accounting and disclosure was appropriate but that management should continue to keep this under review as the financial impact of the COVID-19 situation unwinds.
- Investment in new facilities: with significant capital investment in the year of £18 million, the committee considered the appropriateness of capitalisation and depreciation rates applied and were satisfied on these points.
- Capitalisation of product development costs: the committee reviewed the accounting for and disclosure of development costs. The committee concluded that the accounting and disclosure was appropriate but that management should continue to monitor this closely in the context of product release cycles and underlying sales trends.
- Inventory valuation: the committee considered and agreed that inventory provisions were appropriate given the robust formulaic process applied and the elevated level of risk as a result of COVID-19.
- The impact of the adoption of IFRS 16 'Leases' on the financial statements for the 2019/20 financial year: the committee considered the carrying value of leases under the new standard, questioned the impact of COVID-19 on the impairment assumptions and received satisfactory responses to all these challenges.
- The positive review by the FRC of the 2019 annual report: additional minor disclosures, as recommended by the FRC, have been adopted in the 2020 annual report.

The committee calls upon the external auditors, the internal auditor and the executive directors to attend formal meetings as required. These meetings are held at least three times a year. The external and internal auditors are given the opportunity to raise any matters or concerns they may have in the absence of the executive directors at separate meetings with the audit and risk committee or its chairman.

AUDIT AND RISK COMMITTEE REPORT continued

Auditors' independence

The committee reviews the independence of the external auditors by assessing the arrangements for the day to day management of the audit relationship as well as reviewing the auditors' report which describes their procedures for identifying and reporting conflicts of interest. To maintain the auditors' independence, the committee has also established the policy that the primary role of the external auditors is to perform services directly related to their audit responsibilities. Any non-audit services are approved by the committee. Non-audit fees paid to the auditors amounted to £6,000 in the year (2% of the total amount paid to the auditors in the year); this relates to the verification of retail turnover certificates for certain stores. The Group uses other advisers for taxation advice and other services. The audit fees are disclosed in note 9.

The audit and risk committee considers the re-appointment of the external auditors each year, as well as remuneration and other terms of engagement. PricewaterhouseCoopers LLP have acted as external auditors of the Group since the 2005 year end. Gill Hinks took over from Andy Lyon as audit partner for 2019/20. The audit was last put out to a competitive tender in 2014/15 and the committee agreed that PricewaterhouseCoopers should remain as auditors. The committee recommend the reappointment of PricewaterhouseCoopers at the 2020 AGM. There are currently no contractual obligations which restrict the choice of external auditors. We can confirm that the Company has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of the Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year.

Internal control

The directors recognise that they have overall responsibility for ensuring that the Group maintains a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system is designed to manage risks that may prevent the Group from achieving its business objectives, rather than to eliminate these risks. However, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place from the start of the year until the date of approval of this report. This process is regularly reviewed by the committee and the board throughout the year.

The effectiveness of the Group's system of internal control is continuously reviewed by the committee and the board. The review covers all material controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the group finance director and general counsel, reporting to the committee and to the board. This review process considers whether significant risks have been identified, evaluated and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. Regular reporting by senior management ensures that, as far as possible, the controls and safeguards are being operated appropriately. This process is considered by the audit and risk committee, alongside the external auditors' and internal auditors' reports.

The Group has continued its programme of internal audit reviews during the year. The audit and risk committee agrees an annual internal audit plan, focusing on business specific issues. Actions agreed by management, in response to recommendations made, are followed up.

The board, with advice from the audit and risk committee, has completed its annual review of the system of internal control and is satisfied that it has acted appropriately and in accordance with that guidance. During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions is not considered appropriate.

Internal audit

The committee has formalised a programme with activities conducted by an internal team that is independent of the area under review or by an external party, decided on a case by case basis. In either case the review is conducted on behalf of the committee and reports back to them. Reports were discussed with the committee and a remediation plan agreed by management to improve controls where appropriate.

Following a review of the effectiveness of the internal audit function, the committee can confirm that the quality, experience and expertise of the function is appropriate. Following a thorough search process, in January 2020 the committee approved the appointment of a dedicated internal auditor to ensure that additional focus is given to internal audit work going forward.

Risk management

The committee is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

The Group carried out a formal risk review in May 2019. Throughout 2019/20 work has been ongoing to measure the impact of each operational risk so as to better understand the mitigating actions necessary. This work will continue into 2020/21 and the committee expects that the internal audit programme going forward will be even more closely aligned with these principal operational risks.

Risk management continued

The rapidly evolving impact of COVID-19 from a minor localised supply chain issue in China in January to a global pandemic in March was an excellent test of management's responsiveness to an unanticipated risk. With the leading principle that the health and wellbeing of our people and our customers come first, the business closed completely on 24 March 2020, only reopening when management were completely confident that it was entirely safe to do so, with a comprehensive risk assessment and action plan for each area of the business and always in line with local government guidelines.

Process for preparing consolidated financial statements

The Group has established internal control and risk management systems in relation to the process for preparing the consolidated financial statements. The key features of these systems are:

- Management regularly monitors and considers developments in accounting standards and best practice in financial reporting and reflects developments in the financial statements where appropriate. The external auditor also keeps the committee apprised of these developments.
- The committee and the board review the draft financial statements. The committee receives reports from management and the external auditor on significant judgements, changes in accounting policies, changes in accounting estimates and any other appropriate changes to the financial statements.
- The full year financial statements are subject to external audit.

Bribery and corruption

Bribery and corrupt practices are never tolerated in the pursuit of Games Workshop's business objectives or goals, or within business relationships, or the actions of its employees and associated parties. This commitment is driven from the chief executive and the board throughout the entire Group and a commitment is expected of all who work with the Group and who act on our behalf or are employed or engaged in any capacity by us. The Games Workshop anti-bribery policy reflects Games Workshop's zero tolerance approach to acts of bribery.

Suppliers are also required to follow an ethical sourcing audit programme, detailed on page 21, of which Games Workshop is a buyer member.

Whistleblowing

The audit and risk committee is responsible for the review of the Company's procedures for responding to the allegations of whistleblowers and the arrangements by which staff may, in confidence, raise concerns about possible financial reporting irregularities. If an employee does not feel comfortable reporting any potential, suspected, attempted or actual breaches of company policy, they can report such activity to Games Workshop's chairman of the audit and risk committee using a dedicated whistleblowing email address. Staff can report any concerns by email without disclosing their identity should they wish to. This whistleblowing procedure is communicated to staff within relevant employee policies. Games Workshop endeavours to protect those who make disclosures of wrongdoing. Any reports made in good faith will be dealt with in confidence (to the extent possible), and the reporting employee shall not be discriminated against as a result of their actions.

On behalf of the board

E O'Donnell

Audit and risk committee chairman
27 July 2020

REMUNERATION REPORT

Introduction

The remuneration report for the year ended 31 May 2020 has been prepared on behalf of the board by the remuneration committee in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, and meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and the UK Corporate Governance Code.

This remuneration report is split into two parts:

- The directors' remuneration policy, which took effect from the 2018 annual general meeting ('AGM') sets out the Company's policy on directors' remuneration, and the key factors which were taken into account in setting the policy. This directors' remuneration policy was approved by over 90% of shareholders who submitted a proxy vote at the 2018 AGM. The remuneration policy will be subject to a binding shareholder vote at least every three years, with the next vote to take place at the 2021 AGM.
- The annual report on remuneration, which sets out payments made to executive directors and non-executive directors and details the relationship between company performance and remuneration for the 2019/20 financial year. The 2019/20 report will be subject to an advisory vote at the 2020 AGM.

2019/20 – a year in review

The Company entered 2019/20 after delivering record sales performance of £221 million in 2017/18 and £257 million in 2018/19. While it was always going to be challenging to continue this growth trajectory, the executive directors continued to deliver growth - until the outbreak of COVID-19.

Trading to the end of February was in line with expectations and ahead of the prior year, but, from March 2020, the Group's performance globally was impacted by the challenging economic impact of the pandemic. On 24 March 2020, in line with official guidance, all stores, headquarters, factories and warehouses were closed to protect the health of staff, their families and customers. Clearly, this had a significant impact on trading in the final quarter.

The executive directors' position on COVID-19 was typically clear and direct, demonstrating the same leadership characteristics, which have delivered the impressive financial performance of recent years. There was no backing off, rather an increased level of activity from the executive team, implementing measures to protect the business by preserving cash, maintaining online engagement with customers and planning a global recovery, while prioritising the health and wellbeing of staff.

Subsequent to 24 March 2020, many employees were furloughed, and the Group initially claimed up to 80% of these employees' salary against the UK Government's Coronavirus Job Retention Scheme. This claim has subsequently been reversed. Regardless of furlough, all employees continued to be paid at 100% of salary throughout the financial year to 31 May 2020. In line with the rest of the workforce, the executive directors' base salaries also remained at 100%, throughout the year.

The strategic, financial and operational performance for the year to the end of May could certainly be described as 'exceptional' as has the management and control exhibited up to and beyond the outbreak of COVID-19. The return to trading in the final month of the financial year has been beyond expectations, especially given the additional challenges of fulfilling customer orders, while maintaining social distancing to ensure the wellbeing of staff.

As a result of discussions between K D Rountree and the committee, the committee agreed to support a discretionary bonus of 20% of 2019/20 salary, payable in cash, to all of the senior managers who have contributed to this outstanding performance. The committee was delighted to support this proposal – the team has delivered an incredible performance to deliver sales and profit growth, in a year where the global scale and tragic impacts resulting from the COVID-19 pandemic presented an exceptional challenge.

In 2018, in consultation with shareholders, the committee undertook to articulate exceptional performance and to appropriately exercise its discretion in making any Exceptional Bonus Award in future years.

For the financial and operational performance reasons outlined above, the committee agreed that the threshold for 'exceptional performance' had been reached again in 2019/20. Therefore, the committee deemed it appropriate to exercise the discretion granted at the 2018 AGM to award the executive directors an Exceptional Bonus Award. In line with K D Rountree's recommendation for his executive team, the committee recommended and approved the payment of an Exceptional Bonus Award of 20% of 2019/20 salary to each of the executive directors, judging this to be a moderate and appropriate reward for this strong overall team performance. In accordance with the approved policy the executive directors are required to invest 50% of any bonus award (net of tax) into shares in the Company, and to hold these shares for a minimum of two years.

The group profit share scheme, in which all employees (including the executive directors) participate equally, is assessed against a target for group operating margin, which triggered the maximum payment of £1,000 per employee. The executive directors were paid the same maximum profit share of £1,000 as the rest of the workforce, in line with the policy approved at the 2018 AGM.

2019/20 – a year in review continued

In prior years, the committee has supported a discretionary payment to all employees in addition to the maximum profit share approved at the 2018 AGM of £1,000 per employee (an additional payment of £1,500 was made in 2018/19). No additional discretionary payments were awarded for 2019/20.

An element of the retail performance related pay scheme, payable to retail store managers, was paid out mid-year, ahead of the COVID-19 outbreak. At the time performance was on target and this payment coincided with the overall suspension of the scheme.

The global scale and tragic impacts resulting from the COVID-19 pandemic inevitably dominate headlines and the outcomes of this remuneration report, overshadowing another remarkable performance from the team at Games Workshop.

Given the harsh operating environment resulting from the outbreak of COVID-19, the committee has concluded that there should be no pay rise for all employees at the annual review of 1 June 2020, with the exception of National Living Wage or other local statutory requirements.

The committee believes that the executive remuneration benchmarking exercise conducted by PricewaterhouseCoopers LLP in 2018 remains current. As a result it does not propose any base salary rise for the executive directors. Therefore the annual salary of K D Rountree will remain at £525,000 and the annual salary of R F Tongue will remain at £300,000.

2020/21 – the year ahead

The board takes seriously its responsibilities in applying the principles of UK corporate governance and properly incentivising executive directors, and senior management, forms part of this area of focus.

The committee and the board's philosophy to pay and reward remains the same, believing that the main focus of the remuneration policy should be on the fixed elements of pay. The committee has discussed and is very mindful of the risks of incentive plans and complex bonus schemes driving short-term and/or individual behaviours which are not in the interests of the Company and its shareholders. As such, the committee has no intention of introducing any form of longer term incentives at this time. However, the committee undertakes to seek to be always appropriately informed on market dynamics and to listen to the Company's key stakeholders, in order to ensure that the executive directors are appropriately rewarded, retained and motivated.

As a board we have high performance expectations and the executive directors are even more demanding of themselves and of their teams. Consequently, due to the stretching nature of underlying performance criteria for the Exceptional Bonus Award that the policy allows, the committee does not necessarily anticipate that awards will be made under the Exceptional Bonus Award each and every year.

On consulting with shareholders in 2018, the committee promised to exercise its discretion appropriately and to explain the circumstances where an Exceptional Bonus Award is paid. The committee reaffirms that promise for the year ahead.

Looking to the future, the committee will continue to monitor the consistency of the remuneration policy across the Group with a view to ensuring that an appropriate reward structure exists to recognise and retain our key executives. As part of this process the committee will continue to keep under review and discuss regularly the effectiveness of the Company's approach to remuneration and its component parts.

The committee will engage key stakeholders during the year ahead in order to consider what changes should be made to the remuneration policy ahead of its three year review, which will be proposed and subject to a binding shareholder vote at the 2021 AGM.

J R A Brewis

Chairman

Remuneration committee

Policy report

This part of the report sets out the directors' remuneration policy, which applies for three years from the date of 2018 AGM when it was approved by shareholders.

The aim of the Group's remuneration policy is to reward fairly and to attract, motivate and retain high quality management. The total size of the remuneration package for executive directors is judged by comparison with the remuneration packages of similar companies, having regard to:

- the size of the company, its turnover, profits and number of people employed
- the diversity and complexity of the business
- the geographical spread of the business
- the growth and expansion profile

The Company's non-executive directors are remunerated with fees in line with market rates. They do not receive any pension or other benefits, other than the reimbursement of reasonable expenses, and they do not participate in any bonus or share schemes.

REMUNERATION REPORT continued

Remuneration policy table

The table below summarises each of the components of the remuneration package for directors of the Company which comprise the policy. The committee may make minor changes to the policy, which do not have a material advantage to the directors, to aid its operation or implementation, taking account of the interests of shareholders but without the need to seek shareholder approval.

Component	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Salary	<p>Core element of fixed remuneration, reflecting the size and scope of the role.</p> <p>Purpose is to recruit and retain directors of the calibre required for the business.</p>	<p>Reviewed annually and usually fixed for 12 months from 1 June. There is no entitlement to an annual increase.</p> <p>Takes into consideration the director's role and attitudes.</p> <p>Takes into account prevailing market conditions and is aligned with staff pay reviews.</p> <p>Externally benchmarked by independent remuneration consultants from time to time against companies of a similar size and complexity.</p>	<p>There is no prescribed maximum annual increase in salary.</p> <p>Salaries are reviewed taking into consideration salary increases across the Group.</p> <p>Increases out of line with the workforce are carefully considered but may be awarded taking all relevant factors into account, for example, increases in scope and responsibility or salary falling significantly below market positioning.</p>	<p>Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.</p>
Benefits	<p>Ensures the overall package is competitive.</p> <p>Purpose is to recruit and retain directors of the calibre required for the business.</p> <p>Participation in the sharesave scheme creates staff alignment with the Group and promotes a sense of ownership.</p>	<p>The executive directors each receive life assurance cover.</p> <p>The sharesave scheme is a HMRC approved monthly savings scheme facilitating the purchase of shares at a discount.</p> <p>Where appropriate other benefits may be offered including allowances for relocation and other expatriate benefits.</p>	<p>Set at a level which the committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances.</p> <p>Sharesave contributions are as permitted in accordance with the relevant tax legislation.</p>	<p>Not applicable.</p>
Pension	<p>To provide cost effective retirement benefits.</p>	<p>Participation in a group personal pension scheme.</p>	<p>Up to 7.5% of salary up to a maximum of £4,000 (previously £10,000) per annum. Following the changes in pension tapering, any excess between 7.5% of salary and £4,000 is paid as additional salary (net of employers' national insurance).</p>	<p>Not applicable.</p>
Profit share	<p>Rewards performance against annual targets linked to core business operating profit percentage.</p>	<p>Targets are set annually and any pay-out is determined by the committee, based on performance against those targets.</p> <p>All staff participate equally in the scheme.</p> <p>Awards are payable in cash.</p>	<p>Maximum potential value is £1,000 per person per year.</p>	<p>The financial target is based on core business operating profit percentage.</p> <p>Payments range from nil to £1,000 dependent on the level of core business operating profit as a percentage of sales.</p>

Remuneration policy table continued

Component	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Exceptional bonus award	Rewards exceptional performance.	Any pay-out is determined by the committee after the year end, based on performance. Awards are payable in cash with 50% of the net amount required to be invested in the Company's shares, with an expectation that these are held for at least two years.	Maximum potential value is 100% of salary.	The payment is at the discretion of the committee based on exceptional financial and operational performance being achieved during the year. The committee is of the opinion that disclosing detailed performance criteria in advance would not be in shareholder interests for reasons of commercial sensitivity.
Non-executive directors' fees	Sole element of non-executive director remuneration set at a level that reflects market conditions.	Fees are reviewed annually taking into account time commitment, responsibilities and fees paid by comparable companies. Additional fees are paid to the senior independent director to reflect additional responsibilities. Non-executive directors are entitled to claim reasonable out of pocket expenses in connection with the performance of their duties.	Fees are based on the level of fees paid to non-executive directors serving on boards of listed companies of a similar size and complexity.	Not applicable.

Changes to the remuneration policy

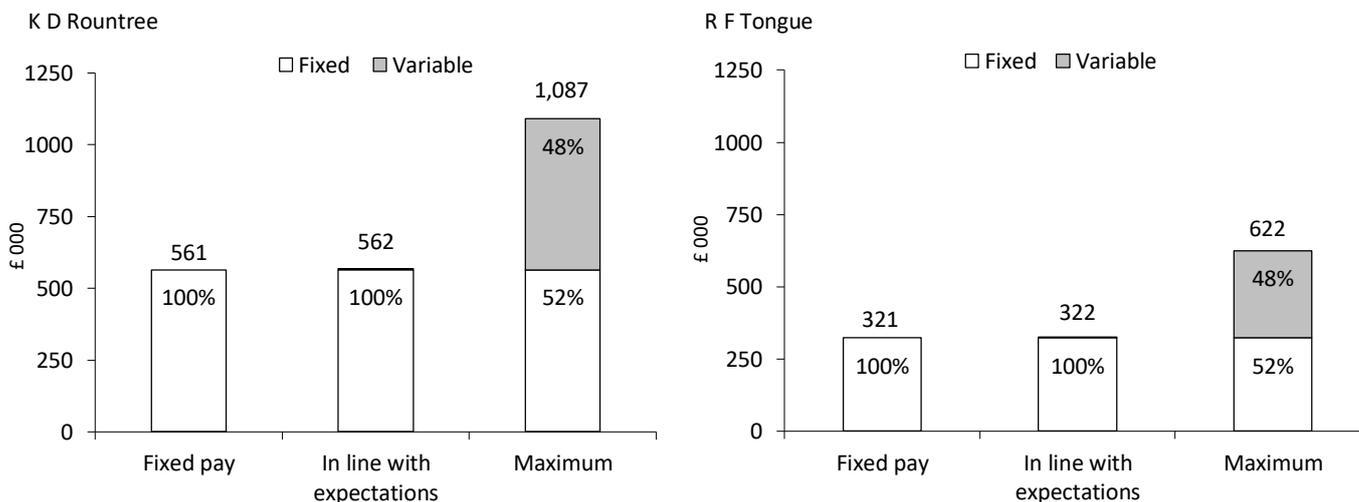
There are no proposed changes to the salary, benefits, profit share, exceptional bonus elements of remuneration. The only change to the pension element of remuneration is to recognise that, following changes introduced by HMRC on 6 April 2020, the minimum annual tapered allowance changed from £10,000 to £4,000. As in prior years, any excess between 7.5% of salary and this allowance is paid as additional salary (net of employers' national insurance).

Explanation of the performance metrics chosen

The performance measures selected are aligned with the Company's strategy and business objectives. The profit share is based on core business operating profit percentage.

Illustration of application of the policy

The charts below show the relative split of remuneration between fixed pay (base salary, benefits and pension) and variable pay (profit share and exceptional bonus award) for each executive director on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration.



REMUNERATION REPORT continued

Illustration of application of the policy continued

	Minimum	In line with expectations	Maximum
Fixed pay	Fixed elements of salary, benefits and pension. Salary is at 31 May 2020 and the value of benefits has been assumed to be equivalent to that included in the single figure remuneration table on page 35.	As per minimum	As per minimum
Profit share	Nil	Up to £500 per annum	£1,000 per annum
Exceptional bonus award	Nil	Nil	100% of salary

Differences in policy from the wider employee population

The Company aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the Group operates the same core principles for the wider employee population as it does for the executive directors, namely:

- to remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth
- to seek to remunerate fairly and consistently for each role with due regard to the market place and internal consistency
- to apply the profit share equally to all employees, including the executive directors
- to encourage employees to own shares through the operation of the sharesave scheme.

As is common practice, the Company has introduced elements of variable pay through an exceptional bonus award which is focused on the executive directors to ensure that the overall remuneration policy remains market competitive.

Remuneration policy for new directors

When setting the remuneration package for a new executive director, the committee would seek to apply the same principles and implement the policy framework as set out above. Base salary will be set at a level appropriate to the role and the experience of the director being appointed. Benefits, pension, profit share and the exceptional bonus award will be in line with the stated policy. Any buy-out award, should one be required, would be limited to the amount of salary that would be forgone.

Non-executive director fees will be set at a competitive market level, reflecting the skills, knowledge, experience, responsibilities and time commitment.

Directors' service contracts and letters of appointment

Executive	Date of contract	Unexpired term of contract	Notice period
K D Rountree	25 February 2009	Rolling contract	12 months
R F Tongue	25 March 2015	Rolling contract	12 months
Non-executive	Date of appointment	Date of last re-election at an AGM	Notice period
N J Donaldson	18 April 2002	18 September 2019	6 months
E O'Donnell	28 November 2013	18 September 2019	6 months
J R A Brewis	20 June 2018	18 September 2019	6 months
K E Marsh	24 July 2019	18 September 2019	6 months

In accordance with best practice and as set out in the Code, notice periods in new service contracts for executive directors are set at one year. Non-executive director appointments are made through letters of appointment for a one year term, subject to election and re-election by the Company's shareholders in accordance with the Company's articles and the Code. The letters of appointment may be inspected at the Company's registered office.

Policy on payment for loss of office

If an executive director's employment is to be terminated, the committee's policy in respect of the service agreement (in the absence of a breach of the service agreement by the director) is to agree a termination payment based on the value of base salary and contractual pension and other benefits that would have accrued to the director during the contractual notice period. Depending on the particular circumstances, a director may work the notice period, be placed on garden leave for some or all of the notice period or receive a payment in lieu of notice in accordance with the service agreement. The committee will consider mitigation to reduce the termination payment to a leaving director when appropriate to do so, having regard to the specific circumstances.

Non-executive directors' appointments may be terminated without compensation but with six months' notice.

External appointments

The executive directors may each accept one external appointment with the prior approval of the board, from which any fees may be retained. At present, neither of the executive directors holds any outside directorship.

Consideration of employment conditions elsewhere in the Group

The Group aims to provide a remuneration package to all employees that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the employee population, taking into account local employment market conditions.

The committee takes into account the general basic salary increase being offered to employees elsewhere in the Group when annually reviewing the salary increase and remuneration of the executive directors. Employees are not consulted in respect of board remuneration. The committee also reviews general workforce remuneration and the alignment of incentives with Games Workshop's culture to ensure it remains appropriate.

Engagement with the workforce in relation to explaining how executive remuneration policies align with the wider company pay policy will take place through attendance by committee members at the Games Workshop Global Communications Forum meetings.

Consideration of shareholder views

The committee takes into account shareholder feedback received on remuneration matters, including comments in relation to the resolutions at the AGM in addition to any additional comments in correspondence direct with the Company. The committee would seek to engage directly with major shareholders should any material changes be made to the policy.

Annual report on remuneration (subject to audit)

The tables below set out in a single figure the total remuneration, including each element, for each person who served as a director of the Company during the financial years ended 2 June 2019 and 31 May 2020.

Year ended 31 May 2020

	Salary/fees £000	Profit share £000	Exceptional bonus award £000	Pension related benefits £000	Total £000
K D Rountree	552	1	105	9	667
R F Tongue	312	1	60	9	382
N J Donaldson	140	-	-	-	140
C J Myatt*	18	-	-	-	18
E O'Donnell	58	-	-	-	58
J R A Brewis	52	-	-	-	52
K E Marsh	44	-	-	-	44
Total	1,176	2	165	18	1,361

Year ended 2 June 2019

	Salary/fees £000	Profit share £000	Exceptional bonus award for 17/18 £000	Exceptional bonus award for 18/19 £000	Pension related benefits £000	Total £000
K D Rountree	551	1	410	105	10	1,077
R F Tongue	311	1	250	60	10	632
N J Donaldson	140	-	-	-	-	140
C J Myatt*	60	-	-	-	-	60
E O'Donnell	52	-	-	-	-	52
J R A Brewis	49	-	-	-	-	49
Total	1,163	2	660	165	20	2,010

*C J Myatt retired from the board at the 2019 AGM.

The figures in the single figure tables above are derived as follows:

Salary/fees – the amount of salary/fees received in the year including any additional salary due in excess of the pension tapering limits.

Profit share – the amount of profit share earned in the year. A payment of £1,000 each was paid to K D Rountree and R F Tongue in line with the rules of the scheme.

Exceptional bonus award – 100% of salary was paid in respect of performance in 2017/18, which being subject to approval at the 2018 AGM was not recorded in the prior period. 20% of salary was accrued in relation to performance in 2018/19 and 2019/20.

Pension related benefits – the cash value of pension contributions received by the executive directors. This includes the Company's contribution into the group personal pension scheme.

No taxable benefits were paid.

During 2019/20 and 2018/19 there were no payments made for loss of office.

REMUNERATION REPORT continued

CEO remuneration

Year	CEO	Total remuneration	
		£000	% of maximum profit share paid ***
2020	K D Rountree	667	100
2019	K D Rountree	1,077	100
2018	K D Rountree	438	100
2017	K D Rountree	401	100
2016	K D Rountree	402	-
2015	K D Rountree	168	-
2015	T H F Kirby*	291	-
2014	T H F Kirby	511	-
2013	T H F Kirby	132	54
2013	M N Wells**	774	-
2012	M N Wells	319	48
2011	M N Wells	309	-

*T H F Kirby stepped down as CEO on 31 December 2014 and K D Rountree was appointed CEO with effect from 1 January 2015.

**M N Wells resigned on 31 January 2013 and so all of his remuneration for 2012/13, including the payment for compensation for loss of office, is included in this table.

***Maximum profit share paid was between £1,000 and £250.

Percentage change in CEO's remuneration

The table below shows how the percentage change in the CEO's salary in 2019/20 compares with the percentage change in the average salary and profit share of all employees within the Group. The committee has selected the Group's entire staff population (excluding the CEO) as these represent the most appropriate comparator.

	CEO	Wider workforce
Salary	-	+4.5%
Profit share/discretionary payment	-	-60.0%

The profit share payment to the CEO was £1,000 in both years in accordance with the remuneration policy. The wider workforce was also paid profit share of £1,000 in both years. An additional £1,500 discretionary payment per employee was paid to the wider workforce in 2018/19 only.

Salary cost and profit share/discretionary bonus for the wider workforce have been calculated using the average exchange rates for the year ended 2 June 2019 for both years. Performance related elements of staff costs have also been excluded in both years.

CEO pay ratio

This is the first year in which we publish our CEO pay ratio in accordance with the Companies (Miscellaneous Reporting) Regulations 2018. In order to calculate our CEO pay ratios for 2019/20, we opted for Option A as this is the most statistically accurate method. For Option A, the total FTE remuneration for all the Group's UK employees for the relevant financial year is determined and those employees are ranked from low to high, based on their total FTE remuneration. The employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points are then identified.

2020	CEO	25 th percentile	50 th percentile	75 th percentile
Pay ratio		34:1	26:1	19:1
Pay data (£000)	667	20	25	34

To calculate these ratios, we determined the full time equivalent pay and benefits for all UK employees in the financial year 2019/20 based on actual earnings reports as at 31 May 2020. The pay and benefits used to calculate the ratios include basic salary, pension, bonus payments, profit share and additional payments in relation to their role. We have excluded any sharesave gain from the calculation of benefits as it is not included in the CEO's remuneration figure. Where an employee joined part way through the year, the monthly FTE pay was calculated and applied to the months before they joined.

We are satisfied that the ratios accurately reflect our approach to pay and benefits.

Share price changes

The directors' remuneration does not vary depending on share price appreciation or depreciation.

Relative importance of spend on pay

The following table sets out the percentage change in dividends, profit attributable to owners and employee remuneration for the year ended 31 May 2020, compared to the year ended 2 June 2019:

	2020 £m	2019 £m	% change
Total staff costs	81.6	78.6	+3.8%
Profit attributable to owners	71.3	65.8	+8.4%
Dividends declared and paid	47.3	50.2	-5.8%

Statement of voting at the last AGM

At the last AGM, significant votes on remuneration and nomination related resolutions were cast as follows:

	Votes for	% of vote	Votes against	% of vote	Votes withheld	% of vote
To re-appoint N J Donaldson	14,929,261	72.5%	5,420,793	26.3%	252,229	1.2%
To approve the remuneration report	18,558,641	90.1%	2,026,109	9.8%	17,533	0.1%

In line with the Investments Association's guidelines, a public statement was made regarding the significant votes against the resolution to re-appoint N J Donaldson. This stated that, following the 2019 AGM, the board actively engaged with those shareholders holding over 50,000 shares who had voted against these resolutions. The Company had not received any contact from these shareholders in advance of the 2019 AGM nor indications that they were intending to vote against any of the resolutions.

Following this request, three shareholders responded and explained that they had voted against the resolution due to concern that N J Donaldson was overboarded in terms of the call on his time. N J Donaldson's time commitments were then more fully explained to allay this concern.

The board of Games Workshop remains fully committed to shareholder engagement and welcomes ongoing dialogue with all investors.

Implementation statement

A summary of the remuneration arrangements in 2019/20 and how the policy will be applied during 2020/21 is set out below:

Salary and fees

In 2018, the committee undertook a benchmarking exercise performed by external remuneration advisers. This reviewed the salaries of the executive and non-executive directors in order to assess how they compared with prevailing market levels of remuneration. Changes to salary were therefore made in 2018/19.

The remuneration policy for the non-executive directors is determined by the board and is reviewed every year. Fees were externally benchmarked, taking account of the duties and responsibilities placed on the non-executive directors. The non-executive directors do not participate in the Group's sharesave scheme or profit share scheme nor do they receive any benefits or pension contributions.

Profit share

The maximum profit share that is payable is £1,000 per person per year. The performance targets are based upon Group core business operating profit percentage.

Exceptional bonus award

The maximum exceptional bonus award is up to 100% of salary per person per year. The performance criteria are at the discretion of the remuneration committee. The committee is of the opinion that disclosing detailed performance criteria in advance would not be in shareholder interests for reasons of commercial sensitivity. A discussion of performance attributable to any future awards will be included in the annual report on remuneration for that year, so that shareholders can fully assess the basis for any pay outs.

Sharesave

A further award of options will be made under the new sharesave scheme during the year which is on the same basis as previous years.

Pension

Executive directors will continue to receive up to 7.5% of salary subject to a maximum of £4,000 per annum and the tapering restrictions set out in the remuneration policy.

Remuneration and nomination committees

The remuneration committee is appointed by the board and comprises J R A Brewis (chairman), E O'Donnell and K E Marsh. The remuneration committee is responsible for setting the remuneration packages of the executive directors as well as approving their service contracts. The nomination committee comprises N J Donaldson, E O'Donnell, J R A Brewis and K E Marsh. The nomination committee is responsible for the composition of the board. The terms of reference for both committees are available on the Company's investor relations website.

Advisers

In 2018 the committee was assisted in its work by PricewaterhouseCoopers LLP which was appointed by the Company in consultation with the committee. The committee assessed whether PricewaterhouseCoopers LLP was independent in the provision of its remuneration advice and concluded that it was independent. PricewaterhouseCoopers LLP no longer provide remuneration advice (2018/19: £8,000).

REMUNERATION REPORT continued

Directors' interests in shares of the Company

The directors' interests (including their families) in the shares of the Company were as follows:

	As at 31 May 2020		As at 2 June 2019	
	Ordinary shares of 5p each		Ordinary shares of 5p each	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K D Rountree	5,899	-	14,928	-
R F Tongue	5,314	-	6,384	3,300
N J Donaldson	13,400	3,300	10,000	10,000
E O'Donnell	3,300	1,793	3,300	1,793
J R A Brewis	-	-	-	-
K E Marsh	-	-	-	-

Share options

Share options granted to the directors under the sharesave scheme were as follows:

	At 2 June 2019	Exercised	Granted	Number as at	Exercise dates		Exercise price
				31 May 2020	Commencement	Expiry	
K D Rountree	1,376	-	-	1,376	Nov 20	Apr 21	1307.74p
R F Tongue	1,376	-	-	1,376	Nov 20	Apr 21	1307.74p

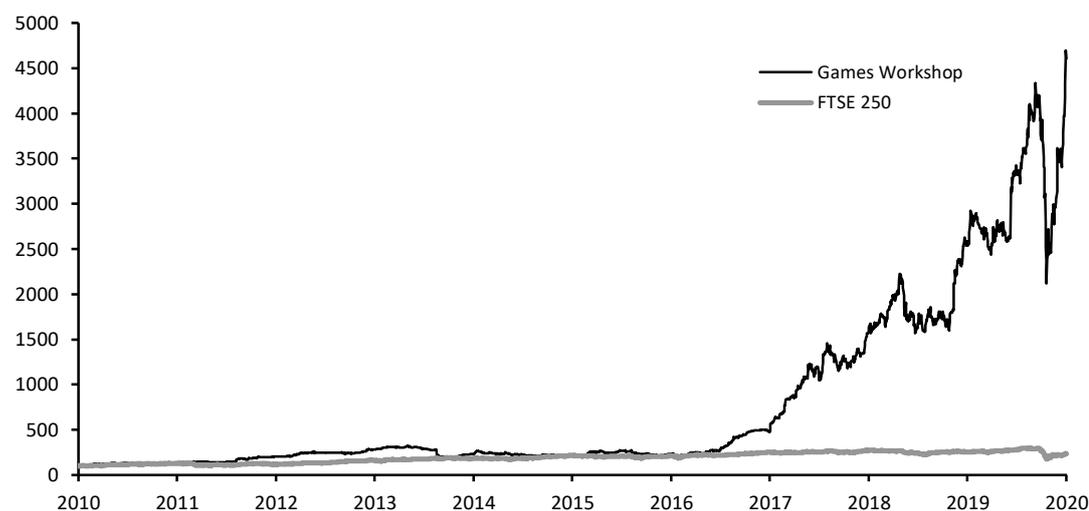
The options above were granted under the Games Workshop Group PLC 2015 Sharesave Scheme which grants options at a 20% discount on the market price at grant. Participants save a fixed amount monthly for three years in order to fund the exercise of the option. At exercise an individual may choose to exercise their option or have their savings repaid to them. This scheme is open to all eligible employees and directors who satisfy a service qualification of at least three months. There are no performance targets associated with these options.

There were no movements in directors' interests in shares of the Company between 31 May 2020 and the date of this report.

No other directors have been granted share options in the shares of the Company.

Performance graph

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE 250 companies during the previous ten years. The index of the FTSE 250 companies has been used because the constituents of this index most appropriately reflect the Company's size when compared to alternative indices.



On behalf of the board

J R A Brewis

Chairman

Remuneration committee

27 July 2020

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DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the directors' report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

R F Tongue

Group finance director

27 July 2020

COMPANY DIRECTORS AND ADVISERS

Directors

N J Donaldson, non-executive chairman
K D Rountree, chief executive officer
R F Tongue, group finance director
J R A Brewis, non-executive director
E O'Donnell, senior non-executive director
K E Marsh, non-executive director

Company secretary

R F Tongue (resigned 1 December 2019)
R Matthews (appointed 1 December 2019)

Registered office

Willow Road, Lenton, Nottingham, NG7 2WS

Registered number

2670969

Financial advisers and stockbrokers

Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Chartered accountants and independent statutory auditors

PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington, DE74 2UZ

Registrars

Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA

Solicitors

Browne Jacobson, Victoria Square House, Victoria Square, Birmingham, B2 4BU

INDEPENDENT AUDITORS' REPORT

To the members of Games Workshop Group PLC

Report on the audit of the financial statements

Opinion

In our opinion, Games Workshop Group PLC's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2020 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the annual report 2020 (the 'annual report'), which comprise: the balance sheets as at 31 May 2020; the consolidated income statement, the statements of comprehensive income, the consolidated and Company cash flow statements, the consolidated statement of changes in total equity and the Company statement of changes in total equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit and risk committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the audit and risk committee report, we have provided no non-audit services to the Group or the Company in the year from 3 June 2019 to 31 May 2020.

Our audit approach

Context

Sales volumes of the Group have continued to increase year on year which has resulted in an increase in profit before tax. This increase is despite the COVID-19 pandemic which significantly affected sales volumes towards the end of the current year offsetting the sales growth in the early part of the year. The Group's performance in the year has resulted in an increase in the levels of materiality used to audit the Group financial statements. The number of reporting units in scope for the purposes of the Group audit or the coverage on the key income statement amounts remains unchanged.

Overview

Materiality	<ul style="list-style-type: none">• Overall Group materiality: £4.5 million (2019: £4.0 million), based on 5% of consolidated profit before tax.• Overall Company materiality: £0.4 million (2019: £0.4 million), based on 1% of total assets.
Audit scope	<ul style="list-style-type: none">• Full scope audits were performed on six separate reporting units and were all conducted by the Group engagement team.• The reporting units audited included the five largest trading units in the Group and the Company.• The audited reporting units accounted for 83% of consolidated revenues and 96% of consolidated profit before tax.
Key audit matters	<ul style="list-style-type: none">• Capitalisation of development costs (Group).• IFRS 16 transition (Group).• COVID-19 pandemic impact (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

INDEPENDENT AUDITORS' REPORT continued

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules and UK Tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions to increase the share price that would result in overstating profits, therefore raising shareholder expectations. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Capitalisation of product development costs</i></p> <p>Group</p> <p>Refer to page 27 (audit and risk committee report), page 54 (critical accounting estimates and judgements) and note 14.</p> <p>The Group incurred £6.0m of capitalised product development costs during the year to 31 May 2020, relating to products the Group develops to sell through its various channels. The net book value of such capitalised costs as at 31 May 2020 was £10.5m.</p> <p>We focused on this area due to the inherent level of judgement around whether costs capitalised meet the recognition criteria of IAS 38 'Intangible assets' ('IAS 38'), a determination that involves management judgement in particular as regards to whether they are specific to projects which are expected to generate future cash inflows.</p> <p>Further, there is a risk that capitalised costs will not be supported by the future cash inflows generated from product sales.</p>	<p>We assessed whether the costs capitalised relating to product development met the criteria set within IAS 38 'Intangible assets' noting no exceptions. We agreed a sample of capitalised product development costs to source documentation, including invoices and timesheets, and determined that they had also been allocated to the correct project.</p> <p>We obtained and inspected the latest forecasts in respect of projects to assess recoverability of the capitalised costs. We applied sensitivity analysis to the forecasts to understand the shortfall in revenues that would be required to cause a project income to be lower than the capitalised cost. In order to assess the accuracy of the future sales forecasts, we compared actual FY20 sales to forecasts made in previous years and evaluated the historical accuracy of the directors' estimates. We also compared performance against forecasts of sales made following the year-end. Based on this assessment, we found the directors' forecasts to be consistent with the actual historical outturn of sales and the levels of sales made post-year end.</p>

Key audit matter	How our audit addressed the key audit matter
<p>IFRS 16 transition Group Refer to page 27 (audit and risk committee report) and note 3.</p> <p>The Group applied IFRS 16 from 3 June 2019 utilising the modified retrospective approach. The year ended 31 May 2020 are the first financial statements presented under IFRS 16 and prior years presented have not been restated.</p> <p>The Group has used a spreadsheet model to calculate the impact of IFRS 16. The impact on transition at 3 June 2019 is £33.6m to right-of-use assets, £8.8m to current lease liabilities and £24.1m to non-current lease liabilities. The Group has disclosed the impact on the transition in note 3.</p> <p>The net book amount of right-of-use assets at the end of the year is £31.9m and the value of the current lease liabilities is £8.3m and non-current lease liabilities is £23.8m.</p> <p>Management have taken judgements in their adoption of IFRS 16 including the assessment of lease term and discount rate applied to the leases.</p>	<p>We obtained and inspected a sample of inputs into management's model and agreed these data points back to the underlying lease agreements. We have recalculated the accounting entries for a sample of leases and confirmed management's model is performing this calculation accurately. We have tested the completeness of management's model by comparing the leases included to the lease commitments schedule used for the transition noted in the prior year as well as our knowledge of contracts containing lease agreements in the Group.</p> <p>We assessed management's methodology applied to calculate the discount rate using an incremental borrowing rate specific to the Group in line with IFRS 16. We have performed sensitivity analysis over the discount rate used and assessed the impact of these sensitivities on the transition values recognised. We have considered the discount rate and other assumptions used by management to be appropriate, including ensuring the leases meet the definition of a lease under IFRS 16 and that the lease term is accurate.</p> <p>We have reviewed the disclosures in the financial statements and are satisfied that they are consistent with the evidence obtained and are appropriate.</p>
<p>COVID-19 pandemic impact Group Refer to page 27 (audit and risk committee report).</p> <p>During the financial year, the COVID-19 pandemic has had a significant impact on the Group. Lockdown measures resulted in a large number of retail stores and warehouses closing globally for a period of time between March and June which had a significant impact on the revenue and profit results of the Group for the period. As at the year end date and the date of signing the financial statements, there continues to be significant uncertainty of the future impact of COVID-19.</p> <p>Management have considered implications for the Group's going concern assessment, potential impairment of certain assets and appropriate disclosure in the financial statements, by developing downside scenarios to model potential impacts. The results of these scenarios did not indicate a material uncertainty over going concern or any potential material impairment indicators. Management have provided disclosure in the financial statements relating to the risks and impact associated with COVID-19.</p>	<p>We evaluated management's downside scenarios including challenging the key assumptions in management's models and confirming management's mitigating actions are within their control. We found the scenarios, assumptions and mitigating actions to be reasonable and in line with our knowledge of the Games Workshop business and current COVID-19 situation.</p> <p>We considered the potential impact on the balance sheet, specifically in relation to inventory, property, plant and equipment, right of use assets, trade and other receivables and intangible assets and do not consider there to be any indicators of material impairment as at the balance sheet date or subsequently (for disclosure only).</p> <p>We reviewed management's disclosures in relation to COVID-19 and found them to be consistent with the downside scenarios performed by management.</p>

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, enquiries of management, enquiries of internal legal team, and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£4.5 million (2019: £4.0 million).	£0.4 million (2019: £0.4 million).
How we determined it	5% of consolidated profit before tax.	1% of total assets.
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	The Company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.4 million and £3.8 million.

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above £160,000 (Group audit) (2019: £150,000) and £19,000 (Company audit) (2019: £19,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report, directors' report and corporate governance report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the year ended 31 May 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report. (CA06)

Corporate governance report

In our opinion, based on the work undertaken in the course of the audit, the information given in the corporate governance report (on pages 23 to 26) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the corporate governance report (on pages 23 to 26) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 14 of the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 22 of the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 39, that they consider the annual report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the annual report on page 27 describing the work of the audit and risk committee does not appropriately address matters communicated by us to the audit and risk committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit and risk committee, we were appointed by the directors on 17 January 2005 to audit the financial statements for the year ended 29 May 2005 and subsequent financial years. The period of total uninterrupted engagement is 16 years, covering the years ended 29 May 2005 to 31 May 2020.

Gillian Hinks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
27 July 2020

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 May 2020 £m	Year ended 2 June 2019 £m
Revenue	4	269.7	256.6
Cost of sales		(89.1)	(83.3)
Gross profit		180.6	173.3
Operating expenses	4,5	(107.4)	(103.4)
Other operating income – royalties receivable		16.8	11.3
Operating profit	4	90.0	81.2
Finance income	7	0.1	0.1
Finance costs	8	(0.7)	-
Profit before taxation	9	89.4	81.3
Income tax expense	10	(18.1)	(15.5)
Profit attributable to owners of the parent	29	71.3	65.8

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

	Notes	Year ended 31 May 2020	Year ended 2 June 2019
Basic earnings per ordinary share	11	218.7p	202.9p
Diluted earnings per ordinary share	11	217.8p	200.8p

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		Year ended 31 May 2020 £m	Year ended 2 June 2019 £m	Year ended 31 May 2020 £m	Year ended 2 June 2019 £m
Profit attributable to owners of the parent		71.3	65.8	46.4	48.3
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	28	0.5	0.7	-	-
Other comprehensive income for the year		0.5	0.7	-	-
Total comprehensive income attributable to owners of the parent		71.8	66.5	46.4	48.3

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

The notes on pages 51 to 75 are an integral part of these financial statements.

BALANCE SHEETS

	Notes	Group		Company	
		31 May 2020 £m	2 June 2019 £m	31 May 2020 £m	2 June 2019 £m
Non-current assets					
Goodwill	13	1.4	1.4	-	-
Other intangible assets	14	17.6	16.0	-	-
Property, plant and equipment	15	42.0	35.3	-	-
Right-of-use assets	16	31.9	-	-	-
Investments in subsidiaries	17	-	-	30.6	30.6
Deferred tax assets	18	8.9	8.6	-	-
Trade and other receivables	20	7.5	3.1	3.9	4.0
		109.3	64.4	34.5	34.6
Current assets					
Inventories	19	20.7	24.2	-	-
Trade and other receivables	20	19.6	18.8	3.9	2.6
Current tax assets		0.2	0.8	-	-
Cash and cash equivalents	21	52.9	29.4	0.2	0.5
		93.4	73.2	4.1	3.1
Total assets		202.7	137.6	38.6	37.7
Current liabilities					
Lease liabilities	23	(8.3)	-	-	-
Trade and other payables	24	(30.3)	(19.2)	(0.8)	(0.4)
Current tax liabilities		(2.8)	(9.1)	-	-
Provisions for other liabilities and charges	26	(1.7)	(0.9)	-	(0.1)
		(43.1)	(29.2)	(0.8)	(0.5)
Net current assets		50.3	44.0	3.3	2.6
Non-current liabilities					
Lease liabilities	23	(23.8)	-	-	-
Other non-current liabilities	25	(0.5)	(1.0)	(0.1)	-
Provisions for other liabilities and charges	26	(1.6)	(0.9)	(0.1)	-
		(25.9)	(1.9)	(0.2)	-
Net assets		133.7	106.5	37.6	37.2
Capital and reserves					
Called up share capital	27	1.6	1.6	1.6	1.6
Share premium account	27	13.1	12.3	13.1	12.3
Other reserves	28	5.2	4.7	0.1	0.1
Retained earnings	29	113.8	87.9	22.8	23.2
Total equity		133.7	106.5	37.6	37.2

The Company's profit after taxation for the year ended 31 May 2020 is £46.4m (2019: £48.3m).

The notes on pages 51 to 75 are an integral part of these financial statements.

The financial statements on pages 47 to 75 were approved by the board of directors on 27 July 2020 and were signed on its behalf by:

K D Rountree, Director

R F Tongue, Director

Registered number 2670969

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £m	Share premium account £m	Other reserves (note 28) £m	Retained earnings (note 29) £m	Total equity £m
At 3 June 2018 and 4 June 2018	1.6	11.6	4.0	71.0	88.2
Profit for the year to 2 June 2019	-	-	-	65.8	65.8
Exchange differences on translation of foreign operations	-	-	0.7	-	0.7
Total comprehensive income for the year	-	-	0.7	65.8	66.5
Transactions with owners:					
Share-based payments	-	-	-	0.3	0.3
Shares issued under employee sharesave scheme (note 27)	-	0.7	-	-	0.7
Deferred tax credit relating to share options	-	-	-	0.2	0.2
Current tax credit relating to exercised share options	-	-	-	0.8	0.8
Dividends declared to Company shareholders	-	-	-	(50.2)	(50.2)
Total transactions with owners	-	0.7	-	(48.9)	(48.2)
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 (note 27)	-	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 to Company shareholders	-	-	-	(47.3)	(47.3)
Total transactions with owners	-	0.8	-	(45.4)	(44.6)
At 31 May 2020	1.6	13.1	5.2	113.8	133.7

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £m	Share premium account £m	Other reserves (note 28) £m	Retained earnings (note 29) £m	Total equity £m
At 3 June 2018 and 4 June 2018	1.6	11.6	0.1	24.8	38.1
Profit for the year to 2 June 2019	-	-	-	48.3	48.3
Total comprehensive income for the year	-	-	-	48.3	48.3
Transactions with owners:					
Share-based payments	-	-	-	0.3	0.3
Shares issued under employee sharesave scheme (note 27)	-	0.7	-	-	0.7
Dividends declared to Company shareholders	-	-	-	(50.2)	(50.2)
Total transactions with owners	-	0.7	-	(49.9)	(49.2)
At 2 June 2019 and 3 June 2019	1.6	12.3	0.1	23.2	37.2
Profit for the year to 31 May 2020	-	-	-	46.4	46.4
Total comprehensive income for the year	-	-	-	46.4	46.4
Transactions with owners:					
Share-based payments	-	-	-	0.5	0.5
Shares issued under employee sharesave scheme (note 27)	-	0.8	-	-	0.8
Dividends declared to Company shareholders	-	-	-	(47.3)	(47.3)
Total transactions with owners	-	0.8	-	(46.8)	(46.0)
At 31 May 2020	1.6	13.1	0.1	22.8	37.6

The notes on pages 51 to 75 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Notes	Group		Company	
		Year ended 31 May 2020 £m	Year ended 2 June 2019 £m	Year ended 31 May 2020 £m	Year ended 2 June 2019 £m
Cash flows from operating activities					
Cash generated from operations	30	127.2	88.7	46.2	47.7
UK corporation tax paid		(20.8)	(14.2)	-	-
Overseas tax paid		(1.9)	(2.1)	-	-
Net cash generated from operating activities		104.5	72.4	46.2	47.7
Cash flows from investing activities					
Purchases of property, plant and equipment		(16.3)	(13.6)	-	-
Purchases of other intangible assets		(2.3)	(1.9)	-	-
Expenditure on product development	14	(6.0)	(7.0)	-	-
Interest received		0.1	0.1	-	0.1
Net cash (used in)/generated from investing activities		(24.5)	(22.4)	-	0.1
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	27	0.8	0.7	0.8	0.7
Repayment of principal under leases	23	(10.3)	-	-	-
Dividends paid to Company shareholders	12	(47.3)	(50.2)	(47.3)	(50.2)
Net cash used in financing activities		(56.8)	(49.5)	(46.5)	(49.5)
Net increase/(decrease) in cash and cash equivalents		23.2	0.5	(0.3)	(1.7)
Opening cash and cash equivalents		29.4	28.5	0.5	2.2
Effects of foreign exchange rates on cash and cash equivalents		0.3	0.4	-	-
Closing cash and cash equivalents	21	52.9	29.4	0.2	0.5

The notes on pages 51 to 75 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Games Workshop Group PLC (the 'Company') and its subsidiaries (together the 'Group') designs and manufactures miniature figures and games and distributes these through its own network of retail stores, independent retailers and online via the global web stores. The Group has manufacturing activities in the UK and sells mainly in the UK, Continental Europe, North America, Australia, New Zealand and Asia.

The Company is a public listed company, incorporated and domiciled in the United Kingdom. The address of its registered office is Willow Road, Lenton, Nottingham, NG7 2WS, United Kingdom.

The Company's ordinary share capital is listed on the London Stock Exchange.

2. Summary of significant accounting policies

The principal accounting policies applied in these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared under the going concern basis and in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs. The Group and the Company applied for the first time IFRIC 23 and IFRS 16 'Leases'. Details of the impact on transition to these standards can be found in note 3. The Group and the Company have presented these financial statements rounded to the nearest £0.1m, having previously rounded in thousands of pounds, with the purpose of making the information clearer to the users of the accounts.

The consolidated and Company financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the Company and its subsidiary undertakings drawn up for the year ended 31 May 2020 and the year ended 2 June 2019. The year end date is defined as the nearest Sunday to 31 May each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Special purpose reporting information prepared under IFRS from all subsidiaries to 31 May 2020 and 2 June 2019 has been used for consolidation purposes.

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or when an indicator of impairment arises, and is carried at cost less accumulated impairment losses. Provision is made for any impairment by comparing the value in use to the net carrying value. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill arising on acquisitions prior to 31 May 1998 was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet.

Other intangible assets

Development costs

Costs incurred in respect of product design and development activities are recognised as intangible assets when they meet the criteria of IAS 38 'Intangible Assets' and are wholly attributable to specific projects. Product development costs recognised as intangible assets are amortised on a reducing balance basis with rates ranging from 50% to 80% to match the expenditure incurred to the expected revenue generated from the subsequent product release. However, there are some design costs which do not meet the recognition criteria and are therefore not capitalised, and are shown in note 9.

Computer software

Acquired computer software licences and related development expenditure are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software licences are held at cost and amortised on a straight line basis over the expected useful lives of the assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when they meet the criteria of IAS 38 'Intangible Assets'.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The principal annual amortisation rates are:

	% of cost
Core business systems computer software	10-33
Web store computer software	20
Other computer software	33-50

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated over the expected useful economic lives of the assets concerned to write down to the asset's residual value and commences from the date the asset is available for use. The principal annual depreciation rates are:

	Straight line % of cost	Reducing balance % of net book value
Freehold buildings	2-4	-
Plant and equipment and vehicles	15-33	-
Fixtures and fittings	20-25	-
Moulding tools – product specific	-	50
Moulding tools – non-product specific	25	-

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the period of the lease. These assets are included within fixtures and fittings. Freehold land is not depreciated.

Impairment of non-financial assets

Assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Trade receivables

Trade receivables are recognised initially at fair value, which is typically the original invoice amount, and carried at amortised cost using the effective interest method less loss allowance. The Group applies the IFRS 9 'Financial instruments' simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for trade receivables based on historical credit losses by the Group.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Leases

Prior to 3 June 2019, leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. The Group's commitment in respect of its retail stores is included within this category. Payments in respect of operating leases and any benefits received as an incentive to sign a lease were charged or credited to the income statement on a straight line basis over the period of the entire lease term.

On 3 June 2019, the Group changed its accounting policy for leases. The new policy is described below, and the impact of the change is discussed in note 3.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist under IAS 36 'Impairment of Assets'.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset on the balance sheet, or income statement if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The lease payments associated with these leases are recognised as expenses on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using a standard costing method taking into account variances. In respect of finished goods, cost includes raw materials, direct labour, other direct costs and related production overheads based on a normal level of production. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

2. Summary of significant accounting policies continued

Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date. The financial statements of overseas subsidiary companies prepared in functional currencies other than sterling are translated into sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at the average rate for the year;
- All resulting exchange differences are recognised as a separate component of equity.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of overdrafts where there is a legally enforceable right of offset.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other employment benefits

Pension costs

The Group operates defined contribution schemes and a group personal pension plan. Pension contributions are charged to the income statement as they accrue. There are no further obligations to the Group once payment has been made.

Long service benefits

The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years' service. (Veterans scheme). The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated future employment costs discounted to present value.

Share-based payments

The Group operates a number of equity-settled employee share save schemes. The fair value of the employee services received under such schemes is recognised as an expense in the income statement with a corresponding increase in equity over the vesting period. The fair value of the employee services received, measured at grant date in exchange for the grant of the awards, is recognised as an expense, with the corresponding credit being recorded in retained earnings within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted. At each balance sheet date, the Group revises its estimates of the number of awards that are expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity, in periods in which the estimates are revised. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Investments

Shares and loans in subsidiary undertakings are stated at cost less provision for impairment.

Revenue

Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods supplied (net of trade discounts for sales to independent retailers). Revenue is recognised on dispatch of goods to the customer for sales via the global web store and for sales to independent retailers. This represents fulfilment of the performance obligation of the contract with the customer. For revenue earned through the Group's retail stores and for digital products, revenue is recognised at the point of sale. Revenue for magazine subscriptions is recognised on a straight line basis over the subscription period.

Revenue on goods sold to customers on a sale or return basis (which includes book sales) is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. Revenue on a sale or return basis represents no more than 3% of consolidated revenue (2019: no more than 3%).

Royalty income

Royalty income represents amounts invoiced to licensees for use of the Group's intellectual property. This includes both minimum royalty guarantees charged on granting use of the intellectual property to licensees, and additional royalty income earned as a share of the licensee's sales of games and products which include use of the Group's IP. Minimum royalty guarantee income is recognised in full at inception of the contract. This represents the point at which the performance obligation of the contract is met in granting use of the Group's intellectual property. Additional royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance as notified to the Group by the licensee and following validation of the amounts receivable by the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except where it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distributions are recognised in the financial statements in the period in which they are paid.

Provision for liabilities and charges

Provisions are recognised in accordance with IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'.

Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made. The estimated employee benefit liability arising from the Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10, 20 or 30 years' service in more than one year are classified as non-current. Provisions are made for redundancy costs once the employees affected have a valid expectation that their roles will become redundant.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

All financial assets are classified as 'financial assets at amortised cost' and financial liabilities as 'financial liabilities at amortised cost' in accordance with IFRS 9. Management determines the classification of its financial assets and liabilities at initial recognition.

Critical accounting estimates and judgements

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.

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

Management consider the capitalisation of development costs and internally developed software costs to be a critical accounting judgement. Costs directly associated with the asset creation are capitalised. Judgement is required in determining which costs are directly linked with asset creation and should be capitalised.

3. Change in accounting policy

New accounting standards

The Group adopted IFRIC 23 on 3 June 2019. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. The Group considered how to appropriately measure each uncertainty using judgements based upon up to date circumstances, the likely approach of tax authorities, and the probabilities of it occurring and how it might be resolved. The adoption of this interpretation did not have a material impact on the Group's financial statements.

IFRS 16 'Leases' supersedes IAS 17 'Leases' and related interpretations, and applies to financial periods commencing on or after 1 January 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low value' assets; and short-term leases (i.e. leases with a term less than 12 months). At the lease commencement date, a liability will be recognised in respect of the future lease payments and a corresponding asset representing the right to use the underlying asset during the lease term. The interest expense incurred on the lease liability and the depreciation charged on the right-of-use asset will be recognised separately in the income statement. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Where a lease includes the option for the Group to extend the lease term, the Group applies judgement as to whether it is reasonably certain that the opportunity to extend will be taken. Certain events will result in the lease liability being re-measured (e.g. a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The re-measurement will be first adjusted against the right-of-use asset and any excess charged to profit or loss.

3. Change in accounting policy continued

The Group has applied the modified retrospective approach for its transition to this new standard from 3 June 2019, meaning that prior reporting periods have not been restated. In adopting this approach the Group uses the following practical expedients as offered by the standard:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Reliance has been placed on the assessment made under IAS 37 to identify onerous leases, rather than performing an impairment test on right-of-use assets on transition; and
- No recognition of leases whose term ends within twelve months of the date of initial application.

The Group has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will not apply the standard to contracts that were not previously identified as containing a lease. The Group has elected to apply the transition exemption for leases where the underlying asset is of low value, i.e. when the underlying asset has a value of £5,000 or less when new. The Group will not separate lease components from non-lease components for any asset class other than buildings.

The Group has calculated and applied the incremental borrowing rate ('IBR') to its future cash flows to determine the lease liability. The incremental borrowing rate has been defined by the standard as 'the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar environment'. The Group has no external borrowing, therefore a credit risk spread approach has been used to calculate the IBR, which combines the risk-free security rate and a corporate security rate in each economic environment in which the Group has a lease, linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by the Group on transition was 2.07%. Once a right-of-use asset has been capitalised, it is subsequently depreciated over the length of the lease term, or, for the assets capitalised at transition, the remaining lease term from the date of transition. The provisions of IAS 36 concerning impairment testing also apply to capitalised right-of-use assets.

The impact of the transition to IFRS 16 on 3 June 2019 on the results on the consolidated balance sheet was as follows:

	2 June 2019 As reported £m	Impact of change in accounting standard £m	3 June 2019 Restated £m
Non-current assets	64.4	33.6	98.0
- Right-of-use assets	-	33.6	33.6
Current assets	73.2	(0.9)	72.3
- Trade and other receivables	18.8	(0.9)	17.9
Current liabilities	(29.2)	(8.7)	(37.9)
- Lease liabilities	-	(8.8)	(8.8)
- Provisions for other liabilities and charges	(0.9)	0.1	(0.8)
Non-current liabilities	(1.9)	(24.0)	(25.9)
- Lease liabilities	-	(24.1)	(24.1)
- Provisions for other liabilities and charges	(0.8)	0.1	(0.7)
Net assets	106.5	-	106.5

All leases held on the balance sheet have arisen as a result of the transition to the new standard. There were no assets held under finance leases under IAS 17 in either year.

The introduction of IFRS 16 has had the following effects on the consolidated financial statements following transition:

- An increase in the carrying value of fixed assets and an increase in financial liabilities on the balance sheet on recognition of the new right-of-use assets and their corresponding lease liabilities. Financial obligations from operating leases were previously reported off balance sheet. Rental prepayments classified as trade and other receivables at 2 June 2019 relating to assets now capitalised were removed as these have been built into the future cash flows used in the calculation of the asset value. Previously recognised property provisions, in respect of rent obligations on onerous leases, of £0.2m have been released as they are now included in the calculation of the lease liability under IFRS 16.
- Right-of-use assets have been depreciated since the date of transition, and these depreciation charges, along with the interest expense on the lease liability have been recognised in the income statement, in operating expenses and finance charges respectively. Rental charges, other than those related to short-term or low value leases, are no longer recognised in the income statement. In the financial year to 31 May 2020, this has led to an increase in interest expenses of £0.7m, an increase in depreciation of £10.1m and a decrease in other operating expenses of £10.3m. The net impact to profit before tax is a decrease of £0.5m.
- Total cash flows are unaffected; however there has been an effect on the presentation of cash flows in the cash flow statement. Operating cash outflows have reduced, with a corresponding increase in financing cash outflows relating to the repayment of the principal on lease liabilities.

The lease liabilities recognised on the balance sheet at the date of transition can be reconciled to the total operating lease commitments disclosed under IAS 17 at 2 June 2019 as follows:

	£m
Operating lease commitments disclosed as at 2 June 2019	24.7
Effect of discounting using the lessee's incremental borrowing rate	(0.9)
Adjustments as a result of a different treatment of extension and termination options	9.4
Leases with remaining lease term of less than 12 months not included in liability	(0.3)
Lease liability recognised as at 3 June 2019	32.9

Of which are:

- Current lease liabilities	8.8
- Non-current lease liabilities	24.1
	32.9

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. Segment information reported for the year to 2 June 2019 has been restated to better reflect the structure of the Group; the product and supply segment is replaced by design to manufacture and merchandising and logistics segments. Central and service centre segments have been combined into operations and support. At 31 May 2020, 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.
- Media and entertainment: the development of digital content for animation and TV.
- 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', charges in respect of the Group's profit share scheme and the discretionary payment to employees in the prior year. This has been reconciled to the Group's total profit before taxation below.

The segment information reported to the executive directors for the years included in this financial information is as follows:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Trade	140.0	121.5
Retail	78.0	87.8
Online	51.7	47.3
Total external revenue	269.7	256.6

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 31 May 2020	Year ended 2 June 2019
	£m	£m
Trade		
UK and Continental Europe	61.9	51.4
North America	59.4	53.5
Australia and New Zealand	5.7	5.1
Asia	6.5	5.3
Rest of world	4.1	3.8
Black Library	2.4	2.4
Total Trade	140.0	121.5
Retail		
UK	23.0	27.8
Continental Europe	19.5	21.4
North America	25.2	27.4
Australia and New Zealand	7.6	8.3
Asia	2.7	2.9
Total Retail	78.0	87.8
Online	51.7	47.3
Total external revenue	269.7	256.6

4. Segment information continued

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

	Year ended 31 May 2020	Restated Year ended 2 June 2019
	£m	£m
Trade	9.3	9.2
Retail	55.6	55.0
Online	5.5	4.8
Design to manufacture	1.7	2.4
Merchandising and logistics	2.1	1.4
Operations and support	26.5	21.1
Group	2.7	2.9
Media and entertainment	0.1	-
Royalties	1.0	0.8
Total segment operating expenses	104.5	97.6
Share-based payment charge	0.5	0.3
Profit share scheme charge	2.4	2.2
Discretionary payment to employees	-	3.3
Total group operating expenses	107.4	103.4

During the year the Group reassessed the operating profit margins of the sales segments. Operating profit margins have been set at benchmark levels comparable with third party businesses performing similar functions. Prior year amounts have been restated to reflect this change.

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

	Year ended 31 May 2020	Restated Year ended 2 June 2019
	£m	£m
Trade	4.6	4.0
Retail	2.9	3.2
Online	1.7	1.5
Design to manufacture	134.3	125.9
Merchandising and logistics	(36.2)	(33.2)
Operations and support	(27.4)	(22.1)
Group	(2.7)	(2.9)
Media and entertainment	(0.1)	-
Royalties	15.8	10.6
Total segment operating profit	92.9	87.0
Share-based payment charge	(0.5)	(0.3)
Profit share scheme charge	(2.4)	(2.2)
Discretionary payment to employees	-	(3.3)
Total group operating profit	90.0	81.2
Finance income	0.1	0.1
Finance costs	(0.7)	-
Profit before taxation	89.4	81.3

Operating profit as reported above includes impairment, depreciation and amortisation charges as follows:

	Year ended 31 May 2020	Restated Year ended 2 June 2019
	£m	£m
Retail	11.5	1.8
Online	0.4	1.0
Design to manufacture	10.8	11.2
Merchandising and logistics	0.9	0.5
Operations and support	2.0	1.4
Total group charges for impairment, depreciation and amortisation	25.6	15.9

The charge to the Retail segment has increased in the year because of depreciation recognised following adoption to IFRS 16 (note 3).

Other non-cash charges and significant costs included in operating profit are as follows:

	Charge to inventory provisions		Redundancy costs and compensation for loss of office	
	Year ended 31 May 2020	Year ended 2 June 2019	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m	£m	£m
Retail	-	-	(0.1)	(0.5)
Design to manufacture	(6.4)	(5.8)	-	(0.1)
Operations and support	-	-	(0.1)	(0.3)
Total group charge	(6.4)	(5.8)	(0.2)	(0.9)

Asset and liability information is not reported to the chief operating decision-maker on a segment basis and therefore has not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information continued

External revenue analysed by customer geographical location is as follows:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
UK	68.8	64.6
Continental Europe	65.0	64.9
North America	104.8	98.6
Australia and New Zealand	16.1	16.2
Asia	9.9	8.9
Rest of world	5.1	3.4
External revenue	269.7	256.6

The Group is not reliant on any one individual customer.

Non-current assets (excluding deferred tax and non-current financial instruments) are located in the following countries:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
UK	73.9	50.8
All other countries	26.5	5.0
Total non-current assets (excluding deferred tax and non-current financial instruments)	100.4	55.8

Tangible and intangible asset additions, including additions arising on adoption of IFRS 16, included within the UK were £35.5m (2019: £21.1m) and all other countries were £30.2m (2019: £2.0m).

5. Operating expenses

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Selling costs	60.5	61.1
Administrative expenses	46.9	42.3
	107.4	103.4

6. Directors and employees

	Group		Company	
	Year ended 31 May 2020	Year ended 2 June 2019	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m	£m	£m
Total directors' and employees' costs:				
Wages and salaries	70.7	68.8	1.6	2.0
Social security	7.1	6.8	0.2	0.3
Other pension costs	3.3	2.7	-	-
Share-based payment	0.5	0.3	-	-
	81.6	78.6	1.8	2.3

Details of capitalised salary costs, included in the above, are provided in note 14. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 9.

Total directors' and employees' costs above include the impact of foreign currency movements in the year. Total directors' and employees' costs for the Group for the year ended 31 May 2020 calculated using the average exchange rates for the year ended 2 June 2019 are £81.2m. This includes performance related elements of salary costs, payments under the Group's profit share scheme and the discretionary payment to employees of £4.5m (2019: £8.0m).

Highest paid director

The above includes salary costs of £0.6m (2019: £0.6m) in respect of the highest paid director. Total remuneration of the highest paid director is detailed in the remuneration report (page 35).

Key management compensation

The directors of the Group are considered to be the key management personnel of the Group. The remuneration of the directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Short-term employee benefits	1.3	2.0
	1.3	2.0

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 30 to 38.

6. Directors and employees continued

Employee numbers

Group	Year ended	Restated
	31 May 2020	Year ended 2 June 2019
	No.	No.
Monthly average number of employees (including directors) by activity:		
Design and development	286	252
Production and warehousing	513	477
Selling:		
- Full time	944	891
- Part time	81	112
Administration	364	378
	2,188	2,110

Prior year numbers have been restated to reclassify 61 central retail employees from administration to selling (full time) to better reflect their roles.

The monthly average number of employees for the Company was 8 (2019: 8).

7. Finance income

	Year ended	Year ended
	31 May 2020	2 June 2019
	£m	£m
Interest income:		
- On cash and cash equivalents	0.1	0.1
	0.1	0.1

8. Finance costs

	Year ended	Year ended
	31 May 2020	2 June 2019
	£m	£m
Interest expense:		
- Interest expense on lease liabilities	0.7	-
	0.7	-

9. Profit before taxation

	Year ended	Year ended
	31 May 2020	2 June 2019
	£m	£m
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	8.8	9.0
- Right-of-use assets	10.1	-
Impairment of property, plant and equipment	0.1	-
Impairment of right-of-use assets	0.2	-
Amortisation:		
- Owned computer software	1.2	1.6
- Development costs	4.9	5.3
Impairment of computer software	0.3	-
Non-capitalised development costs	9.9	6.4
Staff costs (excluding capitalised salary costs shown in note 14 and non-capitalised development staff costs)	69.6	69.3
Operating leases:		
- Retail stores	-	10.0
- Other property	-	0.6
- Plant and equipment	-	0.2
- Other	-	0.1
Cost of inventories included in cost of sales	39.2	39.5
Inventory provision creation (note 19)	6.4	5.8
Loss on disposal of property, plant and equipment	-	0.1
Loss on disposal of intangible assets	0.3	0.2
Redundancy costs and compensation for loss of office	0.2	0.9
Net credit to property provisions	(0.3)	(0.2)

NOTES TO THE FINANCIAL STATEMENTS continued

9. Profit before taxation continued

Auditors' remuneration and services provided

Services provided by the Group's auditors and network firms are analysed as follows:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Audit services		
Audit of the Group and Company's financial statements	0.1	0.1
Other services		
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.1
All other services	-	-
Total services provided	0.3	0.2

10. Income tax expense

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Current UK taxation:		
UK corporation tax on profits for the year	15.3	16.6
Under/(over) provision in respect of prior years	0.3	(0.2)
	15.6	16.4
Current overseas taxation:		
Overseas corporation tax on profits for the year	2.5	1.6
Under provision in respect of prior years	0.2	0.1
Total current taxation	18.3	18.1
Deferred taxation:		
Origination and reversal of timing differences	0.1	(2.7)
(Over)/under provision in respect of prior years	(0.3)	0.1
Tax expense recognised in the income statement	18.1	15.5
Current tax credit relating to sharesave scheme	(1.3)	(0.8)
Deferred tax credit relating to sharesave scheme	(0.1)	(0.2)
Credit taken directly to equity	(1.4)	(1.0)

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 31 May 2020	Year ended 2 June 2019
	£m	£m
Profit before taxation	89.4	81.3
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	17.0	15.4
Effects of:		
Items not assessable for tax purposes	(0.1)	(0.1)
Higher tax rates on overseas earnings	0.9	-
Tax rate changes	0.1	0.1
Adjustments to tax charge in respect of prior years	0.2	0.1
Total tax charge for the year	18.1	15.5

The UK corporation tax rate is to remain at 19% under the Finance Act 2020, this Act having reversed the planned 1 April 2020 reduction in the UK corporation tax rate to 17%. 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.

At the time of writing, the terms of the UK's departure from the EU (Brexit) remains uncertain. There is significant uncertainty about the withdrawal process, its timeframe and the outcome of the negotiations. As a result, there is significant uncertainty as to the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. At this stage the level of uncertainty is such that it is impossible to determine if, how and when the UK's tax status will change. Our preparations for varying outcomes of the Brexit negotiations, including 'no deal', are well advanced due to the potential departure dates earlier in 2019 and 2020. Particular consideration has been given to the customs declarations and VAT incurred at the border to ensure these are resolved by Games Workshop and are not a concern for customers. The VAT is to become a recoverable flow through UK and European VAT returns. One of the biggest risks is the customs handling of the volume of goods at the ports which would impact the speed of fulfilment of sales orders. The business will closely monitor this. Overall the directors have assessed the impact and have not identified any significant matters impacting the financial statements.

11. 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. The result of the prior year calculation varies from the amount presented in this note due to the effects of rounding only.

	Year ended 31 May 2020	Year ended 2 June 2019
Profit attributable to owners of the parent (£m)	71.3	65.8
Weighted average number of ordinary shares in issue (thousands)	32,602	32,438
Basic earnings per share (pence per share)	218.7	202.9

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. The result of the prior year calculation varies from the amount presented in this note due to the effects of rounding only.

	Year ended 31 May 2020	Year ended 2 June 2019
Profit attributable to owners of the parent (£m)	71.3	65.8
Weighted average number of ordinary shares in issue (thousands)	32,602	32,438
Adjustment for share options (thousands)	134	347
Weighted average number of ordinary shares for diluted earnings per share (thousands)	32,736	32,785
Diluted earnings per share (pence per share)	217.8	200.8

12. Dividends per share

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 current year.

Dividends of £9.7m (30 pence per share), £11.3m (35 pence per share), £9.7m (30 pence per share), £8.1m (25 pence per share) and £11.4m (35 pence per share) were declared and paid during the prior year.

For the purpose of demonstrating that there were sufficient distributable reserves for dividend payments, interim financial statements for the Company were prepared and filed at Companies House in December 2019 and February 2020.

13. Goodwill

	2020 £m	2019 £m
Group		
Cost		
At the beginning of the year	2.4	2.4
At the end of the year	2.4	2.4
Accumulated amortisation		
At beginning of year	(1.0)	(1.0)
At the end of the year	(1.0)	(1.0)
Net book value at beginning of year and end of year	1.4	1.4

The Company had no goodwill at either year end.

Impairment tests for goodwill

The goodwill arose on the acquisition of TJA Tooling Limited, the acquisition of Triple K Plastic Injection Moulding Limited and the purchase by EURL Games Workshop of the lease associated to Heroic Diffusion SARL, which under IFRS amounted to the purchase of a business.

In accordance with the requirements of IAS 36 'Impairment of Assets' the Group completed a review of the carrying value of goodwill as at each year end. The impairment review was performed to ensure that the carrying value of the Group's assets are stated at no more than their recoverable amount, being the higher of fair value less costs to sell and value in use. The key assumptions for the recoverable amount of the goodwill are the long term growth rate and the discount rate. The long term growth rate used is purely for the impairment testing of goodwill under IAS 36 'Impairment of Assets' and does not reflect the long term planning assumptions used by the Group for any other assessments. In determining the value in use, the calculations use cash flow projections for a period no greater than three years based on plans approved by management and, for the Group's cash-generating unit concerned, assumes a long term growth rate no higher than 0% (2019: 2%). The estimated future cash flows expected to arise from the continuing use of the assets were calculated using a risk adjusted pre-tax discount rate of 0.51% (2019: 1.41%).

Management reviewed the planned sales growth and gross margin on the investment in future product releases and initiatives currently being undertaken, to deliver the expected future performance. Goodwill is allocated to the Group's cash-generating units (CGUs) for impairment testing. All of the current goodwill arises in the product and supply segment. Sensitivity analysis has not been disclosed in these financial statements since management consider that there is no reasonably possible change in the key assumptions that would cause the carrying value of goodwill to fall below its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS continued

14. Other intangible assets

Group	Computer software £m	Development costs £m	Total £m
Cost			
At 3 June 2018 and 4 June 2018	16.7	34.8	51.5
Additions	1.9	7.0	8.9
Exchange differences	0.2	-	0.2
Disposals	(0.2)	(1.0)	(1.2)
At 2 June 2019 and 3 June 2019	18.6	40.8	59.4
Additions	2.3	6.0	8.3
Disposals	(0.1)	(1.7)	(1.8)
At 31 May 2020	20.8	45.1	65.9
Accumulated amortisation			
At 3 June 2018 and 4 June 2018	(10.8)	(26.6)	(37.4)
Amortisation charge	(1.6)	(5.3)	(6.9)
Exchange differences	(0.1)	-	(0.1)
Disposals	0.2	0.8	1.0
At 2 June 2019 and 3 June 2019	(12.3)	(31.1)	(43.4)
Amortisation charge	(1.2)	(4.9)	(6.1)
Impairment	(0.3)	-	(0.3)
Disposals	0.1	1.4	1.5
At 31 May 2020	(13.7)	(34.6)	(48.3)
Net book amount			
2 June 2019	6.3	9.7	16.0
31 May 2020	7.1	10.5	17.6

Amortisation of £5.1m (2019: £5.6m) has been charged in cost of sales and £1.0m (2019: £1.3m) in operating expenses.

The net book amount of internally generated intangible assets is £15.9m (2019: £14.1m) and acquired intangible assets is £1.7m (2019: £1.9m). The net book amount of internally generated development costs is £8.7m (2019: £7.8m). £7.9m (2019: £7.0m) is capitalised salary costs.

Salary costs of £4.5m (2019: £5.2m) were capitalised as part of development costs and £0.3m (2019: £0.4m) were capitalised as part of computer software during the year.

Assets in the course of development, and not amortised, amount to £0.2m (2019: £0.3m) with current and prior year amounts both being included within computer software.

An impairment loss of £0.3m (2019: £nil) has been recognised in relation to alterations required to previously capitalised elements of the ERP software. This has been charged to operating expenses.

The Company had no other intangible assets at either year end.

15. Property, plant and equipment

Group	Freehold land and buildings £m	Plant and equipment and vehicles £m	Fixtures and fittings £m	Moulding tools £m	Total £m
Cost					
At 3 June 2018 and 4 June 2018	19.2	25.8	22.9	31.0	98.9
Additions	2.5	5.2	2.7	3.8	14.2
Exchange differences	-	0.2	0.4	-	0.6
Reclassifications	(0.1)	-	0.1	-	-
Disposals	-	(0.5)	(0.6)	-	(1.1)
At 2 June 2019 and 3 June 2019	21.6	30.7	25.5	34.8	112.6
Additions	3.7	3.7	4.1	4.0	15.5
Exchange differences	-	0.1	0.3	-	0.4
Disposals	-	(1.4)	(0.7)	(1.3)	(3.4)
At 31 May 2020	25.3	33.1	29.2	37.5	125.1
Accumulated depreciation					
At 3 June 2018 and 4 June 2018	(6.2)	(17.2)	(18.9)	(26.5)	(68.8)
Charge for the year	(0.9)	(2.9)	(1.7)	(3.5)	(9.0)
Exchange differences	-	(0.2)	(0.3)	-	(0.5)
Disposals	-	0.5	0.5	-	1.0
At 2 June 2019 and 3 June 2019	(7.1)	(19.8)	(20.4)	(30.0)	(77.3)
Charge for the year	(0.4)	(3.3)	(1.7)	(3.4)	(8.8)
Exchange differences	-	(0.1)	(0.2)	-	(0.3)
Impairment charge	(0.1)	-	-	-	(0.1)
Disposals	-	1.3	0.8	1.3	3.4
At 31 May 2020	(7.6)	(21.9)	(21.5)	(32.1)	(83.1)
Net book amount					
2 June 2019	14.5	10.9	5.1	4.8	35.3
31 May 2020	17.7	11.2	7.7	5.4	42.0

Depreciation expense of £6.2m (2019: £6.4m) has been charged in cost of sales, £1.4m (2019: £1.4m) in selling costs and £1.2m (2019: £1.2m) in administrative expenses.

Freehold land amounting to £5.6m (2019: £5.6) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £9.7m (2019: £5.5m). £1.3m (2019: £1.2m) of these are included in moulding tools, £3.3m (2019: £1.5m) is included in plant and equipment and vehicles, £2.7m (2019: £2.5m) is included in freehold land and buildings, and £2.6m (2019: £0.3m) is included in fixtures and fittings above.

The Company held no property, plant and equipment at either year end.

16. Right-of-use assets

Group	2020 £m	2019 £m
Buildings	31.8	-
Plant and equipment and vehicles	0.1	-
	31.9	-

Additions to the right-of-use assets during the financial year were £41.9m, including £33.6m of assets recognised on transition to IFRS 16 (note 3).

The Company held no right-of-use assets at either year end.

Depreciation charged on right-of use assets during the year was as follows:

	Year ended 31 May 2020 £m	Year ended 2 June 2019 £m
Buildings	10.0	-
Plant and equipment and vehicles	0.1	-
	10.1	-

NOTES TO THE FINANCIAL STATEMENTS continued

17. Investments in subsidiaries

Company	2020 £m	2019 £m
Shares in group undertakings – cost		
At beginning of year	30.6	30.6
Additions	-	-
At end of year	30.6	30.6

On 6 February 2020, the Company incorporated Games Workshop Step One Limited through the subscription of 100 shares at a value of £1 a share.

Investments in group undertakings are stated at cost less any provision for impairment.

A list of subsidiary undertakings is given below.

Interests in group undertakings

Name of undertaking	Registered address of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal business activity
			Company	Subsidiary company	
Games Workshop Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Manufacturer, distributor and retailer of games and miniatures
Games Workshop Retail Inc.	6211 East Holmes Road, Memphis, Tennessee, 38141, USA	\$1 common stock		100%	Distributor and retailer of games and miniatures
Games Workshop (Queen Street) Limited	3251 Yonge Street, Toronto, Ontario, M4N 2L5, Canada	Can \$1		100%	Retailer of games and miniatures
EURL Games Workshop	10, Rue Joseph Serlin, Lyon, 69001, France	euro 1		100%	Retailer of games and miniatures
Games Workshop SL	Aragón 208-210, planta4 puerta 1 08011 Barcelona, España	euro 1		100%	Retailer of games and miniatures
Games Workshop Oz Pty Limited	23 Liverpool Street, Ingleburn, New South Wales 2565, Australia	Aus \$1		100%	Distributor and retailer of games and miniatures
Games Workshop Deutschland GmbH	Am Wehrhahn 32, 40211 Düsseldorf, Deutschland	euro 1		100%	Retailer of games and miniatures
Games Workshop Limited	80 Queen Street, Auckland, 1010, New Zealand	NZ \$1		100%	Retailer of games and miniatures
Games Workshop Italia SRL	Viale Castro Pretorio 122, 00185 Roma, Italia	euro 1		100%	Retailer of games and miniatures
Games Workshop International Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Holding company for overseas subsidiary companies
Games Workshop US Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Holding company for US subsidiary companies
Games Workshop US (Holdings) Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Intermediary holding company for US subsidiary companies
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	153-155 Xujiahui Road, Huangpu Area, Shanghai, 200021, China	Owners capital		100%	Distributor and retailer of games and miniatures
Games Workshop Trustee Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Trustee
Games Workshop Stockholm AB	Master Samulesgatan 67, Stockholm 11121, Sweden	SEK 100		100%	Retailer of games and miniatures
Games Workshop Hong Kong Limited	3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	HK \$1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Hobby Pte. Limited	55 Tiong Bahru Road, #01-47, Tiong Bahru Estate, 160055, Singapore	SG \$1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Malaysia Sdn. Bhd.	Level 10 Menara LGB, 1 Jalan Wan Kadir, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	MYR 1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Interactive Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Dormant
Warhammer Online Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Dormant
Citadel Miniatures Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Dormant
Games Workshop Step One Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		New company not yet in use

All of the above entities are included in the consolidated financial statements for the Group and 100% of the voting rights of all entities is held.

All of the above companies operate principally in their country of incorporation or registration.

The directors consider the value of the investments is supported by the underlying assets of the relevant subsidiary.

18. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts are as follows:

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Deferred tax assets:				
- deferred tax asset to be recovered after more than 12 months	6.3	6.5	-	-
- deferred tax asset to be recovered within 12 months	2.6	2.1	-	-
	8.9	8.6	-	-

The gross movement on the deferred tax account is as follows:

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Beginning of year	8.6	5.7	-	-
Credited to the income statement	0.2	2.6	-	-
Credited directly to equity	0.1	0.2	-	-
Exchange differences	-	0.1	-	-
End of year	8.9	8.6	-	-

Analysis of the movement in deferred tax assets and liabilities is as follows:

Group	Accelerated depreciation	Profit in stock	Losses available for offset	Other	Total
					£m
At 3 June 2018 and 4 June 2018	1.8	2.1	0.3	1.5	5.7
(Charged)/credited to the income statement	(0.3)	1.9	-	1.0	2.6
Credited directly to equity	-	-	-	0.2	0.2
Exchange differences	-	-	-	0.1	0.1
At 2 June 2019 and 3 June 2019	1.5	4.0	0.3	2.8	8.6
Credited/(charged) to the income statement	0.3	(0.7)	-	0.6	0.2
Credited directly to equity	-	-	-	0.1	0.1
At 31 May 2020	1.8	3.3	0.3	3.5	8.9

Other deferred tax assets include deferred tax on adjustments for inventory provisions of £0.7m (2019: £0.5m), tax relief on exercise of share options of £1.8m (2019: £1.7m), tax relief on intangible assets of £0.1m (2019: £0.1m) and tax relief on the long service incentive scheme of £0.4m (2019: £0.1m).

Deferred tax assets are recognised in respect of tax losses and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. This is based on a review of the track record of profitability in the country concerned. There was no unrecognised deferred tax at 31 May 2020 or 2 June 2019 in either the Group or the Company.

The Group did not obtain a current tax benefit from previously unrecognised tax losses in either of the years presented.

Company

Deferred tax assets of the Company in respect of accelerated depreciation and other temporary differences were less than £0.1m throughout the years from 3 June 2018 to 31 May 2020.

19. Inventories

Group	2020	2019
	£m	£m
Raw materials	0.6	0.8
Work in progress	1.2	1.0
Finished goods and goods for resale	18.9	22.4
	20.7	24.2

The Group holds no inventories at fair value less costs to sell.

During the year, the Group utilised an inventory provision of £4.6m (2019: £5.3m) and £6.4m (2019: £5.8m) has been charged to the income statement.

The Company held no inventories at either year end.

NOTES TO THE FINANCIAL STATEMENTS continued

20. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	8.0	6.7	-	-
Less allowance for expected credit losses	(0.5)	(0.2)	-	-
Trade receivables – net	7.5	6.5	-	-
Prepayments and accrued income	6.7	8.4	-	0.1
Other receivables	12.9	7.0	0.1	-
Receivables from group companies	-	-	3.8	2.5
Loans to group companies	-	-	3.9	4.0
Total trade and other receivables	27.1	21.9	7.8	6.6
Non-current receivables:				
Prepayments and accrued income	-	0.1	-	-
Other receivables	7.5	3.0	-	-
Loans to group companies	-	-	3.9	4.0
Non-current portion	7.5	3.1	3.9	4.0
Current portion	19.6	18.8	3.9	2.6

Included within prepayments and accrued income are contract assets relating to uninvoiced royalty income amounting to £0.8m (2019: £0.8m).

Trade receivables are recorded at amortised cost, less allowance for expected credit losses. The fair value of trade and other receivables does not differ materially from the book value. There is no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers which are internationally dispersed. The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of asset above. The Group does not hold any collateral over these balances.

Included within other receivables is invoiced royalty income of £9.8m (2019: £4.3m) of which £6.3m (2019: £1.9m) is non-current, being in respect of guarantee instalments due in over one year. Royalties receivable have been assessed for impairment, and are recognised less allowance for expected credit losses.

Receivables due from group companies to the Company are interest free and immediately repayable on demand. These amounts pose no material liquidity or credit risk as they are owed by other group undertakings and are expected to be settled by Group transactions.

Loans due to the Company from subsidiary undertakings are interest free and have no fixed repayment date. A loan balance due from Games Workshop Hong Kong Limited to the Company at the prior year end, with a repayment date in 2025 and an effective interest rate of LIBOR +1%, was settled during the year.

Loss allowances are established using the IFRS 9 simplified approach to expected credit losses. A lifetime loss allowance is calculated based on historical credit losses and is applied to trade receivables held across the Group. The ageing analysis of the Group's past due trade receivables is as follows:

Group	2020			2019		
	Gross value £m	Loss allowance £m	Net £m	Gross value £m	Loss allowance £m	Net £m
Up to 3 months past due	0.3	(0.1)	0.2	1.2	-	1.2
3 to 12 months past due	0.4	(0.2)	0.2	0.2	(0.2)	-
Over 12 months past due	-	-	-	-	-	-
	0.7	(0.3)	0.4	1.4	(0.2)	1.2

In addition to the above there is a loss allowance of £0.2m against current debt (2019: £nil).

Loss allowance against trade receivables

Movements on the loss allowance against trade receivables are as follows:

Group	£m
At 3 June 2018 and 4 June 2018	0.1
Charge for the year	0.2
Receivables written off during the year as uncollectible	(0.1)
At 2 June 2019 and 3 June 2019	0.2
Charge for the year	0.4
Receivables written off during the year as uncollectible	(0.1)
At 31 May 2020	0.5

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020 £m	2019 £m
Sterling	8.7	9.2
Euro	3.9	4.2
US dollar	11.6	5.5
Other currencies	2.9	3.0
Total trade and other receivables	27.1	21.9

21. Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash at bank and in hand	52.9	29.4	0.2	0.5
Cash and cash equivalents	52.9	29.4	0.2	0.5

The Group's cash and cash equivalents are repayable on demand.

There were no utilised borrowing facilities at 31 May 2020 or 2 June 2019.

22. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to understand the nature and impact of the financial risks and exposures facing the business.

Foreign currency risk

The majority of the Group's business is transacted in sterling, euros and US dollars. The principal currency of the Group is sterling.

The Group is exposed to foreign exchange risk principally via:

- transactional exposure arising from the future sales and purchases that are denominated in a currency other than the functional currency of the transacting company.
- translation exposure arising on investments in foreign operations, where the net assets are denominated in a currency other than sterling.
- loans to non-UK subsidiaries.

The Group does not use foreign currency borrowings or forward foreign currency contracts to hedge foreign currency risk. The level of the Group's exposure to foreign currency risk is regularly reviewed by the Group's finance director and the Group's treasury policies, including hedging policies, are reviewed to ensure they remain appropriate.

Foreign exchange sensitivity

The impact on the Group's financial assets and liabilities from foreign currency volatility is shown in the sensitivity analysis below.

The sensitivity analysis has been prepared based on all material financial assets and liabilities held at the balance sheet date and does not reflect all the changes in revenue or expenses that may result from changing exchange rates. The analysis is prepared for the euro and US dollar given that these represent the major foreign currencies in which financial assets and liabilities are denominated. The sensitivities shown act as a reasonable benchmark considering the movements in currencies over the last two financial years.

The following assumptions were made in calculating the sensitivity analysis:

- financial assets and liabilities (including financial instruments) are only considered sensitive to movements in foreign currency exchange rates where they are not in the functional currency of the entity that holds them.
- translation of results of overseas subsidiaries is excluded.

Using the above assumptions, the following table shows the sensitivity of the Group's income statement to movements in foreign exchange rates on US dollar and euro financial assets and liabilities:

	2020 Income gain/(loss) £m	2019 Income gain £m
15% appreciation of the US dollar (2019: 15%)	2.2	1.9
15% appreciation of the euro (2019: 15%)	(1.2)	0.8

A depreciation of the stated currencies would have an equal and opposite effect.

There is no impact on equity gains or losses.

Interest rate risk

The Group has no significant exposure to interest rate risk and hence no interest rate sensitivity has been shown.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to independent retailers.

The Group controls credit risk from a treasury perspective by only entering into transactions involving financial instruments with authorised counter-parties with a credit rating of at least 'A', and by ensuring that such positions are monitored regularly. Credit risk on cash and short term deposits is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts (note 20). Provision requirements are determined with reference to ageing of invoices, credit history and other available information. Trade receivables are written off when there is no reasonable expectation of recovery, such as when the customer has been declared insolvent.

Sales made through our own retail stores or our global web stores are made in cash or with major credit cards.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Financial risk factors continued

Capital risk

The capital structure of the Group consists of net funds (see note 31) and owners' equity (see notes 27 to 29). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Group's objective is not to use long term debt to finance the business. Overdraft facilities will be used to finance the working capital cycle if required.

The Group manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, buy back shares and cancel them or issue new shares. The Group uses return on capital employed to assess capital asset performance.

Liquidity risk

Liquidity is managed by maintaining sufficient cash balances to meet working capital needs. Cash flow requirements are monitored by short and long term rolling forecasts both within the local operating units and for the overall group. In addition, the Group's liquidity management policy involves projecting cash flows in the major currencies and considers the level of liquid assets necessary to meet these, monitoring working capital levels and liquidity ratios.

The undiscounted contractual cash flows of the Group's financial liabilities, including interest charges where applicable, are shown below. All trade payables are contractually due within 12 months and therefore the fair values do not differ from their carrying values.

Group	2020				2019			
	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Trade and other payables	17.6	-	-	-	13.1	-	-	-
Provisions for property	-	-	-	-	0.2	-	-	-
Lease liabilities	8.9	8.1	12.3	4.6	-	-	-	-
	26.5	8.1	12.3	4.6	13.3	-	-	-

Company	Within 1 year 2020 £m	Within 1 year 2019 £m
Trade and other payables	0.8	0.4

Financial instruments by category

	Group Financial assets at amortised cost		Company Financial assets at amortised cost	
	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets as per balance sheet				
Trade receivables	7.5	6.5	-	-
Accrued income	0.8	0.8	-	-
Other receivables	12.9	7.0	-	-
Receivables from group companies	-	-	3.8	2.5
Loans to group companies	-	-	3.9	4.0
Cash and cash equivalents	52.9	29.4	0.2	0.5
Total	74.1	43.7	7.9	7.0

	Group Financial liabilities at amortised cost		Company Financial liabilities at amortised cost	
	2020 £m	2019 £m	2020 £m	2019 £m
Financial liabilities as per balance sheet				
Trade payables	6.3	7.1	-	-
Other payables	6.8	2.7	0.2	-
Accruals	4.5	3.3	0.4	0.1
Payables to group companies	-	-	0.1	0.2
Total	17.6	13.1	0.7	0.3

Prepayments, deferred income balances and other taxes and social security payables have been excluded from the above as they are not financial assets or liabilities.

Payables due to group companies by the Company are interest free and immediately repayable on demand.

22. Financial risk factors continued

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the financial year:

	2020	2019
	£m	£m
Floating rate		
- Expiring within one year (bank overdraft facility)	25.0	-

23. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020	2019
	£m	£m
Current	8.3	-
Non-current	23.8	-
	32.1	-

The Group's leasing activity consists of leases on property, production equipment, IT equipment and motor vehicles. The majority of these leases relate to retail stores. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments to be made under reasonably certain extension options.

Variable lease payments not dependent on an index or a rate (such as turnover rent) are excluded from the measurement of the lease liability and asset.

Leases of retail property generally have a lease term ranging from 1 year to 10 years with a break option after no more than 5 years. Leases of other property, which includes warehouses and offices, generally have a lease term ranging from 2 years to 10 years. Leases of production equipment generally have a lease term ranging from 1 year to 5 years. Leases of vehicles and IT equipment are generally limited to a lease term of 1 to 3 years.

Amounts recognised in the income statement relating to leases:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Interest on lease liabilities	0.7	-
Expenses relating to short-term leases and low-value assets	0.6	-

Amounts recognised in the statement of cash flows relating to leases:

	Year ended 31 May 2020	Year ended 2 June 2019
	£m	£m
Total cash outflow for leases	10.3	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at the balance sheet date were due as follows:

	2020				2019			
	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Lease payments	8.9	8.1	12.3	4.6	-	-	-	-
Finance charges	(0.6)	(0.4)	(0.6)	(0.2)	-	-	-	-
Net present value	8.3	7.7	11.7	4.4	-	-	-	-

The Company held no lease liabilities at either year end.

24. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Current				
Trade payables	6.3	7.1	-	-
Other taxes and social security	2.8	1.1	0.2	0.1
Other payables	10.6	5.8	0.2	-
Accruals	7.0	4.2	0.3	0.1
Deferred income	3.6	1.0	-	-
Payables to group companies	-	-	0.1	0.2
	30.3	19.2	0.8	0.4

The fair value of trade and other payables does not materially differ from the book value.

Payables due to group companies by the Company are interest free and immediately payable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

25. Other non-current liabilities

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Accruals	0.5	1.0	0.1	-

The fair value of other non-current liabilities does not materially differ from the book value.

The carrying amounts of the Group's trade and other payables and other non-current liabilities are denominated in the following currencies:

	2020 £m	2019 £m
Sterling	18.6	11.2
Euro	3.4	2.2
US dollar	5.6	5.0
Other currencies	3.2	1.8
Total trade and other payables and other non-current liabilities	30.8	20.2

26. Provisions for liabilities and charges

Analysis of total provisions:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Current	1.7	0.9	-	0.1
Non-current	1.6	0.9	0.1	-
	3.3	1.8	0.1	0.1

Group	Employee benefits	Property	Other	Total
	£m	£m	£m	£m
At 3 June 2019	1.5	0.3	-	1.8
Effect of transition to IFRS 16 (note 3)	-	(0.2)	-	(0.2)
Charged/(credited) to the income statement:				
- Additional provisions	0.8	-	1.2	2.0
- Unused amounts reversed	-	(0.1)	-	(0.1)
Utilised	(0.2)	-	-	(0.2)
At 31 May 2020	2.1	-	1.2	3.3

The fair value of provisions does not differ from the book value.

Employee benefits

The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years of employment (Veterans scheme). The cost of this benefit is accrued over the period of employment based on expected staff retention rates and the anticipated employment costs and are utilised once an employee reaches 10, 20 or 30 years of employment.

Property provisions

Property provisions relate to any expected dilapidation costs where the Group is committed to return a leased property in a particular condition at the end of a lease arrangement.

Other

There is an onerous contract provision in respect of inventory purchase commitments where the value of orders is in excess of the expected utilisation of those materials as a result of revised forecasts.

27. Share capital

	Number of shares (thousands)	Called up share capital £m	Share premium £m	Total share capital and share premium £m
At 3 June 2018	32,349	1.6	11.6	13.2
Shares issued under employee sharesave scheme	153	-	0.7	0.7
At 2 June 2019	32,502	1.6	12.3	13.9
Shares issued under employee sharesave scheme	173	-	0.8	0.8
At 31 May 2020	32,675	1.6	13.1	14.7

During the year 172,976 ordinary shares were issued (2019: 153,160). The total authorised number of shares is 42,000,000 shares (2019: 42,000,000 shares) with a par value of 5p per share (2019: 5p per share). All issued shares are fully paid.

28. Other reserves

Group	2020				2019			
	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Total £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Total £m
Beginning of year	0.1	5.6	(1.0)	4.7	0.1	4.9	(1.0)	4.0
Exchange differences on translation of foreign operations	-	0.5	-	0.5	-	0.7	-	0.7
End of year	0.1	6.1	(1.0)	5.2	0.1	5.6	(1.0)	4.7

The other reserve was created on flotation following a payment to the previous holders of the Company's ordinary shares.

As at 31 May 2020, the Company's capital redemption reserve was £0.1m (2019: £0.1m). The Company had no other reserves in addition to the capital redemption reserve at either year end.

29. Retained earnings

	Group £m	Company £m
At 3 June 2018 and 4 June 2018	71.0	24.8
Profit attributable to owners of the parent	65.8	48.3
Current tax on share options	0.8	-
Deferred tax on share options	0.2	-
Share-based payments	0.3	0.3
Dividends to Company shareholders	(50.2)	(50.2)
At 2 June 2019 and 3 June 2019	87.9	23.2
Profit attributable to owners of the parent	71.3	46.4
Current tax on share options	1.3	-
Deferred tax on share options	0.1	-
Share-based payments	0.5	0.5
Dividends to Company shareholders	(47.3)	(47.3)
At 31 May 2020	113.8	22.8

NOTES TO THE FINANCIAL STATEMENTS continued

30. Notes to the statement of cash flows

Reconciliation of profit/(loss) to net cash from operating activities

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Operating profit/(loss)	90.0	81.2	(2.5)	(2.8)
Depreciation of property, plant and equipment	8.8	9.0	-	-
Depreciation of right-of-use assets	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	0.3	-	-	-
Loss on disposal of property, plant and equipment (see below)	-	0.1	-	-
Loss on disposal of intangible assets (see below)	0.3	0.2	-	-
Amortisation of capitalised development costs	4.9	5.3	-	-
Amortisation of other intangibles	1.2	1.6	-	-
Share-based payments	0.5	0.3	-	-
Dividend income from investments in subsidiary undertakings	-	-	48.5	50.5
Changes in working capital:				
- Decrease/(increase) in inventories	3.7	(3.4)	-	-
- (Increase)/decrease in trade and other receivables	(5.1)	(4.0)	1.2	(0.3)
- Increase/(decrease) in trade and other payables	10.7	(2.1)	(1.0)	0.3
- Increase in provisions	1.5	0.5	-	-
Net cash from operating activities	127.2	88.7	46.2	47.7

In the cash flow statement, proceeds from the sale of property, plant and equipment comprise:

	2020 £m	2019 £m
Net book amount	-	0.1
Loss on sale of property, plant and equipment	-	(0.1)
Proceeds from sale of property, plant and equipment	-	-

The Company sold no property, plant and equipment during either year.

The Group disposed of intangible assets with net book amount of £0.3m (2019: £0.2m). There were no proceeds on disposal in either year and hence a loss on disposal equivalent to the net book value was recorded.

The Company sold no intangible assets during either year.

31. Analysis of net funds

Group	2020 £m	2019 £m
Cash at bank and in hand	52.9	29.4
Lease liabilities	(32.1)	-
Net funds	20.8	29.4

Company	2020 £m	2019 £m
Cash at bank and in hand	0.2	0.5
Net funds	0.2	0.5

Group	Liabilities from	Cash at bank	Total
	financing activities £m	£m	£m
Net funds as at 3 June 2018 and 4 June 2018	-	28.6	28.6
Cash flows	-	0.5	0.5
Foreign exchange movement	-	0.3	0.3
Net funds as at 2 June 2019 and 3 June 2019	-	29.4	29.4
Recognised on adoption of IFRS 16	(32.9)	-	(32.9)
Cash flows	10.3	23.2	33.5
Acquisition - leases	(8.9)	-	(8.9)
Interest expense	(0.7)	-	(0.7)
Remeasurement adjustments	0.1	-	0.1
Foreign exchange movement	-	0.3	0.3
At 31 May 2020	(32.1)	52.9	20.8

The Company holds no lease liabilities, and had no cash flows arising from financing activities during either year.

32. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2020	2019
Group	£m	£m
Property, plant and equipment	1.4	2.9
Intangible assets	0.4	-

Leases

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable lease arrangements. The liabilities for these leases are recorded on the Group's balance sheet when the Group obtains control of the underlying asset. The Group has additional commitments relating to leases where the Group has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Group is committed over the expected lease term, but not recorded on the Group's balance sheet are as follows:

	2020	2019
Group	£m	£m
Within 1 year	0.1	-
Between 1 and 5 years inclusive	4.8	-
In over 5 years	6.1	-
	11.0	-

Prior to the transition to IFRS 16 on 3 June 2019 (note 3), the future aggregate minimum lease payments under non-cancellable operating leases were payable as follows:

Group	2020			2019		
	Retail stores £m	Other property £m	Other £m	Retail stores £m	Other property £m	Other £m
Within 1 year	-	-	-	8.5	0.6	0.1
Between 1 and 5 years inclusive	-	-	-	13.5	1.4	-
In over 5 years	-	-	-	0.6	-	-
	-	-	-	22.6	2.0	0.1

The Company had no capital commitments or commitments to leases at either year end.

Inventory purchase commitments

	2020	2019
Group	£m	£m
Finished goods	2.5	2.6
Components	1.4	1.2
Raw materials	-	0.6

The Company had no inventory purchase commitments at either year end.

Pension arrangements

The Group and Company operate defined contribution schemes. Commitments in respect of pensions are included within prepayments and accruals.

NOTES TO THE FINANCIAL STATEMENTS continued

33. Contingencies

The Company provides indemnities to third parties in respect of contracts regarding their use of the Group's intellectual property, under commercial terms in the normal course of business.

The Company has also guaranteed the bank overdrafts of certain Group undertakings. There were no amounts outstanding under these arrangements at either year end.

For the year ended 31 May 2020, the subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Company guarantees all outstanding liabilities to which the subsidiary companies are subject.

Name of undertaking	Country of incorporation or registration	Company registration number
Games Workshop Limited	England and Wales	1467092
Games Workshop International Limited	England and Wales	2924330
Games Workshop US Limited	England and Wales	7462905
Games Workshop US (Holdings) Limited	England and Wales	4428814
Games Workshop Step One Limited	England and Wales	12448253

The Group has provided a guarantee of £0.1m (2019: £0.1m) to the Canada Revenue Agency in relation to the non-resident sales tax returns of Games Workshop Limited.

34. Related party transactions

During the year the Company provided management and similar services to Games Workshop Limited, a subsidiary undertaking.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2020 £m	2019 £m
Games Workshop Limited	Recharges	0.1	0.1
	Dividend received	48.5	48.0
Games Workshop International Limited	Dividend received	-	2.5

Receivables/(payables) outstanding between the Company and its subsidiaries are shown below:

Subsidiary	Amount owed by subsidiaries		Amount owed to subsidiaries	
	2020 £m	2019 £m	2020 £m	2019 £m
Games Workshop Limited	3.7	2.5	-	-
Games Workshop Retail Inc.	0.1	-	-	-
Games Workshop Hong Kong Limited	-	-	-	(0.1)
Games Workshop Deutschland GmbH	-	-	(0.1)	-
Games Workshop Stockholm AB	-	-	-	(0.1)
	3.8	2.5	(0.1)	(0.2)

Non-current loans outstanding between the Company and its subsidiaries are shown below:

Subsidiary	Amount owed by subsidiaries	
	2020 £m	2019 £m
Games Workshop Interactive Limited	6.8	6.8
Less provision for impairment	(6.8)	(6.8)
Games Workshop Limited	3.9	3.9
Games Workshop Hong Kong Limited	-	0.1
	3.9	4.0

35. Share-based payments

Share options outstanding at the year end date have the following expiry date and exercise prices:

Scheme	Grant date	Expiry date	Exercise price	Share options outstanding	
				2020 No.	2019 No.
2015 Scheme - Rest of world	14 Oct 2015	1 May 2019	£4.69	-	767
2016 Scheme - Rest of world	21 Sept 2016	1 May 2020	£4.19	859	169,577
2016 Scheme - France	21 Sept 2016	1 May 2020	£4.15	-	1,112
2017 Scheme - Rest of world	27 Sept 2017	1 May 2021	£13.08	95,973	98,273
2017 Scheme - France	27 Sept 2017	1 May 2021	£14.85	334	334
2017 Scheme - USA	2 Oct 2017	1 Oct 2019	£16.58	-	3,007
2018 Scheme - Rest of world	26 Sept 2018	1 May 2022	£28.59	59,330	64,064
2018 Scheme - France	26 Sept 2018	1 May 2022	£31.77	529	569
2018 Scheme - USA	1 Oct 2018	1 Oct 2020	£33.22	4,369	4,932
2019 Scheme - Rest of world	25 Sept 2019	1 May 2023	£34.38	80,911	-
2019 Scheme - France	25 Sept 2019	1 May 2023	£35.87	612	-
2019 Scheme - USA	1 Oct 2019	1 Oct 2021	£39.87	4,249	-
				247,166	342,635

Options to acquire share capital of the Group have been granted to eligible employees who enter into a Sharesave contract. Participation in the Sharesave scheme is offered to all employees of the Group who have been employed for a continuous period determined by the board. Under the Sharesave contract, participating employees save a regular sum each month up to a maximum of £500 per month for three years, or for two years for the US.

89,668 options were granted in the year (2019: 76,401) under the Sharesave Scheme, all of which will be equity settled.

172,976 options have been exercised in the year (2019: 153,160). The weighted average market price of Games Workshop Group PLC shares at the date of exercise of Sharesave Scheme options during the year was £45.76 (2019: £32.41).

The assessed fair values at grant date of options granted during the year were as follows:

Scheme	
2019 Scheme - Rest of world	£15.05
2019 Scheme - France	£14.23
2019 Scheme - USA	£11.89

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

FIVE YEAR SUMMARY

	2020	2019	2018	2017	2016
	£m	£m	£m	£m	£m
Revenue	269.7	256.6	221.3	158.1	118.1
Operating profit – pre-exceptional items and royalties receivable	73.2	69.9	64.7	30.8	10.9
Royalties receivable	16.8	11.3	9.6	7.5	6.0
Operating profit	90.0	81.2	74.3	38.3	16.9
Finance income	0.1	0.1	0.1	0.1	0.1
Finance costs	(0.7)	-	(0.1)	-	-
Profit before taxation	89.4	81.3	74.3	38.4	17.0
Income tax expense	(18.1)	(15.5)	(14.8)	(7.9)	(3.5)
Profit attributable to owners of the parent	71.3	65.8	59.5	30.5	13.5
Basic earnings per ordinary share	218.7p	202.9p	184.3p	95.1p	42.1p

FINANCIAL CALENDAR

Annual general meeting
Announcement of half year results
Financial year end
Announcement of final results

16 September 2020
January 2021
30 May 2021
July 2021

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Games Workshop Group PLC (the 'Company') will be held at the Company's registered office, Willow Road, Lenton, Nottingham, NG7 2WS at 10am on 16 September 2020 for the following purposes:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions 1 to 10 as ordinary resolutions:

Resolution 1

To receive the Company's annual financial statements for the year ended 31 May 2020 together with the directors' report, the remuneration report and the independent auditors' report on those financial statements, the auditable part of the remuneration report and the directors' report.

Resolution 2

To re-elect K D Rountree as a director.

Resolution 3

To re-elect R F Tongue as a director.

Resolution 4

To re-elect N J Donaldson as a director.

Resolution 5

To re-elect E O'Donnell as a director.

Resolution 6

To re-elect J R A Brewis as a director.

Resolution 7

To re-elect K E Marsh as a director.

Resolution 8

To re-appoint PricewaterhouseCoopers LLP as independent auditors to hold office until the conclusion of the next general meeting at which financial statements are laid by the Company.

Resolution 9

To authorise the directors to fix the auditors' remuneration.

Resolution 10

To approve the remuneration report (excluding the directors' remuneration policy set out on pages 31 to 34 for the year ended 31 May 2020).

Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 11 will be proposed as an ordinary resolution and resolutions 12 and 13 will be proposed as special resolutions.

Resolution 11

That the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Relevant Securities (as defined below) up to an aggregate nominal amount of £539,171 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 15 December 2021 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Relevant Securities means: (i) shares in the Company other than shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act), a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; (ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 12

That subject to the passing of resolution 11 above, the directors of the Company be given the general power pursuant to sections 570 to 573 of the Companies Act 2006 (the 'Act') to allot or make offers or agreements to allot equity securities for cash, either pursuant to the authority conferred by resolution 11 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue so that for this purpose 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with rights attached thereto but subject to such exclusions or other arrangements as the directors consider necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory; and
- (b) the allotment of equity securities up to an aggregate nominal amount of £81,692.

The power granted by this resolution will expire on 15 December 2021 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities. For the purposes of this resolution the expression 'equity securities' and references to 'allotment of equity securities' respectively have the meanings given to them in section 560 of the Act.

Resolution 13

That the Company be and is hereby granted general and unconditional authority for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ('ordinary shares') on such terms and in such manner as the directors may from time to time determine provided that:

- (a) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 15 December 2021 whichever is the earlier;
- (b) the maximum aggregate number of ordinary shares that may be purchased is 3,267,703;
- (c) the minimum price (excluding expenses) which may be paid for an ordinary share is 5p;
- (d) the maximum price (excluding expenses) which may be paid for an ordinary share is the higher of: (i) an amount equal to 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day on which the purchase is made; and (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of the Company's ordinary shares on the trading venue where the purchase is carried out; and
- (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the board

R Matthews

Company secretary

27 July 2020

Registered office:

Willow Road, Lenton

Nottingham

NG7 2WS

Registered in England and Wales under number 2670969

Notes

Throughout the ongoing Covid-19 pandemic, the health and safety of our staff, customers and shareholders has remained our priority. With this in mind, we regret that it will not be possible for shareholders to attend our AGM this year. The AGM will be run as a closed meeting and shareholders will not be permitted to attend in person. The AGM will only be attended by two directors who hold shares, such that they can form a quorate meeting and duly record the proxy votes.

We advise you to appoint only the chair of the meeting as your proxy, to ensure that your votes are cast in accordance with your instructions. If you appoint someone else as your proxy, they will not be permitted to attend the meeting in person and therefore your vote will not be counted.

All of the following notes and, in particular, any reference to attendance at the 2020 Annual General Meeting, whether by a shareholder, its proxy or corporate representative, shall be construed accordingly.

1. Only those members registered on the Company's register of members at 6.30 pm on 14 September 2020 or, if this meeting is adjourned, at 6.30pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this document. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA so as to be received no later than 48 hours before the time fixed for holding the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA no later than the time fixed for holding the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
10. Appointment of a proxy does not preclude you from attending the meeting and voting in person.
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
12. As at 27 July 2020 (being the last practical date prior to the publication of this notice), the Company's issued share capital comprised 32,677,031 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 27 July 2020 is 32,677,031. The website referred to in note 21 will include information on the number of shares and voting rights.
13. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') you may have a right under an agreement between you and the member of the Company who has nominated you (a 'Relevant Member') to have information rights to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
14. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.
15. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; (c) the request may be in hard copy form or in electronic form (see note 19 below), must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported, must be authenticated by the person or persons making it (see note 19 below); and must be received by the Company not later than 6 weeks before the meeting to which the request relates.

Notes continued

16. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (a) the matter of business must not be defamatory of any person, frivolous or vexatious, (b) the request may be in hard copy form or in electronic form (see note 19 below), must identify the matter of business by setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the persons or person making it (see note 19 below) and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
17. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at note 18 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's financial statements (including the auditors' report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website, and the statement may be dealt with as part of the business of the meeting. The request may be in hard copy form or in electronic form (see note 19 below), either set out the statement in full, or if supporting a statement sent by another member, clearly identify the statement which is being supported, must be authenticated by the person or persons making it (see note 19 below), and be received by the Company at least one week before the meeting.
18. In order to be able to exercise the members' right to require circulation of a resolution to be proposed at the meeting (see note 15); a matter of business to be dealt with at the meeting (see note 16) or the Company to publish audit concerns (see note 17), the relevant request must be made by a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company, or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 12 above and the website referred to in note 21.
19. Where a member or members wishes to request the Company to circulate a resolution to be proposed at the meeting (see note 15), include a matter of business to be dealt with at the meeting (see note 16) or publish audit concerns (see note 17) such request must be made in accordance with one of the following ways: (a) a hard copy request which is signed by you, which states your full name and address and is sent to Ross Matthews, Games Workshop Group PLC, Willow Road, Lenton, Nottingham NG7 2WS; or (b) a request which states your full name and address, and is sent to ross.matthews@gwplc.com. Please state 'AGM' in the subject line of the e-mail.
20. Under section 319A of the Companies Act 2006 the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from <http://investor.games-workshop.com>.
22. The following documents will be available for inspection for at least 15 minutes prior to the meeting and during the meeting: (a) copies of the service contracts of executive directors of the Company and (b) copies of the service agreements of the independent directors of the Company.
23. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
24. As an alternative to completing a hard copy proxy form, a shareholder can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. Shareholders will need their voting ID, task ID and shareholder reference number (this is the series of numbers printed under their name on the proxy form). Alternatively, if a shareholder has already registered with Equiniti Limited's online portfolio service, Shareview, they can submit a proxy form at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 48 hours before the time fixed to hold the meeting. Any electronic communication sent by a shareholder to the Company or the registrar that is found to contain a computer virus will not be accepted.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Financial statements

This is a standard resolution common to all annual general meetings.

Resolutions 2 to 7 – Election and re-election of directors

The following directors will stand for re-election in accordance with the UK Corporate Governance Code and the Company's articles of association:

- K D Rountree
- R F Tongue
- N J Donaldson
- E O'Donnell
- J R A Brewis
- K E Marsh

Each of the above directors has indicated their willingness to offer themselves for re-election. The board, having considered the mix of skills, knowledge and experience of the directors confirms that each director continues to perform their duties effectively, showing integrity and high ethical standards whilst maintaining sound, independent judgement in respect of all decisions taken at board level.

Biographical details for each of the directors can be found on pages 16 and 17 of the 2020 annual report.

Resolutions 8 and 9 – Re-appointment of auditors and auditors' remuneration

The Company is required to appoint an auditor at each meeting at which financial statements are presented and PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions 8 and 9, subject to the approval of the shareholders of the Company, re-appoints PricewaterhouseCoopers LLP as auditors of the Company and authorises the directors to determine the remuneration of the auditors.

Resolution 10 – Directors' remuneration

Shareholders will be requested to approve the directors' remuneration report (excluding the directors' remuneration policy) for the financial year ended 31 May 2020.

Resolution 11 – Directors' power to allot relevant securities

Generally, the directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

In line with guidance issued by the Investment Association, if passed, resolution 11 will authorise the directors to allot ordinary shares in the Company (and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company) in connection with a rights issue only up to an aggregate nominal amount of £539,171 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under resolution 12). This amount (before any reduction) represents approximately 33% of the issued ordinary share capital of the Company as at 27 July 2020, being the last practicable date before the publication of this document. The directors intend to follow emerging best practice as regards the use of this authority, including as to the requirement for directors to stand for re-election.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months from the passing of the resolution (whichever is earlier). It is the directors' intention to renew the allotment authority each year.

The directors have no current intention to exercise either of the authorities sought under resolution 11. However, the directors consider that it is in the best interests of the Company to have the authorities available so that they have the maximum flexibility permitted by institutional shareholder guidelines to allot shares or grant rights without the need for a general meeting should they determine that it is appropriate to do so to respond to market developments or to take advantage of business opportunities as they arise.

Resolution 12 – Disapplication of pre-emption rights on equity issues for cash

Resolution 12, if passed, would enable the directors to allot shares for cash on a non pre-emptive basis in limited circumstances. It is proposed to authorise the directors to issue shares for cash up to an aggregate nominal amount of £81,692 (which represents approximately 5% of the Company's issued share capital as at 27 July 2020), without having to first offer them to shareholders in proportion to their existing holdings. In addition, in accordance with normal practice, the resolution would enable the board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months from the passing of the resolution (whichever is earlier). It is the directors' intention to renew this authority each year.

There are no present plans to exercise this authority.

Resolution 13 - Market purchase of own shares

A company may only purchase its own shares by either an off-market purchase, in pursuance of a contract approved in advance in accordance with section 694 of the Act or by a market purchase, authorised in accordance with section 701 of the Act. A 'market purchase' is one made through a 'recognised investment exchange'. Although the Act only requires an ordinary resolution, LR 12.4.7 of the Listing Rules requires the resolution to be passed as a special resolution (the ABI also recommend that the resolution should be passed as a special resolution). This resolution 13 authorises market purchases of the Company's own shares to be made but only within the limitations specified. In accordance with Investment Association guidelines the maximum number of shares purchased under this authority must not exceed 3,267,703 ordinary shares. The resolution also states the maximum price which may be paid being 5p per ordinary shares and the maximum price being the higher of: (i) an amount equal to 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day on which the purchase is made; and (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of the Company's ordinary shares on the trading venue where the purchase is carried out.

As recommended by the Investment Association the Company renews this authority on an annual basis at each annual general meeting.

The directors have no current intention of exercising this authority to purchase the Company's ordinary shares. The Company will only exercise this authority to make such a purchase in the market if the directors consider it is in the best interests of the shareholders generally to do so.

The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the directors exercise this authority. The directors will have regard to investor group guidelines which may be in force at the time of any such purchase, holding or re-sale of shares held in treasury.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months after the passing of the resolution (whichever is earlier). It is the directors' intention to renew this authority each year.