PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

30 July 2019

ANNUAL REPORT

Games Workshop Group PLC ("Games Workshop" or the "Group") announces its annual report for the period to 2 June 2019.

Highlights

	52 weeks to 2 June 2019 £000	Restated 53 weeks to 3 June 2018 £000
Revenue	**256,574**	221,304
Revenue at constant currency*	**255,295**	221,304
Operating profit - pre-royalties receivable	**69,834**	64,702
Royalties receivable	**11,365**	9,617
Operating profit	**81,199**	74,319
Profit before taxation	**81,296**	74,270
Cash generated from operations	**88,776**	82,332
Earnings per share	**202.9**	184.3p
Dividends per share declared in the year	**155p**	126p

Kevin Rountree, CEO of Games Workshop said:

"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.

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

For further information, please contact:

Games Workshop Group PLC **0115 900 4003**
Kevin Rountree, CEO
Rachel Tongue, Group Finance Director

Investor relations website Investor.games-workshop.com
General website www.games-workshop.com

The full 2019 annual report can be downloaded from the investor relations website at investor.games-workshop.com

*Constant currency revenue is calculated by comparing results in the underlying currencies for 2019 and 2018, both converted at the 2018 average exchange rates.

STRATEGIC REPORT
Strategy and objectives

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

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

Let me go through our strategy part by part:

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

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 Hobby gene and to find them we apply our tried and tested approach of recruiting customers in our own stores, by offering a fantastic customer experience. Our retail business is supported by our own online store (it has the full range of our product) 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 growth, particularly in North America, Germany 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 off shoot of Warhammer 40,000, the Horus Heresy 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 of thousands of exciting narratives. We are committed to making it easier than ever for people to discover, engage with and immerse themselves in our IP. Aided by a small, senior team we have already begun to find new partners, and new ways to help us bring the worlds of Warhammer to life like never before. Together, we’ll continue to explore animation, live action and more. We’ll present the very best aspects of our rich IP, delighting audiences while always ensuring we do no harm to our core miniatures business.

Business model and structure

We design, manufacture, distribute and sell our fantasy miniatures and related products. These are fantasy miniatures from our own Warhammer 40,000 and Warhammer: Age of Sigmar universes. Our 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 75% of our sales coming from outside the UK.

Design
Employing 228 people, the design studio in Nottingham creates all the IP and the miniatures, artwork, games and publications that we sell. In 2018/19 we invested £10.5 million in the studio (including software costs) with a further £3.3 million spent on tooling for new plastic miniatures. We are committed to investing in these areas at an appropriate level every year.

We design all of our products at our HQ in Nottingham. Annually, specialist staff produce hundreds of new sculpts, illustrations, rules, stories, etc. that deliver new products every week, keeping customers engaged and excited.

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) and those of others, e.g. Lord of the Rings.

Our resin miniatures, designed for more veteran 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 that. In the pursuit of ever better results 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 more than painting just our miniatures.

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

Manufacture
We are proud to manufacture our product in Nottingham. It's where we started and where we intend to stay. During the year we completed phase 1 of our new site, considerably expanding our production capacity, and phase 2, an expansion of our tooling facility and additional office space, is ongoing with completion expected in the Autumn of 2019.

Logistics
All of our product is initially distributed from our warehouse facility in Nottingham. This facility supplies our two hubs in Memphis, Tennessee and Sydney, Australia, and then directly to our independent retailers and retail stores. A project to extend and upgrade the Memphis facility was started in March 2019.

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 marketing team.

Retail - provides the focus for the Warhammer Hobby in their 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 517 Games Workshop stores in 23 countries. Our stores contributed 34% of the year's sales. We have 410 one man stores: small sites, each one staffed by only one store manager. We also have 107 multi-man stores, which are constantly reviewed to ensure they remain profitable. If not, they will be closed and probably replaced with one man stores.

Trade - we sell to third party retailers under closely controlled terms and conditions. They help us sell our products around the world and importantly in areas where we don't have our own stores. Independent retailers are an integral part of our business model: Games Workshop strives to support those outlets which help to build the Warhammer Hobby community in their local area. The bulk of these sales are made via our telesales teams based in Memphis and Nottingham. We also have small telesales teams in Sydney, Tokyo, Shanghai, Singapore, Hong Kong and Kuala Lumpur. In 2018/19 we had 4,700 independent retailers (2018: 4,100) in 69 countries. We strive to deliver excellent service, operating in 22 languages covering all time zones. 47% 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 web stores accounted for 19% of total sales in 2018/19. All of our retail stores also have a web store terminal that allows our customers shopping in our retail stores access to the full range. The web stores are run centrally from Nottingham.

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 principally from computer games sales in North America, the UK and Continental Europe.

Business model and structure continued

Sell continued

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 Nottingham; it is where the 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, marketing, operations and support, systems and IP exploitation.

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

Our channel sales structure comprises retail, trade and online. This structure is made up of two key retail territory heads of sales in North America and the Rest of the World. We also have a global head of trade sales and a global head of online along with a head of sales for Asia. A global head of digital and community marketing and a global head of merchandising and logistics support our sales channels with appropriate internal and external communication. 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, year to date and Moving Annual Total (‘MAT’) sales growth by channel
Measures the sales growth achieved in each of our channels on a monthly, year to date and rolling 12 month basis.

Monthly, year to date and MAT Group gross margin
Measures the gross profit achieved on sales after taking account of the direct costs and depreciation of manufacturing equipment and shipping our product to customers/stores on a monthly, year to date and rolling 12 month basis.

Year to date core business operating profit percentage
The ratio of core business operating profit before royalty income against revenue, as a percentage.

Monthly, year to date and MAT core business profit
Measures gross profit less operating expenses on a monthly, year to date and 12 month rolling basis, before royalty income.

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

MAT number of ordering stockist accounts by territory
Measures the number of trade outlets that have ordered from us in the last six months. It is an indicator of our global reach and the health of our trade account base.

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

Our key non-financial performance indicators are:

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

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

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

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

We return our surplus cash to our owners and try to do so in ever increasing amounts.

Review of the year

Core business
Another record performance from the global Games Workshop team. Well done to you all, thank you.

I am pleased to report a third year of record constant currency sales, profit, cash generation and returns to shareholders. We enjoy setting new records at Games Workshop and beating last year's record beating year with an even better year highlights the progress we are making. I'm sure next year will be just as exciting!

Our success has come from remaining true to our long-term strategy. We have once again delivered on our promise to produce and sell the best fantasy miniatures in the world, engaging and inspiring our fans. In fact, in the year we engaged with more customers than ever before. We continue to work hard, have some fun and make the Warhammer Hobby ever better.

Breaking records for three years in a row sets the bar higher and higher and so, to be realistic, I will continue to make no promises that we will continue to grow. That said, I do not see anything significant that will get in the way. We will continue to deliver our operational plan, facing any challenges head on. Our strong culture, built on teamwork and collaboration, continues to give ourselves the best chance of success. Games Workshop is the best fantasy miniatures company in the world and the whole team are very proud of that. We are doing everything we can to ensure we remain the best, forever.

Media and entertainment
We have spent a considerable amount of time and money over the last 30 years developing some of the world's best stories and characters set in our Warhammer universes. Over the last few years we have been exploring how we develop this as digital content particularly in animation and TV. This month, July 2019, we took a major step into this industry and announced that we had signed a development agreement with a script writer, show runner and production company to bring one (we have many more) of our famous stories and characters in our Warhammer 40,000 universe to TV. In this case, a story based on one of our most popular Black Library novels, Eisenhorn. With this agreement, Warhammer on screens both large and small is ever closer to being a reality. To say we are excited would be an understatement! And while it's still early days, we think this is a step in the right direction.

In addition to this exciting venture, we have also finished development and begun production on an animated series, Angels of Death. This puts our fan favourites, the Space Marines, front and centre. It's set to be a dark, moody tale that showcases the grimdark of our Warhammer 40,000 IP. We're still exploring distribution methods, and it might well be that Angels of Death launches on our own Warhammer TV.

We are eager to learn about the new 'space', particularly with regards production and distribution. Whilst our short term goal is to understand how the entertainment and media industry works (it appears somewhat complex and expensive), longer term we believe we can closer integrate our media efforts within our business. We are skilled storytellers who understand our IP better than anyone else. To ensure we make the most of that fact, we've formed the Warhammer Story Forge, a group of creatives who are both skilled writers and Warhammer experts. Together they have been and will continue to develop outlines, scripts and stories for media projects. Their creativity and passion will ensure we delight fans, deliver amazing Warhammer content to whole new audiences, and protect the integrity of our IP.

We believe this is just the beginning of what will be exciting times for both our Citadel and Forge World miniatures fans, and fans of Warhammer everywhere.

Update on priorities for 2018/19
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.

Following the successful launch of our global recruitment website and applicant tracking system in April 2018, we added an onboarding online service tool in March 2019. We are also making good progress in choosing a new e-learning tool for our retail store managers which will allow us to complement our quarterly retail training with regular updates. In February 2019 we launched a new 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 grow it is ever more important 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 2018/19 continued

Staff recruitment, training and development continued

In line with our expectations and cost conscious plan, our headcount has risen from 1,654 to 2,110 over the last five years. To ensure we have the right people in the right jobs at the right time, in February 2019 I appointed a global head of people. The team will 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 as well as the wellbeing support they may need at work. 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 will be integral to these plans.

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

- We opened 40 of our own stores, mostly in our one man store format in North America.
- We opened 600 more trade accounts in line with our well established terms and conditions, selling independent accounts our best selling products and, where appropriate, the extended range.

With the long term in mind, we have also been working on some new product initiatives and programmes focused on the long term to help introduce people to the Warhammer Hobby:

- Warhammer Schools Alliance Programme - The Warhammer Alliance packs are for teachers of students between 12 and 18 years old and are an opportunity for young hobbyists to share their passion with other like-minded students. The programme was developed in collaboration with STEM teachers to complement their approach to learning. Currently we have over 2,300 schools in the UK, North America, Australia and Asia receiving our schools packs, with more schools joining every day.
- UK Scouts partnership - Warhammer is an official partner to the Scouts in the UK. We joined forces in March 2019 to sponsor the model maker activity badge. Scouts all across the UK will be able to begin their Warhammer journey via a special activity pack.
- Duke of Edinburgh's Award scheme - We're also now very proud to be registered and involved with the Duke of Edinburgh's Award scheme, a UK based youth programme.

To further support each of these great schemes, we've set up a bespoke website. Warhammer-alliance.com will act as a content and resource hub to enable these groups, and others in the future, to get involved and explore the Warhammer Hobby.

- 'Warhammer 40,000 Conquest' - a weekly part-work magazine, launched in the UK, Spain and Australia with launches in Germany, Italy and France later this year. To date we have 14,000 subscribers.
- 'Space Marine Heroes' - our push off the frame and push fit miniatures, sold as blind collectibles. Originally launched in Japan in September 2017, Series 1 was launched globally in November 2018.

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:

As Warhammer is a hobby it is always our goal to allow our customers to have as much fun with our Warhammer miniatures, paint and games as they choose. To achieve this over the last few years our range has become ever more exciting, with new miniatures from our two core systems released every month. 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 period. This has enabled us to implement a product category approach and extend our range planning time horizon to support more effective product launches and to minimise waste. In August 2018 we implemented a new forecasting tool which is supporting improvements in customer service and product availability. This tool will help us to manage our stock levels better too, a challenge we have been working to address.

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:

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.

Design to manufacture

Design studios

We have significantly increased the number of new releases in the last few years, for our core brands (Warhammer 40,000 and Warhammer: Age of Sigmar) and our secondary ranges, with the intent of providing customers ever greater breadth and depth in their hobby. Kill Team provided new ways to collect and play with your Warhammer 40,000 miniatures, exciting both new and existing hobbyists alike and Soul Wars, the Warhammer: Age of Sigmar launch, kick-started a year of great new miniatures.

Following the successful introduction of Blood Bowl (2017) and Necromunda (2018), this year we launched two additional secondary offers - Adeptus Titanicus, giant war machines from our Warhammer 40,000 universe, and Middle-earth Strategy Battle Game, covering both the Hobbit and Lord of the Rings films and books. Both exceeded our expectations.

Update on priorities for 2018/19 continued

Design to manufacture continued

We remain focused on delivering great value and constantly balance the cost of designing our new releases with the sales they generate. Studio payroll costs have increased by £1.2 million to £8.1 million; as a percentage of Group revenue they remain at 3.1%.

Manufacturing

Phase 1 of our new factory went live in December 2018. It looks and smells very clean and it has quickly become a great place to work. The design to manufacturing team is working on a solid plan to optimise production efficiencies and fully utilise the facility. Phase 2, scheduled to complete in the Autumn of 2019, will deliver an expanded tool room and new R&D capabilities. The total capital cost of this new facility including the purchase of the land will be approximately £14 million.

This manufacturing investment doubled the number of plastic injection moulding machines we have available and was supported by us significantly increasing our average production staffing levels from 143 to 198 at our HQ site in Nottingham.

Production payroll costs remain a key area of focus. During the year they increased by £1.6 million to £7.5 million; as a percentage of Group revenue they have increased by 0.2% to 2.9%. We expect this percentage to stay at similar levels in the year ahead.

Warehousing

In November 2018 we recruited a new group logistics manager who, with the support of their team, is now implementing an operational plan to upgrade our main warehouse facilities.

North America

We have been at the facility in Memphis, Tennessee for over 16 years and following a thorough review decided to stay at this location. In January 2019 we agreed with the landlord to extend our lease and they have agreed to extend the footprint of the facility from 100k sq ft to 150k sq ft. 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.

UK

We have been at our own warehousing facility at Nottingham for the last 14 years which we have now outgrown. We will be moving to a purpose built rented facility less than 11 miles from our HQ and will be investing c. £5 million in new warehouse fixtures and fittings and technology. This project will start in the Autumn of 2019. The current warehouse at our HQ will become our component warehouse, saving on third party costs.

Logistics costs continue to be an area of focus. Total warehousing costs have increased by £2.7 million to £9.5 million, as a percentage of Group revenue they have increased from 3.1% to 3.7%. We would expect this percentage to rise to c. 5% at similar sales levels following the investments above.

Digital asset management (DAM)

DAM is a business process for organising, storing and retrieving digital assets, e.g. photos, artwork, videos, and other multimedia content. This investment will ensure we can sleep at night knowing that we can easily archive, preserve, locate and retrieve any assets based on the IP that we own. From those generated by our licensing partners in their computer games to our own marketing content and product designs. The project started in January 2019 and the software and infrastructure are now live.

Sales

Sales by segment

	52 weeks to 2 June 2019 Constant currency	Restated 53 weeks to 3 June 2018 Constant currency	**52 weeks to 2 June 2019 Actual rates**	Restated 53 weeks to 3 June 2018 Actual rates	**2019 % of total sales**	2018 % of total sales
Trade	**£120.6m**	£94.4m	**£121.5m**	£94.4m	**47%**	43%
Retail	**£87.6m**	£82.0m	**£87.8m**	£82.0m	**34%**	37%
Online	**£47.1m**	£44.9m	**£47.3m**	£44.9m	**19%**	20%
Total sales	**£255.3m**	£221.3m	**£256.6m**	£221.3m		

Prior period amounts have been restated following the retrospective adoption of IFRS 15 ‘Revenue from contracts with customers’.

Reported sales grew by 16% to £256.6 million for the year. On a constant currency basis, sales were up by 15% from £221.3 million to £255.3 million.

Sales by channel
34% (2018: 37%) of sales were made through our own stores, 47% (2018: 43%) of sales were to independent retailers and 19% (2018: 20%) were online.

Retail
Store openings and closures during the year:

	Number of stores at 3 June 2018	Opened	Closed	**Number of stores at 2 June 2019**	**Number of one man stores at 2 June 2019**	Number of one man stores at 3 June 2018
UK	144	1	5	**140**	**100**	104
North America	134	20	1	**153**	**140**	119
Continental Europe	148	7	4	**151**	**108**	103
Australia	48	4	2	**50**	**41**	39
Asia	15	8	-	**23**	**21**	14
	489	40	12	**517**	**410**	379

We opened 40 new stores in the year including 8 relocated stores (shown within both the opened and closed store numbers above). These new stores generated £3.0 million of profitable sales. Our main focus for store openings in the year ahead will be North America and Germany. We will continue to focus on improving our existing store performance.

Retail sales grew by 7% in the year (7% at constant currency), helped by additional growth from 28 net new stores and our visitor centre delivering 9% growth. We continue to fine tune our skills-based training for all of our store managers at our retail workshops.

Trade
Sales increased by 29% during the year (28% at constant currency). We delivered growth in every major country we sell our products in thanks to the hard work of our telesales teams in Memphis, Nottingham and Sydney. Sales to trade accounts which sell primarily online continue to perform well.

Online
Sales grew by 5% (5% 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.

Asia
China
Sales grew by 67% in the year. We continue to be patient, adopting our proven channel strategy in this region. We successfully opened our first store in the south of China, a multi man store in Shenzhen. This adds to the other successful 5 stores based in Shanghai. The product range is increasingly available in Mandarin.

To complement our traditional channel strategy, in February 2019 we launched a 'Warhammer' online store on one of China's e-commerce platforms. We are selling a limited range of items, mainly 'getting started' product and some hobby supplies.

Rest of Asia
Sales grew profitably by 23% in the year. This was driven by 22% sales growth in Japan where we now have 8 retail stores and have doubled the number of independent stores, partially thanks to the visibility and promotion of products like 'Space Marine Heroes', and the help of a few local partners.

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 and 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 marketing, had over 114 million page views in the period, nearly double that of the previous year. This is from over 6 million users, up 1 million from the same period last year. In the year, we also expanded our social media toolkit, using targeted content to re-engage our audience. Early indicators show a good return on spend, giving us a promising way to deliver great content to lapsed and new customers alike.

As well as supporting Warhammer 40,000 and Warhammer: Age of Sigmar with daily content, the team has focused on providing better support for new customers, developing a series of instructional How To Play videos. These have been a great success, with metrics up over 100% on the previous iterations of such videos. Once again, the team has also made space to innovate and play, experimenting with new, engaging content types, such as a live action trailer for Warcry, and a series of 'movie spoofs' to launch the Citadel Colour Contrast paint range. As a result, official Warhammer video content was viewed over 50 million times across our channels in the year.

Gross margin
Gross margin declined in the year in line with our expectations (2019: 67.5%; 2018: 71.0%). This was as a direct result of sales mix of new and existing product - 38% of sales from new releases and 62% of sales from existing product - as well as channel mix changes.

Costs
Costs have increased by £11.1 million in the year as a result of investments for the long term: £4.1 million in our store opening programme which has partially helped us to deliver organic sales growth by expanding into new geographic locations, and £2.6 million additional spend on our operations, support and marketing teams. As a direct result of our significant sales and profit growth, we rewarded all of our staff with a £1,500 discretionary payment in addition to a £1,000 profit share payment each (total cost £5.5 million; 2018: £4.8 million). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £1.0 million; 2018: £2.9 million) who achieved sales growth whilst maintaining costs broadly in-line with last year. Variable costs directly attributable to sales volume growth increased by £1.6 million in the year.

Operating profit
Operating profit by segment

	52 weeks to 2 June 2019 Constant currency	Restated 53 weeks to 3 June 2018 Constant currency	**52 weeks to 2 June 2019 Actual rates**	Restated 53 weeks to 3 June 2018 Actual rates
Trade	**£44.2m**	£32.9m	**£43.7m**	£32.9m
Retail	**£10.5m**	£7.2m	**£10.4m**	£7.2m
Online	**£29.3m**	£27.9m	**£29.2m**	£27.9m
Product and supply	**£18.8m**	£23.9m	**£18.5m**	£23.9m
Royalties (net of costs)	**£10.4m**	£8.8m	**£10.6m**	£8.8m
Other costs	**£(31.4)m**	£(26.4)m	**£(31.2)m**	£(26.4)m
Total operating profit	**£81.8m**	£74.3m	**£81.2m**	£74.3m

Prior period amounts have been restated following the retrospective adoption of IFRS 15 'Revenue from contracts with customers'.

Core business operating profit (operating profit before royalty income)
Core business operating profit grew by £5.1 million to £69.8 million (2018: £64.7 million). On a constant currency basis, core business operating profit increased by £6.0 million to £70.7 million. This was driven by improvements across all of our three main channels.

Royalty income
Royalty income increased in the year by £1.7 million to £11.4 million. This was due to the strong performances of Total War: Warhammer II and Warhammer: Vermintide 2. Reported income is split as follows: 87% PC and console games, 7% mobile and 6% other. Royalty income recognises guarantee income in full at the inception of the contract, following the retrospective adoption of IFRS 15.

Cash generation
During the year, the Group's core operating activities generated £69.0 million of cash after tax payments (2018: £66.0 million). The Group also received cash of £9.1 million in respect of royalties in the year (2018: £8.9 million). After purchases of tangible and intangible assets and product development costs of £22.5 million (2018: £21.5 million), dividends of £50.3 million (2018: £38.7 million), group profit share and discretionary payments to employees of £5.5 million (2018: £4.8 million), proceeds from the issue of ordinary share capital relating to the sharesave scheme of £0.7 million (2018: £1.0 million) and net interest and foreign exchange and gains of £0.4 million (2018: losses of £0.1 million) there were net funds at the year end of £29.4 million (2018: £28.5 million).

Dividends
We followed our principle of returning truly surplus cash to shareholders. Dividends of £50.3 million (2018: £40.6 million) were declared during the year.

Return on capital*
A key long term measure for our performance has been return on capital. During the year our return on capital fell from 120% to 100%. This was driven by an increase in in average capital employed, offset by an increase in operating profit before royalty income.

Capital employed
Average capital employed increased by £16.1 million to £70.0 million. The book value of tangible and intangible assets increased by £8.5 million, inventories increased by £5.6 million and trade and other receivables increased by £4.3 million whilst current liabilities increased by £1.4 million.

*We use average capital employed to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade receivables in the pre-Christmas trading period. Return is defined as 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, deferred royalty income and dividends.

Investments in assets

This is what we have been spending your money on:

	2019	2018
	£million	£million
Shop fits for new and existing stores	**1.7**	1.4
Production equipment and tooling	**7.2**	8.8
Computer equipment and software	**3.7**	2.6
Site	**3.6**	3.3
Total capital additions	**16.2**	16.1

In 2018/19 we invested £1.7 million in shop fits: 40 new stores and 12 refurbishments and in addition we have rebranded 129 stores to Warhammer. We also invested £2.1 million in tooling, milling and injection moulding and paint machines and a further £3.8 million on moulding tools. The investment in computer software relates mainly to the work on the new ERP system. The investment in site includes £2.5 million building costs to expand our production capacity in Nottingham. 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 increased by £4.0 million to meet the increased sales demand. Stock provision remains at 1.9% of sales. We continue to offer a broad range of price points and we have maintained our policy of aiming to only increase the prices of our new releases to reflect the necessary investment in our product quality. The annual impact on the average price of product sales is 3%.

Trade and other receivables

Trade and other receivables increased by £4.3 million, which includes an increase of £3.1m in respect of royalty income receivable following the adoption of IFRS 15 'Revenue from contracts with customers'.

Trade and other payables

Trade and other payables reduced by £1.1 million due to a reduction in trade payables at the period end.

Taxation

The effective tax rate for the year was 19.0% (2018: 19.9%). While we continue to expect a rate above that for a business with activities solely in the UK due to higher overseas rates, this has been 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.

Funding and liquidity risk

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

Interest rate risk

Net interest receivable for the year (excluding unwinding of discounts on provisions) was £97,000 (2018: net interest payable £49,000).

Foreign exchange

Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2019	2018	**2019**	2018
Year end rate used for the balance sheet	**1.13**	1.14	**1.26**	1.33
Average rate used for earnings	**1.14**	1.13	**1.30**	1.35

The net impact in the year of these exchange rate fluctuations on our operating profit was a decrease of £0.8 million (2018: decrease of £1.5 million).

Priorities for 2019/20

Core business
As part of our overall strategy, four key initiatives will be prioritised in 2019/20. They are broadly the same as last year. These are designed to deliver further sales growth whilst maintaining our operating profit margin, and continuing to surprise and delight our customers.

Firstly, staff recruitment and training.
We are continuing with our investment in our people. Our global people manager is in the process of strengthening her team in four key areas: staff recruitment, training, wellbeing and performance & pay. We are working on delivering a robust workforce plan to ensure we can meet our global needs today and in the near future.

Secondly, we will continue to be customer focused, better engaging our existing ones and reaching whole new audiences with the Warhammer Hobby:

- Open more of our own stores, mostly in our one man store format, in North America and in Germany. My goal is to open 25 stores (net) in 2019/20.
- We will continue to open more independent retailer accounts. This will be based on our well established terms and conditions, selling independent accounts our best selling products and, where appropriate, the extended range. The goal is to sell all of our products where our customers want to shop. We will continue the project of updating our online service tools to ensure all of our third party accounts get outrageous customer service and support.
- Continue to improve our digital marketing and customer engagement.

Thirdly, we will continue to focus on our range.
We will continue to review our core product range to ensure we have the right products in the right place at the right time. We have significantly increased the number of new releases supporting our core systems in the last few years and this will continue in 2019/20. We will continue to pilot some new product formats in new markets and look to broaden our brand awareness in Asia.

Finally, in our core business, as discussed above, with a fair wind and a bit of luck we will be celebrating the completion of some of the core IT systems and our manufacturing and warehouse capacity projects.

Non core
Media and entertainment
This is very early days for this new team. They will be working with lawyers and a small group of advisors with our new media partners on scripts that will eventually bring the worlds of Warhammer to TV and animation. In addition, we have formed the Warhammer Story Forge, a team of internal creative and trusted writers who will script and develop a series of animation projects over the coming year.

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 mobile platforms.

Risks and uncertainties
The board has overall responsibility for ensuring risk is appropriately managed across the Group. The top seven risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained in all circumstances. The principal risks identified in 2018/19 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.

- ERP change - as discussed above we are changing our core ERP system in the UK. This is a complicated project with the risk of widespread business disruption if it is not implemented well. It is being implemented and managed by a strong internal project team and specialist ERP software consultants.
- Recruitment - to always have a world class team to support our business. The risk is we compromise and recruit only for skills and not on the personal qualities we need new members of the global team to demonstrate to ensure we deliver our long-term goals. The Games Workshop recruitment process aims to ensure we recruit for attitude as well as skills, to help mitigate this risk. This end to end process starts with writing a new job specification highlighting the personal qualities needed in the job as well as the skills, through to a robust induction process which will help them be successful in their job. Our new recruitment and onboarding systems also help in ensuring the recruitment process is efficient and effective for both the new recruit and the recruiting manager.
- Supply chain - to deliver a seamless supply of products to our customers. The risk is that there are unnecessary delays or expense. Constant review by the executive directors and the rest of the board of our production and warehousing capacity ensures that issues are dealt with in an appropriate timescale. This is particularly relevant given the recent growth in sales.
- Range management - as discussed above we are reviewing our range to ensure that we are exploring all opportunities. The risk is that we don't fully exploit all the opportunities that are available to us or that we have too much stock.
- Innovation - to surprise and delight our customers with ever better new miniatures and related products. The risk is that we become complacent. Our design studios are responsible for creating great new miniatures and games. The sales of new products are reviewed and assessed by the executive team and the design studios to ensure that we continue to deliver on our promise to make the best miniatures in the world.
- IP exploitation - to optimise our Warhammer brands fully, in addition to being innovative in our core business. The risks are that we do harm to the core business or that we don't take this opportunity seriously. With the appointment of our new non-executive director, Kate Marsh, the board will manage the risk going forward under the remit of a separate committee supporting the senior team on these new opportunities.
- Distractions - this is anything else that gets in the way of us delivering our goals.

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. The security of our systems is reviewed on an ongoing basis with software updates applied and equipment updated as required.

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.

In my opinion the greatest risk is the same one that we repeat each year, namely, management. So long as we have the right people in the right jobs we will be fine. In the past, we have had far better success when we recruit from within for our senior roles. Problems will arise if the board allows egos and private agendas to rule. I will do my utmost to ensure that this does not happen.

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.

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

Kevin Rountree
CEO
29 July 2019

Statement of directors' responsibilities

The directors confirm that this condensed consolidated financial information has been prepared in accordance with IFRSs and that the management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

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

By order of the board

Kevin Rountree
CEO
29 July 2019

Rachel Tongue
Group Finance Director

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Revenue	3	**256,574**	221,304
Cost of sales		**(83,306)**	(64,219)
Gross profit		**173,268**	157,085
Operating expenses	3	**(103,434)**	(92,383)
Other operating income – royalties receivable		**11,365**	9,617
Operating profit		**81,199**	74,319
Finance income		**102**	90
Finance costs		**(5)**	(139)
Profit before taxation		**81,296**	74,270
Income tax expense	5	**(15,475)**	(14,815)
Profit attributable to owners of the parent		**65,821**	59,455

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

	Notes		
Basic earnings per ordinary share	6	**202.9p**	184.3p
Diluted earnings per ordinary share	6	**200.8p**	181.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Profit attributable to owners of the parent	**65,821**	59,455
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**708**	(353)
Other comprehensive income /(expense) for the period	**708**	(353)
Total comprehensive income attributable to owners of the parent	**66,529**	59,102

Prior period amounts have been restated following the retrospective adoption of IFRS 15 'Revenue from contracts with customers'. See note 2 for further details.

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

CONSOLIDATED BALANCE SHEET

	Notes	2 June 2019 £000	Restated 3 June 2018 £000
Non-current assets			
Goodwill		**1,433**	1,433
Other intangible assets	9	**16,004**	14,195
Property, plant and equipment	10	**35,303**	30,072
Deferred tax assets		**8,582**	5,704
Trade and other receivables		**3,085**	2,076
		64,407	53,480
Current assets			
Inventories		**24,192**	20,159
Trade and other receivables		**18,796**	15,502
Current tax assets		**814**	457
Cash and cash equivalents	8	**29,371**	28,545
		73,173	64,663
Total assets		**137,580**	118,143
Current liabilities			
Trade and other payables		**(19,199)**	(20,298)
Current tax liabilities		**(9,135)**	(7,828)
Provisions for other liabilities and charges	11	**(919)**	(691)
		(29,253)	(28,817)
Net current assets		**43,920**	35,846
Non-current liabilities			
Other non-current liabilities		**(1,010)**	(667)
Provisions for other liabilities and charges	11	**(844)**	(537)
		(1,854)	(1,204)
Net assets		**106,473**	88,122
Capital and reserves			
Called up share capital		**1,625**	1,617
Share premium account		**12,281**	11,571
Other reserves		**4,685**	3,977
Retained earnings		**87,882**	70,957
Total equity		**106,473**	88,122

Prior period amounts have been restated following the retrospective adoption of IFRS 15 ‘Revenue from contracts with customers’. See note 2 for further details.

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 May 2017 and 29 May 2017 (as restated)	1,607	10,599	4,330	50,164	66,700
Profit for the 53 weeks to 3 June 2018 (as restated)	-	-	-	59,455	59,455
Exchange differences on translation of foreign operations	-	-	(353)	-	(353)
Total comprehensive (expense)/income for the period (as restated)	-	-	(353)	59,455	59,102
Transactions with owners:					
Share-based payments	-	-	-	204	204
Shares issued under employee sharesave scheme	10	972	-	-	982
Deferred tax credit relating to share options	-	-	-	1,050	1,050
Current tax credit relating to exercised share options	-	-	-	686	686
Dividends declared to Company shareholders	-	-	-	(40,602)	(40,602)
Total transactions with owners	10	972	-	(38,662)	(37,680)
At 3 June 2018 and 4 June 2018 (as restated)	1,617	11,571	3,977	70,957	88,122
Profit for the 52 weeks to 2 June 2019	-	-	-	65,821	65,821
Exchange differences on translation of foreign operations	-	-	708	-	708
Total comprehensive income for the period	**-**	**-**	**708**	**65,821**	**66,529**
Transactions with owners:					
Share-based payments	-	-	-	339	339
Shares issued under employee sharesave scheme	8	710	-	-	718
Deferred tax credit relating to share options	-	-	-	224	224
Current tax credit relating to exercised share options	-	-	-	818	818
Dividends declared to Company shareholders	-	-	-	(50,277)	(50,277)
Total transactions with owners	**8**	**710**	**-**	**(48,896)**	**(48,178)**
At 2 June 2019	**1,625**	**12,281**	**4,685**	**87,882**	**106,473**

Prior period amounts have been restated following the retrospective adoption of IFRS 15 ‘Revenue from contracts with customers’. See note 2 for further details.

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**52 weeks ended 2 June 2019 £000**	53 weeks ended 3 June 2018 £000
Cash flows from operating activities			
Cash generated from operations	7	**88,776**	82,332
UK corporation tax paid		**(14,217)**	(10,852)
Overseas tax paid		**(2,079)**	(1,375)
Net cash generated from operating activities		**72,480**	70,105
Cash flows from investing activities			
Purchases of property, plant and equipment		**(13,651)**	(14,697)
Proceeds on disposal of property, plant and equipment		**10**	-
Purchases of other intangible assets		**(1,875)**	(1,496)
Expenditure on product development		**(6,962)**	(5,387)
Interest received		**102**	99
Net cash used in from investing activities		**(22,376)**	(21,481)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**718**	982
Interest paid		**(5)**	(138)
Dividends paid to Company shareholders		**(50,277)**	(38,701)
Net cash used in financing activities		**(49,564)**	(37,857)
Net increase in cash and cash equivalents		**540**	10,767
Opening cash and cash equivalents		**28,545**	17,910
Effects of foreign exchange rates on cash and cash equivalents		**286**	(132)
Closing cash and cash equivalents		**29,371**	28,545

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Games Workshop Group PLC are prepared under the going concern basis and in accordance with International Financial Reporting Standards (IFRSs), 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 applied for the first time IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'. See note 2 for details of the impact on transition to these standards.

These results for the 52 weeks ended 2 June 2019 together with the corresponding amounts for the 53 weeks ended 3 June 2018 are extracts from the 2019 annual report and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The annual report for the 52 weeks ended 2 June 2019, on which the auditors have issued a report that does not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006, will be posted to shareholders on 30 July 2019 and will be delivered to the Registrar of Companies in due course. Copies will also be available from Rachel Tongue, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS. This information is also available on the Company's website at http://investor.games-workshop.com.

The annual general meeting will be held at Willow Road, Lenton, Nottingham, NG7 2WS at 10am on 18 September 2019.

The annual financial report is prepared in accordance with the Listing Rules and Disclosure and Transparency Rules of the Financial Conduct Authority and accounting policies consistent with those used in the 2018 annual report.

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

Management do not consider there to be any critical accounting estimates 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.

2. Change in accounting policy

The Group applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' for the first time. The nature and effect of the changes as a result of adoption of these new standards are described below.

IFRS 15 'Revenue from contracts with customers' supersedes IAS 11 'Construction contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue from contracts with customers, unless those contacts are in the scope of other standards. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the fully retrospective transition method. The key considerations along with the impact of adopting IFRS 15 are described below.

(a) Advances from customers
Under IFRS 15, 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. Previously, this income was deferred and recognised on the balance sheet within accruals and deferred income and released in line with licensee sales.

(b) Delivery charges
Under the new standard, amounts receivable from customers in respect of delivery charges are recognised as revenue. Previously, this income was offset against delivery charges within cost of sales. The impact of reclassifying delivery charges is an increase in revenue and cost of sales. There is no impact on net assets.

2. Change of accounting policy continued

The impact of the change on the results was as follows:

	3 June 2018 As reported £000	Impact of change in accounting standard £000	3 June 2018 Restated £000
Revenue	219,868	1,436	221,304
Cost of sales	(62,783)	(1,436)	(64,219)
Gross profit	157,085	-	157,085
Other operating income – royalties receivable	9,893	(276)	9,617
Operating profit	74,595	(276)	74,319
Income tax expense	(14,867)	52	(14,815)
Profit attributable to owners of the parent	59,679	(224)	59,455
Retained earnings at 29 May 2017	46,296	3,868	50,164
Trade and other receivables – non-current	1,409	667	2,076
Trade and other receivables – current	13,400	2,102	15,502
Trade and other payables	(22,028)	1,730	(20,298)
Deferred tax assets	6,559	(855)	5,704
Net assets	84,478	3,644	88,122
Basic earnings per share	185.0p	(0.7p)	184.3p
Diluted earnings per share	182.3p	(0.7p)	181.6p

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, segmental information, income taxes, earnings per share, financial risk factors and the cash flow statement were adjusted as necessary.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: recognition and measurement'. Under this new standard, provisions for the impairment of trade receivables are recognised at an amount based on expected credit losses and are calculated from the initial recognition of the asset. Previously, provisions for the impairment of trade receivables were not recognised until there was an indication of impairment. The impact of adopting the new standard is not material to the financial statements.

3. Segment information

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

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. At 2 June 2019, 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.
- Product and supply. This includes the design and manufacture of the products and incorporates the production facility in the UK and the Group logistics and stock management costs. This also includes adjustments for the profit in stock arising from inter-segment sales and charges for inventory provisions.
- Central costs. These include the Company overheads, head office site costs and marketing costs.
- Service centre costs. Provides support services (IT, accounting, payroll, personnel, procurement, legal, health and safety, customer services and credit control) to activities across the Group and undertakes strategic projects.
- Royalties. This is royalty income earned from third party licensees after deducting associated licensing costs.

3. Segment information continued

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

The segment information reported to the executive directors for the year ended 2 June 2019 is as follows:

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Trade	**121,445**	94,381
Retail	**87,803**	81,971
Online	**47,326**	44,952
Total external revenue	**256,574**	221,304

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Trade		
UK and Continental Europe	**51,324**	39,068
North America	**53,509**	41,818
Australia and New Zealand	**5,061**	4,340
Asia	**5,332**	3,857
Rest of world	**3,796**	2,935
Black Library	**2,423**	2,363
Total Trade	**121,445**	94,381
Retail		
UK	**27,831**	27,250
Continental Europe	**21,380**	21,303
North America	**27,428**	22,243
Australia and New Zealand	**8,316**	8,977
Asia	**2,848**	2,198
Total Retail	**87,803**	81,971
Online	**47,326**	44,952
Total external revenue	**256,574**	221,304

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Trade	**13,475**	11,413
Retail	**49,524**	45,992
Online	**5,668**	5,672
Product and supply	**3,789**	3,350
Central costs	**9,653**	7,598
Service centre costs	**14,700**	12,664
Royalties	**775**	686
Total segment operating expenses	**97,584**	87,375
Share-based payment charge	**339**	204
Profit share scheme charge	**2,226**	1,969
Discretionary payment to employees	**3,285**	2,835
Total group operating expenses	**103,434**	92,383

3. Segment information continued

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Trade	**43,688**	32,888
Retail	**10,386**	7,185
Online	**29,247**	27,880
Product and supply	**18,517**	23,887
Central costs	**(10,684)**	(8,698)
Service centre costs	**(14,695)**	(12,664)
Royalties	**10,590**	8,849
Total segment operating profit	**87,049**	79,327
Share-based payment charge	**(339)**	(204)
Profit share scheme charge	**(2,226)**	(1,969)
Discretionary payment to employees	**(3,285)**	(2,835)
Total group operating profit	**81,199**	74,319
Finance income	**102**	90
Finance costs	**(5)**	(139)
Profit before taxation	**81,296**	74,270

4. Dividends per share

Dividends of £9,705,000 (30 pence per share), £11,323,000 (35 pence per share), £9,749,000 (30 pence per share), £8,124,000 (25 pence per share) and £11,376,000 (35 pence per share) were declared and paid during the current period.

Dividends of £6,428,000 (20 pence per share), £11,249,000 (35 pence per share), £9,703,000 (30 pence per share) and £11,321,000 (35 pence per share) were declared and paid during the prior period. In addition a further £1,901,000 (6 pence per share) was distributed in the prior period by way of a rectification dividend. The rectification dividend was satisfied by the release of Company shareholders from the liability to repay the amount received in the prior period in the form of an unlawful dividend.

5. Taxation

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Current UK taxation		
UK corporation tax on profits for the period	**16,614**	13,635
Over provision in respect of the prior period	**(171)**	(160)
	16,443	13,475
Current overseas taxation		
Overseas corporation tax on profits for the period	**1,561**	1,638
Under/(over) provision in respect of prior years	**89**	(79)
Total current taxation	**18,093**	15,034
Deferred taxation		
Origination and reversal of timing differences	**(2,756)**	(399)
Under provision in respect of prior periods	**138**	180
Tax expense recognised in the income statement	**15,475**	14,815
Current tax credit relating to sharesave scheme	**(818)**	(686)
Deferred tax credit relating to sharesave scheme	**(224)**	(1,050)
Credit taken directly to equity	**(1,042)**	(1,736)

5. Taxation continued

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Profit before taxation	**81,296**	74,270
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**15,446**	14,111
Effects of:		
Items not assessable for tax purposes	**(105)**	(475)
Movement in deferred tax not recognised	**-**	(26)
Higher rates on overseas earnings	**39**	198
Tax rate changes	**39**	1,066
Adjustments to tax charge in respect of prior periods	**56**	(59)
Total tax charge for the period	**15,475**	14,815

A reduction in the UK corporation tax rate was included in the Finance Act 2016 to reduce the rate to 17% from 1 April 2020. 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.

The Tax Cuts and Jobs Act was enacted in to US law on 22 December 2017 within which there was a substantial reduction in the US corporate federal tax rate of 35% to 21%, with effect from 1 January 2018. The Group has applied a blended federal tax rate of 29.19% to US taxable profit and 21% to deferred tax assets within the US. The impact of the tax rate change in the prior period was a charge to the income statement of £984,000 which is included within the £1,066,000 tax rate changes difference above.

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. Particular consideration has been given to the customs declarations and VAT incurred at the border to ensure these are resolved by Games Workshop and 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.

6. Earnings per share

Basic earnings per share

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Profit attributable to owners of the parent (£000)	**65,821**	59,455
Weighted average number of ordinary shares in issue (thousands)	**32,438**	32,258
Basic earnings per share (pence per share)	**202.9**	184.3

Diluted earnings per share

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

	52 weeks ended 2 June 2019 £000	Restated 53 weeks ended 3 June 2018 £000
Profit attributable to owners of the parent (£000)	**65,821**	59,455
Weighted average number of ordinary shares in issue (thousands)	**32,438**	32,258
Adjustment for share options (thousands)	**347**	474
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,785**	32,732
Basic earnings per share (pence per share)	**200.8**	181.6

7. Reconciliation of profit to net cash from operating activities

	2019 £000	Restated 2018 £000
Operating profit	**81,199**	74,319
Depreciation of property, plant and equipment	**8,941**	6,614
Net impairment/(reversal of impairment) of property, plant and equipment	**8**	(20)
Loss on disposal of property, plant and equipment	**144**	40
Loss on disposal of intangible assets	**188**	12
Amortisation of capitalised development costs	**5,341**	4,130
Amortisation of other intangible assets	**1,608**	1,419
Share-based payments	**339**	204
Changes in working capital:		
- Increase in inventories	**(3,357)**	(7,948)
- Increase in trade and other receivables	**(4,021)**	(3,417)
- (Decrease)/Increase in trade and other payables	**(2,149)**	6,924
- Increase in provisions	**535**	55
Net cash from operating activities	**88,776**	82,332

8. Cash and cash equivalents

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

	2019 £000	2018 £000
Cash at bank and in hand	**29,371**	28,335
Short term bank deposits	**-**	210
Cash and cash equivalents	**29,371**	28,545

9. Other intangible assets

	2019 £000	2018 £000
Net book value at the beginning of the period	**14,195**	12,917
Exchange differences	**3**	(1)
Additions	**8,894**	6,840
Disposals	**(188)**	(12)
Amortisation charge	**(6,949)**	(5,549)
Reclassifications	**49**	-
Net book value at the end of the period	**16,004**	14,195

10. Property, plant and equipment

	2019 £000	2018 £000
Net book value at the beginning of the year	**30,072**	22,132
Exchange differences	**145**	(58)
Additions	**14,238**	14,632
Disposals	**(154)**	(40)
Depreciation charge	**(8,941)**	(6,614)
(Impairment)/reversal of impairment	**(8)**	20
Reclassifications	**(49)**	-
Net book value at the end of the year	**35,303**	30,072

11. Provisions for other liabilities and charges

Analysis of total provisions:

	2019	2018
	£000	£000
Current	**919**	691
Non-current	**844**	537
Total provisions for other liabilities and charges	**1,763**	1,228

	Employee benefits	Property	Total
	£000	£000	£000
At 3 June 2018	768	460	1,228
Charged to the income statement	727	123	850
Exchange differences	3	2	5
Utilised	(44)	(276)	(320)
At 2 June 2019	**1,454**	**309**	**1,763**

12. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £2,864,000 (2018: £2,665,000). Inventory purchase commitments contracted for at the balance sheet date are £4,431,000 (2018: £5,516,000).