GAMES WORKSHOP GROUP PLC

Annual report 2017

FINANCIAL HIGHLIGHTS

	2017	2016
	£000	£000
Revenue	**158,114**	118,069
Revenue at constant currency*	**143,375**	118,069
Operating profit - pre-royalties receivable	**30,832**	10,921
Royalties receivable	**7,491**	5,939
Operating profit	**38,323**	16,860
Profit before taxation	**38,403**	16,948
Cash generated from operations	**49,370**	26,782
Earnings per share	**95.1p**	42.1p
Dividends per share declared in the year**	**74p**	40p

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*Constant currency revenue is calculated by comparing results in the underlying currencies for 2017 and 2016, both converted at the 2016 average exchange rates as set out on page 12.
**See page 14 of the directors' report.

CHAIRMAN'S PREAMBLE

Most companies don't live for long. Leaving aside banks and finance houses that can continue doing pretty much the same thing year upon year there are only a handful of companies that were in the Fortune 500 in 1900 still going today. Looking at the sector weightings in the US for 1900 62.8% of value was generated by Railroads; in 2000 it was 0.2%. Other big players in 1900 were mining and iron, coal and steel. It is not easy to survive when your industry is collapsing around you. In 2000 the big sectors were IT, telecommunications and pharmaceuticals, non-existent (nearly) in 1900. It is no surprise that today's giants come from those industries.

If companies don't live for long, they don't grow for long either. The classic model is a start-up followed by rapid growth, then slower consolidating growth then a tail of gradual decline. Some flare and vanish like magnesium, others hang on in there grimly grinding out the years slowly rusting away like iron.

Investors have the job of buying shares just after the start-up, enjoying the rapid growth period and getting out before the decline. They like growth. Of course they do. How else can they guarantee to make their customers money? Their job is essentially about timing, although the time varies wildly from investor to investor. Some like to buy now and sell in a second when the share price has twitched. Some like to buy now and hold for years to give the shares chance to deliver their full value. I have often argued in the past that the first group are gamblers and not real investors, but both groups have the same need: growth.

This puts pressure on management. Grow dammit! Easier said than done. The demand for growth can lead to management making truly lamentable decisions for the long term health of their business in order to deliver now, this year, this quarter. It is no wonder that many businesses do not live long. Not only are they fighting in an uncertain world, they are having to force things at every turn to serve the god of growth. This same thirst for growth has also driven the LTIP craze whereby institutions think they have ticked the box labelled 'long-term value delivery' by allowing management to make up complex 'long-term' schemes that replace the short-term schemes that used to reward them so well and so much at the expense of future years. The LTIPs reward management even better, at an even more ruinous expense to the company. Of course they do; designed by managers for managers and cheered on by City institutions. So now maybe they aren't such a good idea after all. It would help if we could all agree that 'long-term' means 25 years, not three. (See below).

Investors also like dividends. At the start of a company's life there is an understood need for re-investment so dividends will be small or non-existent. As time goes on and the early growth rates slow, the expectation of dividends rises. An expectation of regular and ever growing payouts. A progressive dividend policy.

This puts pressure on management. Yield dammit! We don't care if the business isn't generating truly surplus cash, go out and borrow it so you can fulfil your commitments. Not only do businesses struggle to grow forever they are expected to do so under the burden of ever increasing debt.

Yes, I know, too gloomy and fatalistic. And yet these pressures are ever present in the lives of those of us who run public companies. Some resist and try to do what their companies need, and some give in and pursue unsustainable growth and borrow to pay uncovered dividends.

This has been our life here at Games Workshop these twenty-odd years. Sometimes growing, sometimes not. One time having a progressive dividend policy and, more recently, not.

Listening to the comments from investors both favourable (rarely) and critical (often) on how to keep growing and keep paying, it became clear that for a business to survive it needs to make its business just that: survival.

I realised many years ago that eternal growth, though sorely needed by some investors, was not sustainable. To begin with it was easy to see that compound growth was literally impossible in the long term, but then it became clear that promising growth at all was prejudicial to our ability to make good decisions that would keep the company alive and healthy. Yes we like growth. Yes we will try to get it. But, no, we will not make promises. Sometimes the head winds are too strong. Sometimes the need for re-structuring takes precedence. We will not do daft things to deliver artificial growth.

When survival becomes the mantra then the company needs to be built so it can live in the lean times as well as the fat. Many of the things we have done were done to ensure survival. We have investors and their needs are important, but we serve those needs by being honest with them and letting them know that we are aiming to survive and there will be good times when we grow and pay out dividends and there will be times when we don't. We also have staff. They like having jobs. There are seventeen hundred (or so) people all over the world whose livelihood depends on the company they work for surviving so it can carry on paying the money they earn. We also have customers, and they want us to survive so their hobby can be maintained and the fun can continue.

In the good years of course our stores can have several staff, but in the bad ones too many staff spells disaster. Losses. Death. One man stores are not a moral crusade, not a gouging exercise in profiteering, but a survival technique.

Many of you reading this have understood all along what we were doing and why we needed to do it. This year you get the rewards for your patience. Kevin and all the staff have delivered growth. Not just currency-based growth but real growth generated by great models, good supporting products, joined-up promotions, intelligent social media work, co-ordinated production schedules and just-in-time shipping around the world. This year the rewards, and, we hope, next year and many more after that.

At heart Games Workshop is a simple business. We make and sell toy soldiers. We do nearly all of it ourselves (because we haven't found people who can do any of it better than us; maybe one day we will, we keep on looking) and that makes it fiendishly complicated. Anyone can make a great miniature. No-one else can make 30 million of them a year and get them, on time, to our stores and trade partners all over the world and from there into the loving hands of our customers.

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This is my last preamble. I will not be seeking re-election at the AGM in September. Kevin Rountree has my full confidence and I could not be leaving the business in better hands. He has the same desire to see Games Workshop flourish as I do and the same determination to do it our way, the only way that works over the long term. He is better than me at detail, and he has a lot more energy. You can see that in this year's numbers. He has laboured at getting all the little things right and we are all benefitting. Little things that have to be got right every year.

There are many wonderful opportunities ahead for the Company and the Hobby. We have barely begun our 'Total Global Domination' (a mantra from years ago) – despite being at it for over 25 years – and the business is full of ideas about how to do better, everywhere.

Tom Kirby
Non-executive chairman
24 July 2017

STRATEGIC REPORT

Strategy and objectives

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

Let me go through it part by part:

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

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

The third element is the global nature of our business. We seek out our customers all over the world. We believe that our customers carry our Hobby gene and to find them we apply our tried and tested approach of recruiting customers in our own stores, by offering a fantastic customer experience. Our retail business is supported by our own mail order store (it has the full range of our product) and our independent stockist accounts and trade outlets across the world. These independent accounts do a great job supporting our customers in parts of the world where we either have not yet opened one of our stores or where it is not commercially viable for us to have one of our stores. The long term goal is to have both channels (retail and trade) growing in harmony. We will always have more independent accounts than our own stores. Our strategy is to grow our business through geographic spread growing all of the three complementary channels.

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

We measure our long term success by seeking a high return on investment. In the short term, we will measure our success on our ability to grow sales whilst maintaining our core business operating profit margin. The way we go about implementing this strategy is to recruit the best staff we can by looking for the appropriate attitudes and behaviour each job we do requires and identifying the value that job brings. It is also important that everyone we employ has a real desire to learn and has a great attitude to change. Our Academy offers all of our staff both personal development and management skills training. It is also worth noting it's not what you know at Games Workshop it's how much you contribute to our success that we value.

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

Business model and structure

We design, manufacture, distribute and sell our fantasy miniatures and related products. These are fantasy miniatures from our own Warhammer 40,000 and Warhammer: Age of Sigmar universes. Our factory, main distribution centre and back office support functions are all based in Nottingham.

We are an international business centrally run from our HQ in Nottingham, with 75% of our sales coming from outside the UK.

Design
Employing 187 people, the design studio in Nottingham creates all the IP and the miniatures, artwork, games and publications that we sell. In 2016/17 we invested £8.0 million in the studio (including software costs) with a further £2.3 million spent on tooling for new plastic miniatures. We are committed to a similar level of investment every year.

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

Distribute
All of our product is initially distributed from our warehouse facility in Nottingham. This facility supplies our two hubs in Memphis, Tennessee and Sydney, Australia and either directly to our trade accounts and retail stores or via a third party carrier. Our project to upgrade the IT infrastructure and software for the warehouse that supports our mail order store based in Nottingham will be delivered in the Autumn of 2017.

Business model and structure continued

Sell

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

Retail - provides the focus for the Hobby in their areas. They only stock Games Workshop product. They are where we recruit the majority of our new customers. To do so the stores don't offer the full range of our product, just new release product and the appropriate extended range. At the year end we had 462 Games Workshop stores in 23 countries. Our stores contributed 41% of the year's sales. We have 360 one man stores, small sites, each one staffed by only one store manager. We also have 102 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 Hobby community in their local area. The bulk of these sales are made via our telesales teams based in Memphis and Nottingham. We also have small teams in Sydney, Tokyo, Shanghai, Singapore, Hong Kong and Malaysia. In 2016/17 we had 3,900 independent retailers (2016: 3,800) in 62 countries. We strive to deliver excellent service, operating in 20 languages covering all time zones. 38% of our sales came from sales to independent retailers in the year reported.

Mail order - the mail order store allows enthusiasts full access to all Games Workshop products. It is run centrally from Nottingham. It accounted for 21% of total sales in 2016/17. All of our stores also have a web store terminal that allows our retail customers access to the full range.

Structure

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

My channel sales structure comprises retail, trade and mail order. This structure is made up of four key territory retail sales managers in the UK, North America, Continental Europe and Australia and New Zealand. We also have a global trade manager and a global mail order manager along with a sales manager for Asia. A global merchandising and marketing manager supports our sales channels with appropriate internal and external communication.

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

During the year I recruited a Global IT manager. She will help us invest in our core systems as well as consider how we can leverage technology to help us deliver our long term goals.

IP exploitation. I have a small team of advisors that are helping me ensure we have an exciting five year plan to maximise the income we earn from external global partners who can deliver incremental value to Games Workshop without causing any harm to the core business.

Key performance indicators

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

Our key financial performance indicators are:

Moving Annual Total (‘MAT’) sales growth by channel
Measures the sales growth achieved in each of our channels on a rolling 12 month basis: see page 10.

MAT Group gross margin
Measures the gross profit achieved on sales after taking account of the direct costs and depreciation of manufacturing equipment and shipping our product to customers/stores on a rolling 12 month basis: see page 7.

MAT core business profit
Measures gross profit less operating expenses on a 12 month rolling basis, before royalty income: see page 10.

Number of own stores by territory
Measures the number of our own stores which is an indicator of our global reach: see page 11.

STRATEGIC REPORT continued

Key performance indicators continued

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: see 'Trade' paragraph on page 5.

Return on capital

The ratio of operating profit before royalty income against capital employed, as a percentage: see pages 9 and 10.

Our key non-financial performance indicators are:

Product quality

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

Outstanding customer service

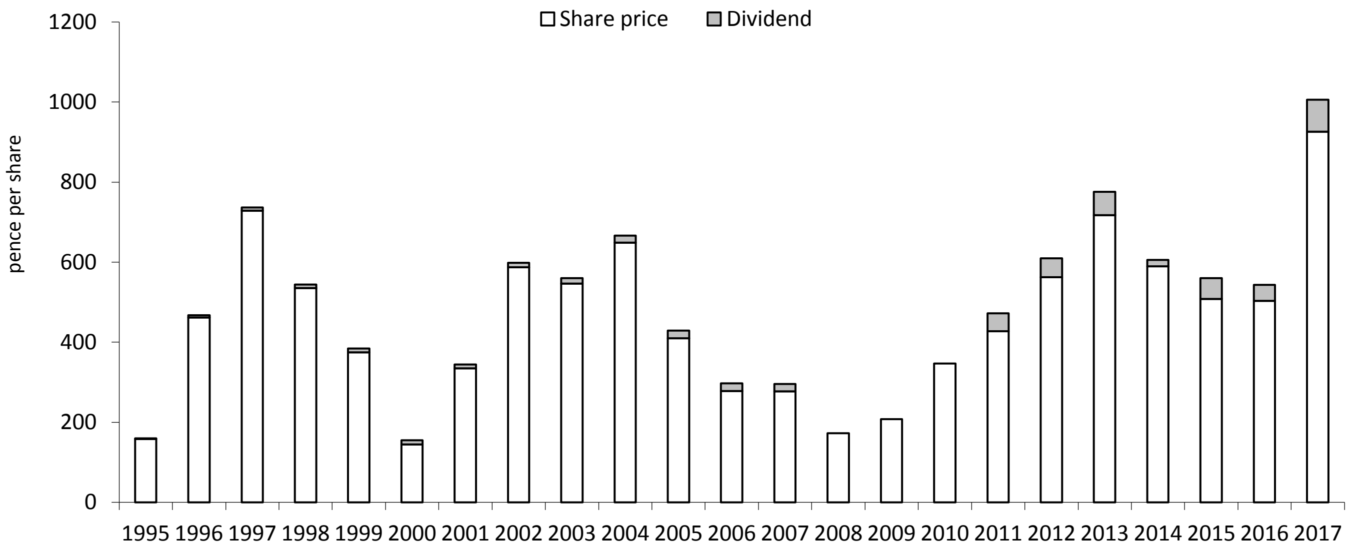
This is an indicator of the effectiveness and efficiency of the service experience customers get in our stores and the time it takes us to resolve a customer query made to our customer service teams. The former is measured by the number of complaints I receive - very few - and the latter is tracked by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

Shareholder value

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

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

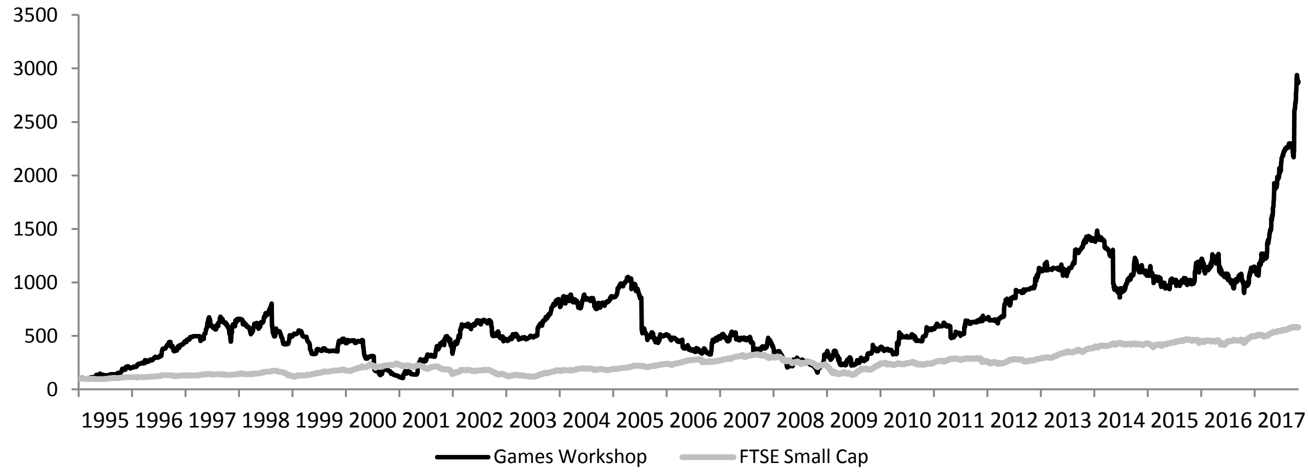
Graphs of shareholder value



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

Shareholder value continued

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE small cap companies since 1994 when Games Workshop floated on the London Stock Exchange. The index of the FTSE small cap companies has been used because the constituents of this index most appropriately reflect the Company's size when compared to alternative indices.



Review of the year

It has been another exciting year building on the progress we made last year.

I am pleased to report a significant increase in constant currency sales, profit, cash generation and returns to shareholders.

I have been impressed, but not surprised, by the continued support, commitment and contribution from all of our employees around the world. Thank you.

Our endless energy and focus have delivered profitable sales growth across all of our sales channels. Together, we have focussed on documenting and executing an exciting global operational plan covering all areas of the business. Driving improvements in product quality, providing the highest levels of customer service - our new marketing team has added a delightful and fun social media presence.

We finished 2015/16 with some encouraging signs of improving sales trends, and these have continued throughout the year we are reporting. Our operational plan is designed to give us the best chance to succeed every month so it was particularly rewarding to finish the year to May 2017 with 11 out of 12 months of Group sales growth. Sales growth for the full year at constant currency by channel finished retail 21%, trade 22% and mail order 20%.

Gross margin improved in the year (2017: 72.4%; 2016: 68.3%), benefitting from sales volume growth and, as always, it is affected by the sales mix of new and existing product: (34% of sales from new releases and 66% of sales from existing product). 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 of this increase on our UK RRP price list is an average increase of 3%. The step increase in volume across all channels has been a significant challenge for our factory and warehousing teams this year. They have met this challenge without any fuss and with only the necessary increases in resources. They have a flexible and agile structured resource plan to meet any future volume changes.

Costs have increased in the year. This has been driven by investment in our store opening programme, which has partially helped us to deliver organic sales growth by expanding into new geographic locations, and our centrally managed marketing team, which has enabled us to communicate better with our customers and staff through both online and offline channels.

As a direct result of our significant sales and profit growth, we rewarded all of our staff with a £1,750 discretionary payment in addition to a £250 profit share payment each (total cost £3.4 million). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £1.8 million) who achieved growth whilst maintaining costs broadly in-line with last year — an impressive achievement, well done to you all!

As a global business with 75% of our sales made overseas, our results this year have also benefitted from favourable currency translations.

STRATEGIC REPORT continued

Update on priorities for 2016/17

In the year, we focussed on the following initiatives designed to improve our performance in our existing stores and deliver organic sales growth through store openings:

Staff recruitment
Our retail stores remain one of the most important factors in our success. The constant challenge is to ensure we have a great manager in every store. In 2015/16 we invested in our recruitment team. In 2016/17 a project team was set up to deliver an improvement in the tools they use. The two main areas covered by the project team in 2016/17 were rebranding our global recruitment website and implementing an applicant tracker system. Both the recruitment website and applicant tracker system will go live in 2017/18.

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

Range
In the last 18 months we have made a step change in how we support all aspects of our Hobby: collect, build, paint and play. This has helped us recruit new customers, re-recruit lapsed customers and support our existing customers. There's still plenty of room for improvement so it will be a key area of focus for 2017/18.

The quality of our models has been ever better this year. In the year we released over 400 new high quality models across our core systems; Warhammer: Age of Sigmar and Warhammer 40,000 and added 17 new paint colours to our range. We also launched in the year new editions of our White Dwarf magazine and Blood Bowl game, the first of many new products from our Specialist Design studio. Both have sold well. In March 2017 we strengthened and refocused the Black Library team to ensure we continue to produce bestselling novels that bring our characters and worlds to life. Finally, our design to manufacture teams have been working collaboratively on the new edition of Warhammer 40,000: Dark Imperium, released in June 2017. The launch line up is the most extensive we've had for any game we've ever released. An exciting start to a new year.

Merchandising and marketing
We are increasingly focussed on engaging with our customers. During the year we invested further in some key tools to allow us to communicate with more of them more often.

Launched in November 2016, warhammer-community.com serves as a hub for a wealth of Warhammer content and the gateway to the depth of our IP. The tone is fun, honest, engaging and informative. We've also updated our home pages at games-workshop.com with more content to help guide new and existing customers through our product ranges, characters and worlds. We've added more videos to Warhammer TV to really showcase the passion and enthusiasm our staff have for their work and our products. The team has also done a great job creating a personal connection with our customers at third party and live streaming online events.

In response, our customers have been fantastic. This year has seen them loyally support us and help grow the Warhammer hobby around the world.

Trade
We review our trade terms every year and in May 2017 we updated our terms in North America. The new terms allow our independent trade accounts (and retailers purchasing from our authorised distributors) to sell Games Workshop products online subject to complying with our standard terms.

We continued to pilot the following initiatives in the year:

Asia
Our four new country managers in Singapore, Hong Kong, Japan and Malaysia have now been in country for approximately 18 months. They have all reported, together with our existing business in China, double-digit sales growth. We will continue to invest in Asia and I have agreed to support our local teams and customers with more localised content and additional product formats in 2017/18.

High footfall locations
We have 102 multi-man format stores and 360 one man stores. In 2015/16 we piloted a few stores in high footfall locations. Our Tottenham Court Road store in London has completed its first full year and has been a great success achieving the highest number of transactions and sales value of any of our stores for some time. The other pilots in Sydney and Copenhagen continue to perform well. While these successes leave us with some format options to deploy when opportunities arise, our standard format will continue to be our one man store model.

Update on priorities for 2016/17 continued

New business opportunities

To continue to broaden our reach without distracting our core channels, we continue to pilot a small range of products in new markets. We launched a dispenser of eight products called Battle for Vedros in toy shops in North America in June 2016 and a small range called Build and Paint, globally, in modelling and toy shops in September 2016. Both of these product ranges are on sale and although not delivering huge value to the Group have proven that we should continue to support a range of products aimed at new customers. More of this in 2017/18.

Finally, after a thorough review, the non-core activities were amalgamated back into the core business functions. Being separated off was causing the senior team and me more distractions not less. All of these areas performed well in the year reported.

Licensing

The team has had another solid year thanks to the on-going successes of Total War: Warhammer, Warhammer: End Times - Vermintide, and Warhammer 40,000: Freeblade.

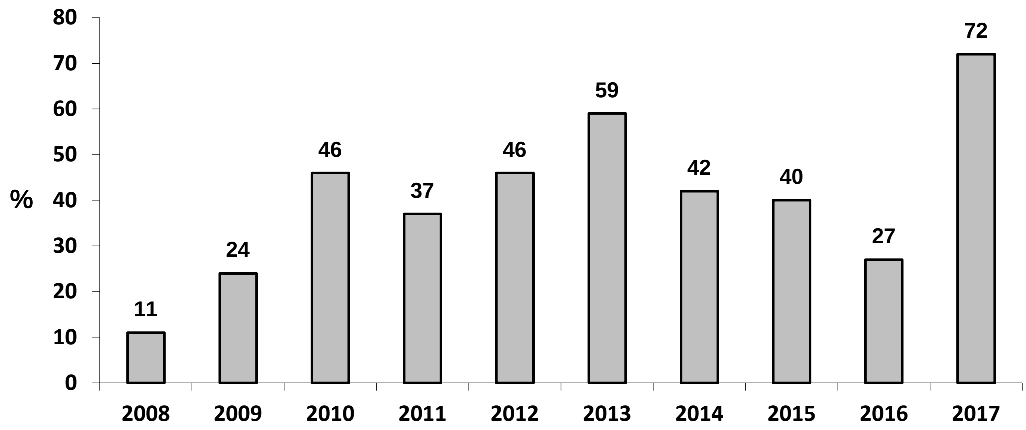
Reported income is split as follows: 80% PC and console games, 13% mobile and 7% other.

Projects

In the year we had three major projects being implemented:

- Warhammer 40K: Dark Imperium product launch in June 2017.
- European ERP - enterprise resource planning (core back office systems) - replacement. We have added additional resource to this complex project and from April 2017 moved to a more agile methodology for implementing the solution. The revised plan will ensure we introduce business benefits as we go along rather than only at the end of the project. Our new Global IT manager will oversee this change. Project estimated cost of £9 million (2016 estimate: £6 million).
- Mail order warehouse system replacement. At an estimated cost of £1.2 million it is scheduled to go-live in Autumn 2017.

Return on capital*



A key measure of our performance is return on capital. During the year our return on capital increased from 27% to 72%. This was driven by an increase in operating profit before royalty income, offset slightly by an increase in average capital employed.

*We use average capital employed to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade receivables in the pre-Christmas trading period. Return is defined as pre-exceptional operating profit before royalty income, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation, deferred royalty income and dividends.

STRATEGIC REPORT continued

Sales
Sales by segment

	Year to 28 May 2017 Constant currency	Year to 29 May 2016 Constant currency	**Year to 28 May 2017 Actual rates**	Year to 29 May 2016 Actual rates	**2017 % of total sales**	2016 % of total sales
Trade	**£54.5m**	£44.5m	**£61.3m**	£44.5m	**38%**	38%
Retail	**£58.7m**	£48.4m	**£64.8m**	£48.4m	**41%**	41%
Mail order	**£30.2m**	£25.2m	**£32.0m**	£25.2m	**21%**	21%
Total sales	**£143.4m**	£118.1m	**£158.1m**	£118.1m		

Reported sales grew by 34% to £158.1 million for the year. On a constant currency basis, sales were up by 21% from £118.1 million to £143.4 million.

Operating profit
Operating profit by segment

	Year to 28 May 2017 Constant currency	Year to 29 May 2016 Constant currency	**Year to 28 May 2017 Actual rates**	Year to 29 May 2016 Actual rates
Trade	**£15.0m**	£10.6m	**£18.0m**	£10.6m
Retail	**£0.5m**	£(3.9)m	**£0.5m**	£(3.9)m
Mail order	**£17.4m**	£13.7m	**£18.8m**	£13.7m
Product and supply	**£13.9m**	£8.0m	**£16.3m**	£8.0m
Royalties (net of costs)	**£6.1m**	£5.3m	**£6.9m**	£5.3m
Other costs	**£(21.6)m**	£(16.8)m	**£(22.2)m**	£(16.8)m
Total operating profit	**£31.3m**	£16.9m	**£38.3m**	£16.9m

Core business operating profit (operating profit before royalty income) grew by £19.9 million to £30.8 million (2016: £10.9 million). On a constant currency basis, core business operating profit increased by £13.7 million to £24.6 million. This was driven by improvements across all of our three main channels.

Costs have been managed well. They have increased by £13.9 million in the year as a result of investments for the long term; £3.7 million in our store opening programme and £0.7 million in our new merchandising and marketing team. A further £3.5 million of the cost increase is due to the adverse impact of currency retranslation of costs for our existing overseas retail stores. We also incurred performance related costs of £1.8 million in payments to our retail staff for delivering growth, paid £0.4 million in profit share and £3.0 million in a discretionary payment, paid equally to all staff.

Capital employed
Average capital employed increased by £2.7 million to £42.9 million. The book value of tangible and intangible assets increased by £1.5 million, inventories increased by £1.9 million and trade and other receivables increased by £1.8 million whilst current liabilities increased by £2.5 million.

Cash generation
During the year, the Group's core operating activities generated £38.5 million of cash after tax payments (2016: £19.5 million). The Group also received cash of £8.8 million in respect of royalties in the year (2016: £4.7 million). After purchases of tangible and intangible assets and product development costs of £12.8 million (2016: £12.7 million), dividends of £23.8 million (2016: £12.8 million), loans to Company shareholders of £1.9 million (2016: £nil), group profit share and discretionary payments to employees of £3.4 million (2016: £nil) and foreign exchange gains of £0.6 million (2016 : £0.1 million) there were net funds at the year end of £17.9 million (2016: £11.8 million).

Investments in assets

This is what we have been spending your money on:

	2017	2016
	£million	£million
Shop fits for new and existing stores	**1.3**	1.8
Production equipment and tooling	**3.3**	2.6
Computer equipment and software	**2.4**	3.5
Lenton site	**0.1**	0.1
Total capital additions	**7.1**	8.0

In 2016/17 we invested £1.3 million in shop fits: 31 new stores and 12 refurbishments. We also invested £3.3 million in tooling, milling and injection moulding machines. The investment in computer software relates mainly to the work on the new ERP system and mail order warehouse system replacement. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we upgrade our core back office systems in Nottingham.

Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of £23.8 million (2016: £12.8 million) were paid during the year. As a result of an oversight, 6 pence per share of the dividend paid in June 2017 is treated as an unlawful dividend. This is fully explained in the notice of meeting for the AGM. Steps being proposed to remedy this oversight are in line with other listed companies that have encountered similar issues in the past.

Royalty income

Royalty income increased in the year by £1.6 million to £7.5 million. This was due to the strong performances of Total War: Warhammer, Warhammer: End Times – Vermintide and Warhammer 40,000: Freeblade.

Taxation

The effective tax rate for the year was 20.5% (2016: 20.4%). We continue to expect a rate above that for a business with activities based solely in the UK, due to higher overseas tax rates.

Sales by channel

41% (2016: 41%) of sales were made through our own stores, 38% (2016: 38%) of sales were to independent retailers and 21% (2016: 21%) were mail order.

Retail

Store openings and closures during the year

	Number of stores at 29 May 2016	Opened	Closed	**Number of stores at 28 May 2017**	**Number of one man stores at 28 May 2017**	Number of one man stores at 29 May 2016
UK	148	5	(6)	**147**	**114**	111
North America	100	14	(3)	**111**	**96**	86
Europe	149	2	(6)	**145**	**100**	113
Australia	46	5	(4)	**47**	**39**	38
Asia	8	5	(1)	**12**	**11**	7
	451	31	(20)	**462**	**360**	355

We opened 31 new stores in the year including 14 relocated stores (shown within both the opened and closed store numbers above). These new stores generated £2.4 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 34% in the year (21% at constant currency). Our underlying sales performance (excluding new product releases) was 16%, with additional growth from 11 net new stores and our new visitor centre delivering 28% growth.

We continue to fine tune our quarterly skills based training for all of our store managers at our retail workshops.

Trade

Sales increased by 38% during the year (22% at constant currency). We delivered growth in every major country we sell our product 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.

Mail order

Sales grew by 27% (20% at constant currency). Sales of our Forge World range grew by 23% and our Citadel range by 31%. In the second half of 2016/17 we refreshed our home page; removing complexity and adding a deeper introduction to our worlds. We are committed to continuous investment in our web store shopping experience.

STRATEGIC REPORT continued

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 £83,000 (2016: £90,000).

Foreign exchange
Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2017	2016	**2017**	2016
Year end rate used for the balance sheet	**1.15**	1.32	**1.28**	1.46
Average rate used for earnings	**1.17**	1.35	**1.27**	1.49

The net impact in the year of these exchange rate fluctuations on our operating profit was an increase of £7.0 million (2016: reduction of £0.6 million).

Gender diversity, greenhouse gases, social, community and human rights, and employees
We report on these topics in the directors' report on pages 16 and 17.

Priorities for 2017/18

As part of our overall strategy, three key initiatives will be prioritised in 2017/18. These are designed to deliver further sales growth whilst maintaining our operating profit margin.

Firstly, staff recruitment.

We are updating our recruitment web site, our company recruitment branding across all other social media platforms and creating a site to enable us to welcome and commence induction prior to new recruits starting with us. These improvements started in 2016/17 and will be completed in 2017. It will also give us a global dashboard of recruitment metrics to help us develop our global recruitment teams and processes.

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

- We have started the year off with a huge event in June 2017 with our launch of Warhammer 40K: Dark Imperium.
- We will continue to review our product range and in store merchandising. We have not made as much progress as I would have liked on range management and in store merchandising (busy year!), so I will be reviewing my structure to ensure we have the right focus on this important sales opportunity.
- We will also continue to invest in Warhammer: Age of Sigmar, Forge World, our specialist games and Black Library with exciting product launches planned throughout 2017/18.

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

- Open more of our own stores, mostly in our one man store format in North America and in the second half of the year in Germany. My goal is to open 25 stores (net) in 2017/18.
- Open more trade 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.
- Continue to improve our online marketing and communication with a particular focus on new and potential customers.

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group. The top five risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained in all circumstances. The principal risks identified in 2016/17 are discussed below. These risks are not intended to be an extensive analysis of all risks that may arise but more importantly are the ones that could cause business interruption in the year ahead.

ERP change - as discussed above we are changing our core ERP system in the UK. This is a complicated project with the risk of widespread business disruption if it is not implemented well. It is being implemented and managed by a strong internal project team and specialist ERP software consultants.
Store manager recruitment - this comprises both recruitment of managers for new stores as well as replacing poor performing managers. Retail is our primary method of recruiting new customers and so we need great managers in all our stores. We discuss our approach as to how we are managing this risk on page 8.
Supply chain - as discussed above we are currently changing our mail order warehouse system. This is part of an ongoing programme of continuous improvement for these warehouse systems. As with any system change there are risks associated with the transition. In line with our ERP project, we have a strong internal project team and are utilising specialist supply chain software consultants.
Range management - as discussed above we are reviewing our range to ensure that we are exploring all opportunities. The risk is that we don't fully exploit all the opportunities that are available to us. Our approach to managing this risk is discussed on pages 8 and 9.
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 with software updates applied and equipment updated as required.

We do not consider that we have material solvency or liquidity risks. We also feel that it is too early to tell what the effects will be on Games Workshop of the UK Government invoking Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union.

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

Summary

We've had another fun and exciting year and made significant progress on our strategic initiatives. You can see from these results that our business and our Hobby are in good shape.

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

Kevin Rountree
CEO
24 July 2017

DIRECTORS' REPORT

The directors present their annual report together with the financial statements and independent auditors' report for the year ended 28 May 2017.

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 direct via the internet and mail order. 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.

Substantial shareholdings
The following interests in 3% or more of the issued share capital of the Company as at 21 July 2017 have been disclosed to the Company:

	No. of shares	%
Investec Asset Management Limited	3,087,765	9.6
T H F Kirby	2,134,186	6.6
Massachusetts Financial Services Company	2,044,385	6.4
Schroders plc	1,677,861	5.2
Working Capital Management Pte Limited	1,630,689	5.1
Artemis Investment Management LLP	1,620,001	5.0
Aberforth Partners LLP	1,569,000	4.9
Ruffer LLP	1,555,198	4.8
FIL Limited	1,516,682	4.7

The Company has not been notified of any other substantial shareholdings.

Dividends
Dividends of 74 pence per share (2016: 40 pence) were paid during the year (£23.8 million; 2016: £12.8 million). Dividends of 80 pence per share were declared during the year. As a result of a procedural oversight, 6 pence per share of the dividend paid on 2 June 2017 is being treated as an unlawful dividend in the annual report. Although the Company always had sufficient reserves to pay this dividend at the time that it was made, the Companies Act 2006 requires this to be demonstrated by reference to interim accounts filed at Companies House prior to payment. Those interim accounts, however, were not filed with Companies House until after the relevant dividend had been paid and after the lapse had been identified. No fines or other penalties have been incurred by the Company. Please see resolution 11 tabled in the notice of meeting for the annual general meeting ('AGM').

A further dividend of 20 pence per share was declared post year end and was paid before the signing of these financial statements.

Directors
The present directors of the Company are listed on page 32. All of the directors were members of the board throughout the year and up to the date of signing the financial statements.

Under the Company's articles of association one third of the directors are required to retire by rotation at each AGM. Those who retire are the longest in office since their election or last re-election. Under this formula, at this year's AGM, one director requires re-election. In addition, as a result of their long service, non-executive directors C J Myatt and N J Donaldson are required to retire and are seeking re-election. In relation to the non-executive directors, the chairman has confirmed that, following formal performance evaluation, the performance of C J Myatt, N J Donaldson and E O'Donnell 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. C J Myatt and N J Donaldson are 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 T H F Kirby as non-executive chairman and consider him to be effective in his role; T H F Kirby is not considered independent of the Group given his previous executive roles within the Company.

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 29. 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 24 July 2017.

Information on executive directors

K D Rountree (age 47), 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 August 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 46), group finance director and company secretary. 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

T H F Kirby (age 67), non-executive chairman. Tom Kirby joined Games Workshop in April 1986 as general manager and led the management buy-out in December 1991, becoming chief executive at that time. Between 1998 and 2000 he took on the role of non-executive chairman, returning to the role of chief executive in September 2000. He performed the role of chairman from December 2007 to January 2013 when he became chairman and acting CEO. Following the appointment of Kevin Rountree as CEO with effect from 1 January 2015, Tom became non-executive chairman of the Company. He will be stepping down from the board with effect from the 2017 AGM. Prior to joining Games Workshop, Tom worked for six years for a distributor of fantasy games in the UK and was previously an inspector of taxes.

C J Myatt (age 73). Chris Myatt is the senior independent director, joining the board on 18 April 1996. He was formerly managing director of a division of Tarmac PLC, chairman and non-executive director of a number of manufacturing companies and treasurer of Keele University.

N J Donaldson (age 63). Nick Donaldson was appointed to the board on 18 April 2002. A barrister by profession, Nick is a partner of London Bridge Capital Partners LLP. Nick was, until 2003, head of corporate finance at Arbuthnot Securities Limited and previously held senior investment banking positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is chairman of DP Poland PLC and a director of The Fulham Shore plc.

E O'Donnell (age 46). Elaine O'Donnell was appointed to the board on 28 November 2013. A chartered accountant by profession, until recently Elaine was a corporate finance partner with EY. She is also a non-executive director of the Merseyside Special Investment Fund and chairman of Alliance Fund Managers.

Independent auditors

As at 24 July 2017, 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 24 July 2017, 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 24 July 2017 there were 32,138,568 (2016: 32,120,708) 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.

DIRECTORS' REPORT continued

Share capital, share rights and other information continued
A director appointed by the board holds office only until the next AGM. At each AGM one third of the directors will retire by rotation and be eligible for re-election. The directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or re-appointment.

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 28 May 2017, the Company had an unexpired authority to repurchase shares up to a maximum of 3,212,070 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
The chairmen of the audit, the City and the remuneration and nomination committees will be available to answer questions at the AGM. Separate resolutions are proposed for substantially separate issues at the meeting and the chairman of the Company will declare the number of proxy votes received both for and against each resolution.

Corporate governance
The Company's statement on corporate governance is included in the corporate governance report on pages 19 to 22.

Health, safety and environment
Games Workshop is fully committed to the safety of our customers and the safety, health and wellbeing of our employees. Our people are our most valuable asset. We care about our colleagues and want to look after them.

Over the past 12 months we have continued to focus on the development of the health, safety and environmental standards across manufacturing, warehousing, offices and retail to improve consistency across the Group and enhance our safety performance.

Injury reporting
During the year there were two injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ('RIDDOR') in the UK (2015/16: 10) and no recordable cases reported to the US Occupational Safety and Health Administration (2015/16: 5). This decrease in the number of reports is indicative of the increased awareness of reporting and rectifying hazards and near misses before they become incidents.

Greenhouse gas emissions
Under the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013, enforced under the Companies Act 2006, we have addressed our Greenhouse Gas ('GHG') reporting requirements.

We have used the methodology described in the Environmental Reporting Guidelines from DEFRA to identify our GHG inventory of Scope 1 (direct) and Scope 2 (indirect) global CO2 emissions. We have considered the six main GHGs and report in CO2 equivalent. Our data includes all manufacturing, warehousing, office and retail sites controlled globally by Games Workshop for the year to 28 May 2017. All calculations have used the 2013 DEFRA conversion factors.

- Scope 1 covers activities owned or controlled by Games Workshop that release emissions straight into the atmosphere - gas boilers, vehicle operation, air conditioning.
- Scope 2 covers activities that are not owned or controlled by Games Workshop but which create emissions as a result of our activities - electricity consumption.

	2016/17	2015/16
Scope 1 – tonnes CO2e	**684**	580
Scope 2 – tonnes CO2e	**4,481**	4,766
Total tonnes CO2e	**5,165**	5,346
Tonnes CO2e per sq metre	**0.075**	0.077
Tonnes CO2e per £000 of revenue	**0.033**	0.045

Continuing on from our success in reducing the CO2e burden across the Group, plans are in place this year to install a 400kW solar panel system at the Nottingham site and fit electric vehicle charging points.

Waste management

We sent 85% of our waste by weight from our Nottingham site for re-use or recycling (2015/16: 67%), and 15% for heat recovery at the Nottingham City Council incinerator (2015/16: 33%).

Nottingham workplace parking levy and travel to work

Games Workshop will continue its policy of not recharging employees the Workplace Parking Levy (which increased by 2% in April 2017 to £387 per year for each used workplace parking space). We continue to promote our cycle to work scheme and have a high ratio of cyclists (over 10% of employees) at our Nottingham site. Since its launch on site in October 2015, 107 members of staff have enjoyed the benefits of subsidised travel via the Nottingham tram2work scheme. We are also implementing a lift share scheme in 2017/18.

Employees

The Group's policy is to consult on and discuss with employees, at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

With effect from April 2016, the Group adopted the UK Living Wage for all UK employees, regardless of age.

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

The Group's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All necessary assistance with training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. 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.

Diversity

The board has noted the changes to the UK Corporate Governance Code (the 'Code') to strengthen the principle of boardroom 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. The Company does not consider that diversity can be best achieved by establishing specific quotas and targets and appointments will continue to be made based on merit.

As at 28 May 2017, the workforce is comprised as follows:

	Male	Female	Total
The board	4	2	6
Senior management	7	1	8
Total workforce	1,387	326	1,713

Social, community and human rights

The Group has policies that encompass a set of global sourcing principles covering fair terms of employment, human rights, health and safety, equal opportunities and good environmental practice. We seek to work with suppliers who adopt an ethical approach to human rights, working conditions and the environment in line with our own values. Our buyers are required to review supplier compliance with these policies, identify any areas of non-conformance and take action where appropriate. The Group monitors the quality and availability of all sourced components to ensure high standards are maintained.

Employees continue to carry out fund raising events for their chosen charities. Although we have decided that we will no longer make cash donations to charities, we are fully supportive of the work our employees do. There are no donations to political parties.

Anti-bribery

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 CEO and 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.

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 from 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. The Games Workshop Anti-Slavery Policy reflects Games Workshop's zero tolerance approach to modern slavery.

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.

DIRECTORS' REPORT continued

Future developments
The future developments for the Group are discussed in the strategic report on pages 4 to 13.

Financial risks
The financial risks facing the Group are set out in note 21 to these financial statements.

Going concern and viability statement

Assessment of prospects
The Group operates a strategic planning process which includes quarterly reviews of business and financial performance, monthly 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 extrapolated from the plan for the following financial year taking into account known strategy changes. 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 viability assessment has been conducted for a period of three years which is in line with the Group's strategic planning period. 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:

- A significant interruption in the supply chain impacting the manufacturing operations
- A material fluctuation of the sterling exchange rate
- A failure in the existing ERP system before the new ERP system goes live

Viability statement
Based on the board's assessment as described above, 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 May 2020.

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.

By order of the board

R F Tongue
Group finance director and company secretary
24 July 2017

CORPORATE GOVERNANCE REPORT

The Listing Rules of the Financial Conduct Authority require listed companies to disclose, in relation to section 1 of the UK Corporate Governance Code 2014 (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 23 to 30, 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 operates primarily through its monthly meetings and 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 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 2016/17 the board had 10 scheduled meetings, each of which was attended by all members of the board. 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 14.

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 14 to 18, 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, T H F Kirby. This arrangement does not comply with provision A.3.1 of the Code as T H F Kirby does not meet the independence criteria set out in the Code as he was formerly the Company's acting CEO. With effect from the 2017 AGM, T H F Kirby intends to retire from the board and N J Donaldson will take on the role of non-executive chairman.

The senior independent director is C J Myatt. His principal responsibilities include:

- 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
- 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 (excluding the current chairman). 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.

At Games Workshop the board has had to confront one of these circumstances as two of the non-executive directors, C J Myatt and N J Donaldson, have served 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 Games Workshop Hobby to be a point in favour of retaining the experience which the board currently has.

Based upon its assessment, which focusses on each director's attitude towards making his best contribution to the progress of the Company, the board considers that both of these non-executive directors are 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.

CORPORATE GOVERNANCE REPORT continued

The board continued
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.

The board has established a process for the ongoing assessment of its own performance and that of its committees. The board has completed an internal review process to determine and define the role that the board performs; an internal assessment has been undertaken to review the board's performance against those objectives and this will continue in 2017/18. This will be an iterative process which will inform the board's development agenda on a regular basis.

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, the City and the remuneration and nomination committees will be available to answer questions at the Company's AGM.

Audit committee
The audit committee comprises the three non-executive directors and the chairman of the Company under the chairmanship of C J Myatt, who is a chartered management accountant and has significant relevant financial and accounting knowledge and experience. The audit committee's terms of reference include monitoring the appropriateness of accounting policies, financial reporting, 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.

Significant issues considered by the audit committee
The committee had four 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 2017 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 2017 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
- 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 2017 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:

- Inventory valuation: the committee considered and agreed that the inventory provisions were appropriate given the robust formulaic process applied and the level of risk.
- Capitalisation of product development costs: the committee reviewed the accounting for and disclosure of development costs and the change in accounting estimate for the amortisation of development costs. The committee concluded that the accounting and disclosure (including the change in estimate) was appropriate but that management should continue to monitor this closely in the context of product release cycles and underlying sales trends.
- Capitalisation of ERP implementation costs: the committee considered and agreed that the costs capitalised in the year and those impaired in the year were appropriate.

Significant issues considered by the audit committee continued
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. Non-audit fees paid to the auditors are therefore minimal and amounted to £4,000 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 committee calls upon the external auditors, the internal auditors 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 committee or its chairman.

The audit 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. Andrew Lyon is the audit partner and he was appointed during 2014/15 and will rotate after five years. In 2014/15 the external audit was put out to tender and the committee agreed that PricewaterhouseCoopers should remain as auditors. There are no contractual obligations which restrict the choice of external auditors.

Whistleblowing
The audit 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.

City committee
The City committee comprises the non-executive directors and is chaired by N J Donaldson. It normally meets at least twice a year and is responsible for corporate governance, investor relations, City presentations and liaison with City advisers. The City committee held two meetings during the year, each of which was attended by all members of the committee.

Remuneration and nomination committee
The remuneration and nomination committee comprises the non-executive directors and is chaired by N J Donaldson. It normally meets at least twice a year and is responsible for making recommendations to the board on remuneration policy for all executive directors (including determining specific remuneration packages, terms of employment and performance incentive arrangements). It is also responsible for nominating, for approval by the board, candidates for appointment to the board. The procedures and guidelines used by the remuneration and nomination committee in determining remuneration are outlined in the separate remuneration report. The remuneration and nomination committee held two meetings in the year, which were attended by all members of the committee. The committee meets without the executive directors at least annually to appraise the executive directors' performance.

Appointments to the board
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.

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 board throughout the year.

The effectiveness of the Group's system of internal control is continuously reviewed by 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, reporting 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 committee, alongside the external auditors' reports.

The Group has continued its programme of internal audit reviews during the year. The audit 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 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.

CORPORATE GOVERNANCE REPORT continued

Communication with shareholders
The Company attaches great importance to its AGM, which it considers to be the primary platform of communication between the Company and its 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.

The CEO and group finance director are available to meet with shareholders in Nottingham to discuss any issues which shareholders may have. Any issues arising at such meetings are reported to and considered by the board.

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 23 to 30.

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.

Statement of compliance with the UK Corporate Governance Code
With the exception of provision of A.3.1, the Company has complied with all of the provisions set out in section 1 of the Code.

By order of the board

R F Tongue
Group finance director and company secretary
24 July 2017

REMUNERATION REPORT

Introduction

The remuneration report for the year ended 28 May 2017 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 sets out the Company's proposed policy on directors' remuneration, which took effect from the 2016 annual general meeting ('AGM') and the key factors which were taken into account in setting the policy. The directors' remuneration policy was approved by shareholders at the 2016 AGM. The policy will be subject to a binding shareholder vote at least every three years.

- 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 2016/17 financial year. The 2016/17 report will be subject to an advisory vote at the 2017 AGM.

2016/17 – a year in review

2016/17 was an exceptional year for Games Workshop. During this year the Group achieved its highest ever levels of sales and profitability. This was in part a consequence of operating changes introduced by and overseen by the Company's executive directors, who were appointed with effect from 1 January 2015. Games Workshop's 2016/17 results were also favourably affected by currency movements. In light of this performance, the committee has supported the executive directors' proposal to make a discretionary payment to all employees of £1,750 per employee (in addition to the profit share of £250 per employee) as well as a discretionary bonus of 10% of salary to those senior managers who have contributed to the outstanding performance. The executive directors did not receive either of these additional discretionary payments.

2017/18 – the year ahead

As announced to the London Stock Exchange and as described elsewhere in this annual report, T H F Kirby has announced his intention to retire as non-executive chairman of Games Workshop with effect from the closure of the Company's 2017 AGM on 13 September 2017. T H F Kirby will not seek re-election as a director of the Company thereafter.

Following T H F Kirby's retirement from the Company's board at the 2017 AGM, it is the board's intention that I shall be appointed non-executive chairman of Games Workshop. One of my key responsibilities in this role will be to lead a review of the composition of the board and to set in motion a process of appointing new non-executive directors of the Company, with the intention of making an appointment in 2017/18.

The committee remains very much aware of the importance to the Company and its shareholders of the successful transfer of power and responsibility to the new executive board team. We believe that the team continues to make solid progress, enjoying the continued support of the Games Workshop workforce.

In the interests of continuing the smooth transfer of power and responsibility to the new executive board team, following the 2017 AGM T H F Kirby will be appointed a consultant to the Company to provide input on product range, IP exploitation and mentoring as deemed necessary by K D Rountree. This consultancy arrangement will be remunerated at a rate of up to £240,000 over a 12 month period and will be reviewed after one year.

As noted in last year's remuneration report, an external pay benchmarking exercise was carried out in May 2016 to assist the committee in its review of the base salaries payable to the executive directors. To recognise the progress achieved by the Company in 2016/17 and reflecting again on the pay benchmarking exercise completed in 2016, the committee has resolved to increase the annual salary of K D Rountree from £375,000 to £410,000 and the annual salary of R F Tongue from £220,000 to £250,000 with effect from 1 June 2017. It is proposed that on my appointment as non-executive chairman, the salary for this role will be £120,000 per annum. The committee next proposes to review the base salaries payable to the executive directors at or about the end of the 2017/18 financial year. In conducting such reviews, the committee seeks to take into account, among other factors, corporate performance on environmental, social and governance issues.

On my being appointed non-executive chairman of the Company, E O'Donnell will be appointed chairman of the remuneration and nomination committee.

C J Myatt will remain senior independent director of the Company and chairman of the audit committee.

2017/18 – the year ahead continued
As noted previously, the board takes seriously its responsibilities in applying the principles of UK corporate governance. Properly incentivising executive directors, and senior management generally, forms part of this area of focus. The board has from time to time discussed the desirability of introducing share incentive and/or bonus schemes for senior managers; the board remains concerned that such schemes can encourage short-term behaviour which may not be in the long-term interests of the Company and its shareholders. Nevertheless, and following the changes described above, it is intended that a review of the remuneration of Games Workshop's executive directors and other senior managers will be undertaken. Shareholders will be informed of the conclusions and recommendations of this review in due course.

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 the Group's top talent. 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.

N J Donaldson
Chairman
Remuneration and nomination committee
24 July 2017

Policy report
This part of the report sets out the directors' remuneration policy, which has applied since the AGM held on 14 September 2016 where it was approved by shareholders. The policy will apply until the AGM in 2019 (unless revised by a vote of shareholders before that time).

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 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	Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the business.	Reviewed annually and usually fixed for 12 months from 1 June. There is no entitlement to an annual increase. Takes into consideration the director's role and attitudes. Takes into account prevailing market conditions and is aligned with staff pay reviews. Externally benchmarked by independent remuneration consultants from time to time against companies of a similar size and complexity.	There is no prescribed maximum annual increase in salary. Salaries are reviewed taking into consideration salary increases across the Group. 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.	Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.

Remuneration policy table continued

Component	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Benefits	Ensures the overall package is competitive. Purpose is to recruit and retain directors of the calibre required for the business. Participation in the sharesave scheme creates staff alignment with the Group and promotes a sense of ownership.	The executive directors each receive life assurance cover. The sharesave scheme is a HMRC approved monthly savings scheme facilitating the purchase of shares at a discount. Where appropriate other benefits may be offered including allowances for relocation and other expatriate benefits.	Set at a level which the committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances. Sharesave contributions are as permitted in accordance with the relevant tax legislation.	Not applicable.
Pension	To provide cost effective retirement benefits.	Participation in a group personal pension scheme.	Up to 7.5% of salary up to a maximum of £10,000 per annum. Following the changes in pension tapering, any excess between 7.5% of salary and £10,000 is paid as additional salary (net of employers' national insurance).	Not applicable.
Profit share	Rewards performance against annual targets linked to the achievement of sales growth.	Targets are set annually and any pay out is determined by the committee after the year end, based on performance against those targets. All staff participate equally in the scheme. Awards are payable in cash.	Maximum potential value is £250 per person per year.	The financial target is based on growth in sales revenue. Payments range from nil to £250 dependent on the level of increase in sales revenue from the prior year.
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.

REMUNERATION REPORT continued

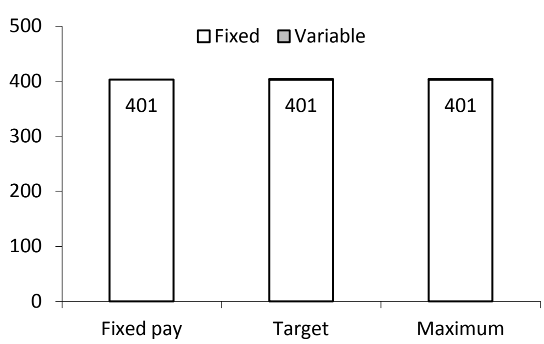
Explanation of the performance metrics chosen

The performance measures selected are aligned with the Company's strategy and business objectives. The profit share is based on growth in sales revenue.

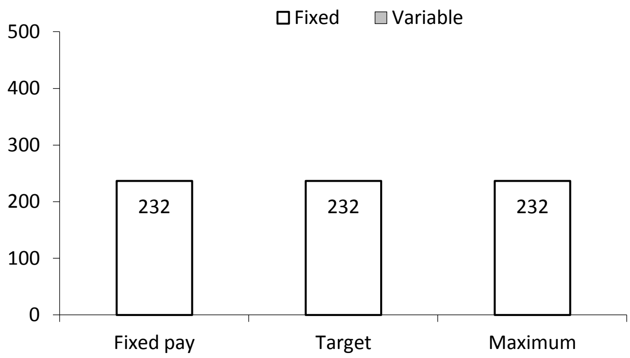
Illustration of application of the policy

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

K D Rountree



R F Tongue



	Minimum	In line with expectations	Maximum
Fixed pay	Fixed elements of salary, benefits and pension. Salary is at 28 May 2017 and the value of benefits has been assumed to be equivalent to that included in the single figure remuneration table on page 27.	As per minimum.	As per minimum.
Profit share	Nil.	Up to £100 per annum.	£250 per annum.

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 Company operates the same core principles 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

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 and profit share 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**
T H F Kirby	1 January 2015	14 September 2016	6 months
C J Myatt	18 April 1996	14 September 2016	6 months
N J Donaldson	18 April 2002	14 September 2016	6 months
E O'Donnell	28 November 2013	14 September 2016	6 months

Directors' service contracts and letters of appointment continued
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.

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.

All employees receive a base salary, may join a pension scheme, when eligible, or have equivalent state provided pension benefits. Employees are also eligible to participate in the sharesave scheme when an invitation is made to do so.

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.

Consideration of shareholder views
The committee takes into account shareholder feedback received on remuneration matters, including comments in relation to 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 29 May 2016 and 28 May 2017.

Year ended 28 May 2017

	Salary/fees £000	Profit share £000	Pension related benefits £000	**Total £000**
K D Rountree	391	-	10	**401**
R F Tongue	223	-	9	**232**
T H F Kirby	250	-	-	**250**
C J Myatt	60	-	-	**60**
N J Donaldson	52	-	-	**52**
E O'Donnell	52	-	-	**52**
Total	1,028	-	19	**1,047**

Year ended 29 May 2016

	Salary/fees £000	Profit share £000	Pension related benefits £000	Total £000
K D Rountree	363	-	39	402
R F Tongue	173	-	20	193
T H F Kirby	221	-	-	221
C J Myatt	60	-	-	60
N J Donaldson	52	-	-	52
E O'Donnell	52	-	-	52
Total	921	-	59	980

REMUNERATION REPORT continued

Annual report on remuneration (subject to audit) continued
The figures in the single figure tables above are derived as follows:
Salary/fees – the amount of salary/fees received in the year, after any salary sacrifice arrangements for pension contributions.
Profit share – the amount of profit share earned in the year.
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.

T H F Kirby provided consultancy at a cost of £35,000 in 2015/16 and this consultancy agreement was terminated in 2015/16.

During 2016/17 and 2015/16 there were no payments made for loss of office. There were also no payments made to past directors in either the current or prior year.

CEO remuneration

Year	CEO	Total remuneration £000	% of maximum profit share paid
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	-
2010	M N Wells	282	100

*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.

Percentage change in CEO's remuneration
The table below shows how the percentage change in the CEO's salary in 2016/17 compares with the percentage change in the average salary 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	0%	+2%

Salary cost for the wider workforce has been calculated using the average exchange rates for the year ended 29 May 2016 for both years. Performance related elements of salary costs have also been excluded in both years.

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 28 May 2017, compared to the year ended 29 May 2016:

	2017 £000	2016 £000	% change
Total staff costs	**60,602**	49,765	+22%
Profit attributable to owners	**30,547**	13,496	+126%
Dividends declared and paid	**23,801**	12,837	+85%

Statement of voting at the last AGM
At the last AGM, votes on the remuneration report and policy were cast as follows:

	Votes for	% of vote	Votes against	% of vote	Votes withheld	% of vote
To approve the remuneration report	17,469,323	90.8%	1,764,781	9.2%	1,920	0.0%
To approve the remuneration policy	19,120,284	99.4%	114,913	0.6%	827	0.0%

Implementation statement

A summary of the remuneration arrangements in 2016/17 and how the policy will be applied during 2017/18 is set out below:

Salary and fees

As noted above, in May 2016 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.

The remuneration policy for the non-executive directors is determined by the board and is reviewed every year. Fees were externally benchmarked, as discussed above, 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 £250 per person per year. The performance targets are based upon sales revenue growth from the prior year.

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.

Remuneration and nomination committee

The committee is appointed by the board and comprises N J Donaldson (chairman), C J Myatt, E O'Donnell and T H F Kirby. The committee is responsible for setting the remuneration packages of the executive directors as well as approving their service contracts. The terms of reference are available on the Company's investor relations website.

Advisers

As referred to above, in May 2016 the committee was assisted in its work by Innecto, a remuneration consultancy which was appointed by the Company in consultation with the committee. The committee assessed whether Innecto was independent in the provision of its advice and concluded that it was independent. The amount paid to Innecto during the 2016/17 year for its advice was nil (2016: £5,000).

Directors' interests in shares of the Company

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

	As at 28 May 2017 ordinary shares of 5p each		As at 29 May 2016 ordinary shares of 5p each	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
K D Rountree	**22,867**	**-**	20,473	-
R F Tongue	**4,700**	**3,300**	4,700	3,300
T H F Kirby	**2,108,650**	**25,536**	2,108,650	25,536
C J Myatt	**66,500**	**-**	66,500	-
N J Donaldson	**20,000**	**-**	20,000	-
E O'Donnell	**3,300**	**1,793**	1,500	-

Share options

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

	At 29 May 2016	Exercised	Granted	**Number as at 28 May 2017**	Exercise dates Commencement	Expiry	Exercise price
K D Rountree	3,924	-	-	**3,924**	Nov-17	Apr-18	458.7p
R F Tongue	3,924	-	-	**3,924**	Nov-17	Apr-18	458.7p

The options above were granted under the Games Workshop Group PLC 2005 Savings-Related Share Option 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.

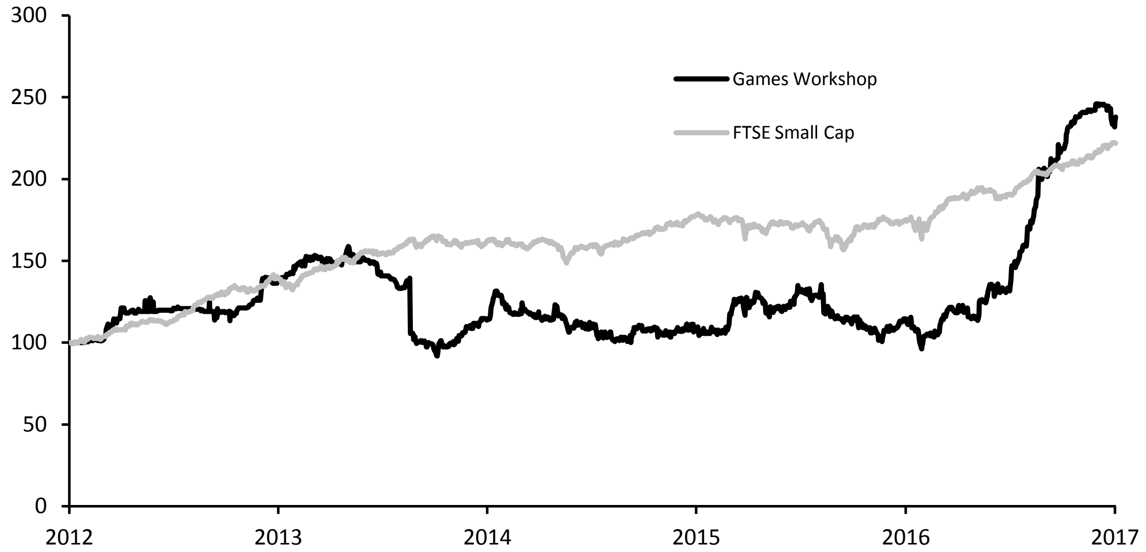
K D Rountree acquired 592 of the Company's shares on 2 June 2017 and a further 344 of the Company's shares on 21 July 2017, both under the Company's dividend reinvestment plan. These are the only movements in directors' interests in shares of the Company between 28 May 2017 and the date of this report.

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

REMUNERATION REPORT continued

Performance graph

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE small cap companies during the previous five years. The index of the FTSE small cap 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
N J Donaldson
Chairman
Remuneration and nomination committee
24 July 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 the Company and of the profit or loss of the Group and Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 Company and Group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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 performance, business model and strategy.

Each of the directors, whose names and functions are listed on page 32, confirms that, to the best of his/her knowledge:

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

By order of the board

R F Tongue
Group finance director and company secretary
24 July 2017

COMPANY DIRECTORS AND ADVISERS

Directors
T H F Kirby, non-executive chairman
K D Rountree, chief executive officer
R F Tongue, group finance director and company secretary
C J Myatt, senior non-executive director
N J Donaldson, non-executive director
E O'Donnell, non-executive director

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 financial statements

Our 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 28 May 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

What we have audited
The financial statements, included within the annual report, comprise:

- the Group and Company balance sheets as at 28 May 2017;
- the consolidated income statement and the Group and Company statements of comprehensive income for the year then ended;
- the consolidated and Company cash flow statements for the year then ended;
- the consolidated and Company statements of changes in total equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and as applicable law and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

Materiality	Overall Group materiality: £1,900,000 which represents 5% of consolidated profit before tax.
Audit scope	Full scope audits, all conducted by the Group engagement team, were performed on five separate reporting units. The reporting units audited included the four largest trading units in the Group. The audited reporting units accounted for 82% of consolidated revenues and 87% of consolidated profit before tax.
Areas of focus	Capitalisation of product development costs. Change in accounting estimate for amortisation of development costs. Inventory valuation. Capitalisation of ERP implementation costs.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing 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. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Capitalisation of product development costs Refer to page 5 (audit committee report), page 45 (Key assumptions and estimates) and page 52 (notes). The Group incurred £5.7 million of capitalised product development costs during the year to 28 May 2017, relating to products the Group develops to sell through its various channels. The net book value of such capitalised costs as at 28 May 2017 was £7.0 million. We focussed 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 estimation in particular as regards to whether they are specific to projects which are expected to generate future cash inflows. Further, there is a risk that capitalised costs will not be supported by the future cash inflows generated from product sales.	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 been allocated to the correct project. We obtained and inspected the latest forecasts in respect of projects to assess recoverability of the capitalised costs. In order to assess the accuracy of the future sales forecasts, we compared actual FY17 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. We applied sensitivity analysis to the forecasts to understand the shortfall in revenues that would be required to cause a material impairment in the carrying value of capitalised costs. We considered the shortfall required to cause a material impairment unlikely given the historical accuracy of the directors' forecasting.
Change in accounting estimate for amortisation of development costs Refer to page 5 (audit committee report), page 45 (Key assumptions and estimates) and page 45 (notes). The Group changed the basis of the amortisation of development costs in the year to align the recognised amortisation charge with the sales profile of the related products. The impact of the change in accounting estimate is to reduce the amortisation expense for the year to 28 May 2017 by £2.2m. We focussed on this area due to the change described above and due to the inherent level of judgement around the useful economic lives of capitalised development costs, a determination that involves management estimation.	We understood management's rationale supporting the change in estimate. We were satisfied that the rationale was reasonable given the historical sales profiles relating to similar products. We obtained and inspected historical sales data for similar products and compared the profile of sales over time following launch to management's revised useful economic lives and profile of amortisation charge over time. We noted no material differences between useful lives, amortisation rate and the sales profile and were therefore satisfied that the estimates adopted were appropriate. We tested the mathematical application of the new policy to the development costs capitalised and that the policy was applied consistently. No material errors were noted. We reviewed the disclosures in the financial statements in respect of the change in estimate. No material errors were noted.
Inventory valuation Refer to page 6 (audit committee report), page 45 (Key assumptions and estimates) and page 55 (notes). The Group held inventory of £12.4 million as at 28 May 2017. The directors determine the provision for inventory by making assumptions about future sales by product and applying those to the current inventory holding. The Group operates in a retail market where new product releases are regular. There is a risk that inventories held will not be sold through and there is inherent judgement in the levels of sales the directors forecast when assessing realisable value. Over the last three years the Group has on average written off £0.9m of inventory per annum. In order to assess the level of provision required against inventory, the directors assess forecast sales levels by product and in certain situations this calculation is subject to manual override to reflect the specific circumstances of certain inventory lines. We focussed on this area because of the subjectivity around forecasting future sales performance of newly launched products, and because of the judgement that exists around the manual adjustments to the calculation.	We tested that the Group provisioning policy is in accordance with IFRSs as adopted by the EU and has been consistently applied. We understood and assessed manual overrides to the provision calculation to determine whether these adjustments were appropriate. No inappropriate adjustments were identified. We obtained an understanding of management's process for preparing future stock sales forecasts, including how these were challenged and stress-tested by the directors. We tested the integrity of the underlying calculations and assessed the assumptions over future sales forecasts by testing via recalculation the accuracy of the historical sales forecasts compared to actual out-turn. We noted no material differences between historical forecasts and actual out-turn and were therefore satisfied that the directors' forecasting process was reasonable. We obtained further evidence over the valuation of the provision by comparing a sample of product lines to post-year end sales and assessing whether, post year-end sales performance suggested that additional provisions may be required. This also provided us with evidence over the accuracy of the directors' sales forecasts used in calculating the provision. No material errors were noted.

Area of focus	How our audit addressed the area of focus
Capitalisation of ERP implementation costs Refer to page 7 (audit committee report), page 45 (key assumptions and estimates) and page 52 (notes). The Group are implementing a new ERP system, this is a complex project and the Group have revised the plan for implementation during the year. The total costs capitalised in the year ended 28 May 2017 were £1.2m and £0.8m of previously capitalised costs were impaired. We focussed on this area due to the inherent level of judgement around the capitalisation of costs which may not meet the IFRS capitalisation criteria.	We understood the nature of costs capitalised in the year. We assessed whether the costs capitalised relating to the implementation of the new system met the criteria set within IFRS. We tested a sample of items capitalised to source documentation, including invoices and timesheets. No material errors were noted. We tested a sample of cost items expensed in the year to source documentation, including invoices and timesheets and understood management's rationale as to why these items had been expensed. We were satisfied that management's assessments were reasonable and no material errors were noted. We reviewed the total amount of ERP costs capitalised against the project budget. We were satisfied costs capitalised represented actual costs incurred and any costs not directly associated with the implementation of the final design of the system have been appropriately expensed or impaired.

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 geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is a vertically integrated business, as shown in note 4 in the notes to the financial statements. The group financial statements are a consolidation of a number of reporting units, comprising the Group's sales, manufacturing and distribution businesses and centralised functions, and a number of non-trading Group entities.

Accordingly, of the Group's reporting units, we identified five (being Head Office and four trading entities) that, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. These entities accounted for 82% of consolidated revenues and 87% of consolidated profit before tax. The audit of these five reporting units was performed by the Group engagement team. This, together with additional procedures performed, including analytical procedures and certain tests of details over specific balances and transactions, gave us the evidence we needed for our opinion on the group financial statements as a whole.

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 on the financial statements as a whole.

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

Overall group materiality	£1,900,000 (2016: £847,000).
How we determined it	5% of profit before tax
Rationale for benchmark applied	We consider this to be the key financial benchmark of the Group.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £90,000 (2016: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the directors' statement, set out on page 18, in relation to going concern. We have nothing to report having performed our review. Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern**.**

Other required reporting
Consistency of other information and compliance with applicable requirements
Companies Act 2006 reporting
In our opinion, based on the work undertaken in the course of the audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITORS' REPORT continued

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the directors' report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the corporate governance statement set out on pages 19 to 22 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the corporate governance statement set out on pages 19 to 22 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the corporate governance statement. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• information in the annual report is: - materially inconsistent with the information in the audited financial statements; or - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or - otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 31, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for 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 acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the annual report on pages 20 and 21, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw your attention to in relation to:	
• the directors' confirmation on page 13 of the annual report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
• the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanations on page 18 of the annual report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' 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 Code; and considering whether the statement are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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
- 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.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the strategic report, directors' report and corporate governance statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Lyon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

24 July 2017

CONSOLIDATED INCOME STATEMENT

	Notes		Year ended 28 May 2017 £000		Year ended 29 May 2016 £000
Revenue	4		**158,114**		118,069
Cost of sales pre-change in accounting estimates*		**(45,224)**		(37,438)	
Cost of sales impact of change in accounting estimates*		**1,533**		-	
Cost of sales			**(43,691)**		(37,438)
Gross profit			**114,423**		80,631
Operating expenses	4,5		**(83,591)**		(69,710)
Other operating income - royalties receivable			**7,491**		5,939
Operating profit pre-change in accounting estimates*		**36,790**		16,860	
Operating profit impact of change in accounting estimates*		**1,533**		-	
Operating profit	4		**38,323**		16,860
Finance income	7		**87**		93
Finance costs	8		**(7)**		(5)
Profit before taxation	9		**38,403**		16,948
Income tax expense	10		**(7,856)**		(3,452)
Profit attributable to owners of the parent	27		**30,547**		13,496

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

	Notes	Year ended 28 May 2017	Year ended 29 May 2016
Basic earnings per ordinary share	11	**95.1p**	42.1p
Diluted earnings per ordinary share	11	**94.5p**	42.0p
Basic earnings per ordinary share - pre-change in accounting estimates*	11	**91.2p**	42.1p
Diluted earnings per ordinary share - pre-change in accounting estimates*	11	**90.7p**	42.0p

STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
	Notes	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000
Profit attributable to owners of the parent		**30,547**	13,496	**26,594**	13,363
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations	26	**2,663**	485	**-**	-
Other comprehensive income for the year		**2,663**	485	**-**	-
Total comprehensive income attributable to owners of the parent		**33,210**	13,981	**26,594**	13,363

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 42 to 62 are an integral part of these financial statements.

*With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and for the depreciation of moulding tools. The change in accounting estimates is described in note 3 to these financial statements.

BALANCE SHEETS

		Group		Company	
		28 May 2017	29 May 2016	**28 May 2017**	29 May 2016
	Notes	**£000**	£000	**£000**	£000
Non-current assets					
Goodwill	13	**1,433**	1,433	**-**	-
Other intangible assets	14	**12,917**	10,501	**-**	-
Property, plant and equipment	15	**22,132**	22,621	**-**	-
Investments in subsidiaries	16	**-**	-	**30,584**	30,584
Deferred tax assets	17	**5,399**	3,219	**29**	43
Trade and other receivables	19	**1,081**	929	**3,957**	3,900
		42,962	38,703	**34,570**	34,527
Current assets					
Inventories	18	**12,421**	8,540	**-**	-
Trade and other receivables	19	**12,976**	10,120	**4,401**	1,516
Current tax assets		**596**	725	**-**	-
Cash and cash equivalents	20	**17,910**	11,775	**746**	843
		43,903	31,160	**5,147**	2,359
Total assets		**86,865**	69,863	**39,717**	36,886
Current liabilities					
Trade and other payables	22	**(16,515)**	(12,844)	**(656)**	(718)
Current tax liabilities		**(5,840)**	(1,924)	**-**	-
Provisions for other liabilities and charges	24	**(689)**	(823)	**-**	-
		(23,044)	(15,591)	**(656)**	(718)
Net current assets		**20,859**	15,569	**4,491**	1,641
Non-current liabilities					
Other non-current liabilities	23	**(494)**	(488)	**-**	(141)
Provisions for other liabilities and charges	24	**(495)**	(621)	**-**	-
		(989)	(1,109)	**-**	(141)
Net assets		**62,832**	53,163	**39,061**	36,027
Capital and reserves					
Called up share capital	25	**1,607**	1,606	**1,607**	1,606
Share premium account	25	**10,599**	10,519	**10,599**	10,519
Other reserves	26	**4,330**	1,667	**101**	101
Retained earnings	27	**46,296**	39,371	**26,754**	23,801
Total equity		**62,832**	53,163	**39,061**	36,027

The Company's profit after taxation for the year ended 28 May 2017 is £26,594,000 (2016: £13,363,000).

The notes on pages 42 to 62 are an integral part of these financial statements.

The financial statements on pages 38 to 62 were approved by the board of directors on 24 July 2017 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 £000	Share premium account £000	Other reserves (note 26) £000	Retained earnings (note 27) £000	Total equity £000
At 31 May 2015 and 1 June 2015	1,603	10,218	1,182	38,522	51,525
Profit for the year to 29 May 2016	-	-	-	13,496	13,496
Exchange differences on translation of foreign operations	-	-	485	-	485
Total comprehensive income for the year	-	-	485	13,496	13,981
Transactions with owners:					
Share-based payments	-	-	-	193	193
Shares issued under employee sharesave scheme (note 25)	3	301	-	-	304
Current tax charge relating to exercised share options	-	-	-	(3)	(3)
Dividends paid to Company shareholders	-	-	-	(12,837)	(12,837)
Total transactions with owners	3	301	-	(12,647)	(12,343)
At 29 May 2016 and 30 May 2016	1,606	10,519	1,667	39,371	53,163
Profit for the year to 28 May 2017	-	-	-	30,547	30,547
Exchange differences on translation of foreign operations	-	-	2,663	-	2,663
Total comprehensive income for the year	**-**	**-**	**2,663**	**30,547**	**33,210**
Transactions with owners:					
Share-based payments	-	-	-	160	160
Shares issued under employee sharesave scheme (note 25)	1	80	-	-	81
Deferred tax credit relating to share options	-	-	-	14	14
Current tax credit relating to exercised share options	-	-	-	5	5
Dividends paid to Company shareholders	-	-	-	(23,801)	(23,801)
Total transactions with owners	**1**	**80**	**-**	**(23,622)**	**(23,541)**
At 28 May 2017	**1,607**	**10,599**	**4,330**	**46,296**	**62,832**

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings (note 27) £000	Total equity £000
At 31 May 2015 and 1 June 2015	1,603	10,218	101	23,082	35,004
Profit for the year to 29 May 2016	-	-	-	13,363	13,363
Total comprehensive income for the year	-	-	-	13,363	13,363
Transactions with owners:					
Share-based payments	-	-	-	193	193
Shares issued under employee sharesave scheme (note 25)	3	301	-	-	304
Dividends paid to Company shareholders	-	-	-	(12,837)	(12,837)
Total transactions with owners	3	301	-	(12,644)	(12,340)
At 29 May 2016 and 30 May 2016	1,606	10,519	101	23,801	36,027
Profit for the year to 28 May 2017	-	-	-	26,594	26,594
Total comprehensive income for the year	**-**	**-**	**-**	**26,594**	**26,594**
Transactions with owners:					
Share-based payments	-	-	-	160	160
Shares issued under employee sharesave scheme (note 25)	1	80	-	-	81
Dividends paid to Company shareholders	-	-	-	(23,801)	(23,801)
Total transactions with owners	**1**	**80**	**-**	**(23,641)**	**(23,560)**
At 28 May 2017	**1,607**	**10,599**	**101**	**26,754**	**39,061**

The notes on pages 42 to 62 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Notes	Group		Company	
		Year ended 28 May 2017 £000	Year ended 29 May 2016 £000	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000
Cash flows from operating activities					
Cash generated from operations	28	**49,370**	26,782	**25,511**	13,234
UK corporation tax paid		**(5,212)**	(2,236)	**-**	-
Overseas tax paid		**(270)**	(316)	**-**	-
Net cash generated from operating activities		**43,888**	24,230	**25,511**	13,234
Cash flows from investing activities					
Purchases of property, plant and equipment		**(5,409)**	(5,296)	**-**	-
Purchases of other intangible assets		**(1,749)**	(2,789)	**-**	-
Expenditure on product development	14	**(5,686)**	(4,578)	**-**	-
Interest received		**87**	86	**8**	70
Net cash (used in)/generated from investing activities		**(12,757)**	(12,577)	**8**	70
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	25	**81**	304	**81**	304
Interest paid		**(4)**	(3)	**-**	-
Loans to Company shareholders		**(1,901)**	-	**(1,901)**	-
Dividends paid to Company shareholders	12	**(23,801)**	(12,837)	**(23,801)**	(12,837)
Net cash used in financing activities		**(25,625)**	(12,536)	**(25,621)**	(12,533)
Net increase/(decrease) in cash and cash equivalents		**5,506**	(883)	**(102)**	771
Opening cash and cash equivalents		**11,775**	12,561	**843**	71
Effects of foreign exchange rates on cash and cash equivalents		**629**	97	**5**	1
Closing cash and cash equivalents	20	**17,910**	11,775	**746**	843

The notes on pages 42 to 62 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 direct via global web stores and mail order. 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 years presented, unless otherwise stated. With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and the accounting estimate for the depreciation of moulding tools. These are described in note 3 along with the impact on the results for the year ended 28 May 2017.

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 consolidated 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 years ended 28 May 2017 and 29 May 2016. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies and are fully consolidated from the date on which control is transferred to the Group.

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. The financial statements of all subsidiaries are prepared to the same reporting date as the parent Company with the exception of the financial statements of Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd which are prepared to 31 December. The management accounts of Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd, prepared to 28 May 2017 and 29 May 2016, have been used for consolidation purposes. In addition the management accounts of Games Workshop Malaysia Sdn. Bhd. prepared to 29 May 2016 were used for consolidation purposes in the prior year.

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	15-33
Web store computer software	20
Other computer software	33-50

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 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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in the income statement immediately.

Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are 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, are charged or credited to the income statement on a straight line basis over the period of the entire 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.

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.

Trade payables

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

Other employee 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.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the income statement as they accrue.

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 years of employment (10 Year Veterans). 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.

2. Summary of significant accounting policies continued

Other employee benefits continued

Share-based payment

The Group operates a number of equity-settled employee sharesave 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.

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 or mail order and for sales to independent retailers. This represents when the significant risks and rewards of ownership of the goods have transferred to 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 (2016: no more than 3%).

Royalty income

Royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, after allowing for expected returns and price protection claims, as notified to the Group by the licensee and following validation of the amounts receivable by the Group. Cash received as guarantees and advances are deferred on balance sheet whilst it is considered probable that future royalty earnings will at least equal the amounts received. Such amounts are recognised in the income statement at the point at which they are earned as royalties. In the event that it is no longer considered probable that future royalty earnings will at least equal the guarantees and advances received, the guarantee and advance payments are taken to the income statement on a straight line basis over the remaining term of the licence agreement.

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.

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 year in which they are declared.

Provisions for other liabilities and charges

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

Provisions are made for committed costs outstanding under onerous or vacant property leases and the estimated liability is discounted to its present value. 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 10 Year Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10 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 'loans and receivables' and financial liabilities as 'other financial liabilities' (measured at amortised cost) in accordance with IAS 39. Management determines the classification of its financial assets and liabilities at initial recognition.

2. Summary of significant accounting policies continued

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

- management estimates and judgements are required in assessing the impairment of assets, including capitalised development costs and fixtures and fittings within loss making retail stores, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

- judgement is involved in assessing the exposures in the provisions (including inventory, loss making retail stores, other property, bad debt and returns) and hence in setting the level of the required provisions.

New accounting standards

There are no new accounting standards or interpretations effective in the current year which are relevant to the Group. New standards, amendments to standards and interpretations which have been published but are not yet effective which are relevant to the Group are:

- IFRS 16 'Leases' (effective for the year ending 31 May 2020). Under this new standard all leases will be required to be recognised on balance sheet. Currently under IAS 17 'Leases' only leases categorised as finance leases are recognised on balance sheet, with leases categorised as operating leases not recognised. In broad terms the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments set out in note 30. The Group is assessing the impact of the new standard.

- IFRS 15 'Revenue from contracts with customers' (effective for the year ending 2 June 2019). Under this new standard the royalty minimum guarantee income is expected to be taken as revenue up front. Currently the minimum guarantee income is deferred and released in line with licensee sales. In addition, amounts receivable from customers in respect of delivery charges will be recognised as revenue. Currently these are offset against the carriage cost to the Group within cost of sales.

- IFRS 9 'Financial instruments' (effective for the year ending 2 June 2019). Under this new standard, provisions for impairment of trade receivables will be recognised at an amount based on expected credit losses and will be calculated from the initial recognition of the asset. Currently provisions for impairment of trade receivables are not recognised until there is an indication of impairment. The Group is assessing the impact of the new standard.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant effect on the financial statements.

3. Change in accounting estimates

With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and the depreciation of moulding tools. Previously product development costs recognised as intangible assets were amortised on a straight line basis over periods ranging between 1 and 48 months. These development costs intangible assets are now amortised on a reducing balance basis with rates ranging from 50% to 80%. Previously moulding tools were depreciated on a straight line basis over a period of 48 months. Moulding tools relating to specific products are now amortised on a reducing balance basis at 50%.

The changes have been made in order to better match the expenditure incurred to the expected revenue generated from the subsequent product release. In accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' the changes are recognised prospectively and hence there is no impact on the results or financial position previously reported for the year ended 29 May 2016.

The impact of the change on the results for the year ended 28 May 2017 is shown in the table below:

	Pre-change in accounting estimates £000	Impact of change in accounting estimates £000	Total Year ended 28 May 2017 £000
Cost of sales	(45,224)	1,533	(43,691)
Gross profit	112,890	1,533	114,423
Operating profit	36,790	1,533	38,323
Income tax expense	(7,565)	(291)	(7,856)
Profit attributable to owners of the parent	29,305	1,242	30,547
Other intangible assets	10,720	2,197	12,917
Property, plant and equipment	22,796	(664)	22,132
Deferred tax assets	5,273	126	5,399
Current tax liabilities	(5,423)	(417)	(5,840)
Net assets	61,590	1,242	62,832
Basic earnings per share (expressed in pence per share)	91.2p	3.9p	95.1p
Diluted earnings per share (expressed in pence per share)	90.7p	3.8p	94.5p

The impact of the change in accounting estimates in future years will depend on the release mix and nature of products being developed in those years. A benefit relating to the changes in accounting estimates is expected until the year ending 31 May 2020, when the change will no longer materially impact the financial statements.

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. At 28 May 2017, the Group is organised as follows:

- Sales channels. These channels sell product to external customers, through the Group's network of retail stores, independent retailers and directly via the global web 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.
    - Mail order. This includes sales through the Group's global web stores and digital sales through external affiliates.
- Product and supply. This includes the design and manufacture of the products and incorporates the production facility in the UK and the Group logistics and stock management costs. This also includes adjustments for the profit in stock arising from inter-segment sales and charges for inventory provisions.
- Central costs. These include the Company overheads, head office site costs and the costs of running the Games Workshop Academy.
- Service centre costs. Provides support services (IT, accounting, payroll, personnel, procurement, legal, 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.

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 28 May 2017 is as follows:

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Trade	**61,254**	44,522
Retail	**64,848**	48,414
Mail order	**32,012**	25,133
Total external revenue	**158,114**	118,069

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

	Year ended 28 May 2017 £000	Restated* Year ended 29 May 2016 £000
Trade		
UK and Continental Europe	**25,442**	18,921
North America	**27,207**	19,523
Australia and New Zealand	**2,472**	1,816
Asia	**2,257**	1,417
Rest of world	**1,580**	1,069
Black Library	**2,296**	1,776
Total Trade	**61,254**	44,522
Retail		
UK	**22,474**	19,364
Continental Europe	**16,859**	12,916
North America	**16,759**	10,584
Australia and New Zealand	**7,471**	5,133
Asia	**1,285**	417
Total Retail	**64,848**	48,414
Mail order	**32,012**	25,133
Total external revenue	**158,114**	118,069

*Segment revenue of £8,675,000 for the year ended 29 May 2016 previously reported as non-core trade has been reclassified within the trade segment as UK and Continental Europe (£3,417,000), North America (£1,579,000), Australia and New Zealand (£158,000), Asia (£676,000), Rest of world (£1,069,000) and Black Library (£1,776,000) to reflect the management structure in place at 28 May 2017.
Segment revenue of £3,495,000 for the year ended 29 May 2016 previously reported as non-core retail has been reclassified within the retail segment as UK (£3,290,000), Continental Europe (£38,000) and North America (£167,000) to reflect the management structure in place at 28 May 2017.
In addition mail order segment revenue of £4,115,000 for the year ended 29 May 2016 previously reported as non-core mail order and £21,018,000 previously reported as Citadel and Forge World are now reported together as Mail order which reflects the management structure in place at 28 May 2017.

4. Segment information continued

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

	Year ended 28 May 2017 £000	Restated* Year ended 29 May 2016 £000
Trade	**(10,855)**	(8,899)
Retail	**(42,849)**	(35,930)
Mail order	**(5,290)**	(5,002)
Product and supply	**(2,618)**	(2,380)
Central costs	**(6,215)**	(5,969)
Service centre costs	**(11,824)**	(10,907)
Royalties	**(371)**	(430)
Total segment operating expenses	**(80,022)**	(69,517)
Share-based payment charge	**(160)**	(193)
Profit share scheme charge	**(444)**	-
Discretionary payment to employees	**(2,965)**	-
Total group operating expenses	**(83,591)**	(69,710)

*Operating expenses of £387,000 for the year ended 29 May 2016 relating to certain marketing costs have been reclassified from product and supply to central costs which reflects the current management structure in place for the year ended 28 May 2017.

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

	Year ended* 28 May 2017 £000	Restated** Year ended 29 May 2016 £000
Trade	**17,956**	10,625
Retail	**461**	(3,927)
Mail order	**18,788**	13,747
Product and supply	**16,286**	8,019
Central costs	**(6,724)**	(5,833)
Service centre costs	**(11,824)**	(10,907)
Royalties	**6,949**	5,329
Total segment operating profit	**41,892**	17,053
Share-based payment charge	**(160)**	(193)
Profit share scheme charge	**(444)**	-
Discretionary payment to employees	**(2,965)**	-
Total group operating profit	**38,323**	16,860
Finance income	**87**	93
Finance costs	**(7)**	(5)
Profit before taxation	**38,403**	16,948

*The implementation of the change in accounting estimates for the amortisation of development costs intangible assets and the depreciation of moulding tools, as described in note 3, has resulted in an increase in operating profit of £1,533,000 which is shown within the product and supply segment above. There is no impact on the results for the year ended 29 May 2016.

**Segment operating profit for the year ended 29 May 2016 has been restated to reclassify a stock valuation gain of £517,000 from the retail segment to the product and supply segment. In addition a segment loss of £409,000 for the year ended 29 May 2016 relating to certain marketing costs has been reclassified from product and supply to central costs. These restatements reflect the current management structure in place for the year ended 28 May 2017.

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

	Year ended 28 May 2017 £000	Restated* Year ended 29 May 2016 £000
Trade	**(8)**	(3)
Retail	**(1,574)**	(1,439)
Mail order	**(1,037)**	(983)
Product and supply	**(6,754)**	(7,104)
Central costs	**(342)**	(338)
Service centre costs	**(1,285)**	(551)
Royalties	**(2)**	-
Total group charges for impairment, depreciation and amortisation	**(11,002)**	(10,418)

*Depreciation of £43,000 for the year ended 29 May 2016 relating to part of the marketing costs has been reclassified from the product and supply segment to the central costs segment. This reflects the current management structure in place for the year ended 28 May 2017. In addition depreciation charges of £286,000 shown in the service centre costs segment in the prior year have been reclassified to central costs in order to correct an error in the presentation of this in the prior year.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information continued

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

	Net charge to inventory provisions		Redundancy costs and compensation for loss of office	
	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000
Trade	**-**	-	**(41)**	(25)
Retail	**-**	-	**(361)**	(150)
Mail order	**-**	-	**(60)**	(17)
Product and supply	**(1,376)**	(1,805)	**-**	(51)
Central costs	**-**	-	**(547)**	(293)
Total group charge	**(1,376)**	(1,805)	**(1,009)**	(536)

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

External revenue analysed by customer geographical location is as follows:

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
UK	**40,190**	33,021
Continental Europe	**42,672**	32,391
North America	**56,954**	40,788
Asia Pacific	**16,633**	10,981
Rest of the world	**1,665**	888
External revenue	**158,114**	118,069

The Group is not reliant on any one individual customer.

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

	2017 £000	2016 £000
UK	**33,880**	32,458
All other countries	**3,683**	3,026
Total non-current assets (excluding deferred tax assets)	**37,563**	35,484

Tangible and intangible asset additions included within the UK were £11,467,000 (2016: £11,307,000) and all other countries were £1,281,000 (2016: £1,248,000).

5. Operating expenses

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Selling costs	**50,384**	41,991
Administrative expenses	**33,207**	27,719
	83,591	69,710

6. Directors and employees

	Group		Company	
	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000
Total directors' and employees' costs:				
Wages and salaries	**52,528**	42,931	**1,157**	1,420
Social security	**5,813**	4,711	**143**	178
Other pension costs	**2,101**	1,930	**27**	75
Share-based payment	**160**	193	**2**	3
	60,602	49,765	**1,329**	1,676

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 28 May 2017 calculated using the average exchange rates for the year ended 29 May 2016 are £57,664,000. This includes performance related elements of salary costs, payments under the Group's profit share scheme and the discretionary payment to employees of £4,876,000 (2016: £nil).

Highest paid director

The above includes salary costs of £391,000 (2016: £363,000) and pension costs of £10,000 (2016: £39,000) in respect of the highest paid director.

Key management compensation

The remuneration of the directors and other key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. This subset of people is different to that referred to as 'senior management' on page 17.

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Short-term employee benefits	**1,254**	1,110
Post-employment benefits	**29**	84
Share-based payment	**5**	5
	1,288	1,199

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 27 to 29.
Key management are the directors of the Company and the head of product and supply.

Employee numbers

Group	**Year ended 28 May 2017 Number**	Restated* Year ended 29 May 2016 Number
Monthly average number of employees (including executive directors) by activity:		
Design and development	**232**	209
Production	**171**	160
Selling:		
- Full time	**831**	826
- Part time	**110**	86
Administration	**369**	364
	1,713	1,645

*Employee numbers for the year ended 29 May 2016 have been restated to reduce the number of part time employees within selling activities by 100. This better reflects the nature of these employees being cover staff within the retail chain.

The monthly average number of employees for the Company was 7 (2016: 9).

7. Finance income

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Interest income:		
- On cash and cash equivalents	**87**	93
	87	93

8. Finance costs

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Interest expense:		
- Unwinding of discount on provisions	**3**	2
- Other interest payable	**4**	3
	7	5

NOTES TO THE FINANCIAL STATEMENTS continued

9. Profit before taxation

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	**6,107**	5,305
(Reversal) of/charge for impairment of property, plant and equipment	**(55)**	28
Amortisation:		
- Owned computer software	**1,217**	1,232
- Development costs	**2,900**	3,853
Impairment of computer software	**833**	-
Non-capitalised development costs	**4,299**	3,895
Staff costs (excluding capitalised salary costs shown in note 14 and non-capitalised development staff costs)	**53,659**	41,016
Impairment of trade receivables	**212**	242
Operating leases:		
- Retail stores	**8,857**	7,640
- Other property	**611**	463
- Plant and equipment	**209**	197
- Other	**137**	139
Cost of inventories included in cost of sales	**25,034**	17,967
Net inventory provision creation (note 18)	**1,376**	1,805
Loss on disposal of property, plant and equipment	**111**	28
Loss on disposal of intangible assets	**14**	39
Redundancy costs and compensation for loss of office	**1,009**	536
Net (credit)/charge to property provisions including closed or loss making retail stores (note 24)	**(185)**	562

Auditors' remuneration and services provided

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

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Audit services		
Audit of the Group and Company's financial statements	**54**	53
Other services		
The audit of the Company's subsidiaries pursuant to legislation	**122**	120
All other services	**4**	9
Total services provided	**180**	182

10. Income tax expense

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Current UK taxation:		
UK corporation tax on profits for the year	**8,217**	2,588
Under provision in respect of prior years	**887**	40
	9,104	2,628
Current overseas taxation:		
Overseas corporation tax on profits for the year	**587**	349
Over provision in respect of prior years	**(77)**	(32)
Total current taxation	**9,614**	2,945
Deferred taxation:		
Origination and reversal of timing differences	**(477)**	660
Over provision in respect of prior years	**(1,281)**	(153)
Tax expense recognised in the income statement	**7,856**	3,452

Current tax (credit)/charge relating to sharesave scheme	**(5)**	3
Deferred tax credit relating to sharesave scheme	**(14)**	-
(Credit)/charge taken directly to equity	**(19)**	3

10. Income tax expense continued

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

	Year ended 28 May 2017 £000	Year ended 29 May 2016 £000
Profit before taxation	**38,403**	16,948
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.83% (2016: 20%)	**7,615**	3,390
Effects of:		
Items not deductible/(assessable) for tax purposes	**210**	(248)
Movement in deferred tax not recognised	**-**	(2)
Higher tax rates on overseas earnings	**502**	457
Adjustments to tax charge in respect of prior years	**(471)**	(145)
Total tax charge for the year	**7,856**	3,452

Reductions to the UK corporation tax rate were included in the Finance Act (No. 2) 2015 which reduced the main rate to 19% from 1 April 2017. A further reduction in the UK corporation tax rate was included in the Finance Act 2016 to reduce the rate to 17% from 1 April 2020. These changes had been substantively enacted at the balance sheet date and their impact has therefore been included in these financial statements.

On 29 March 2017, the UK Government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the 'EU'). There is an initial two year timeframe for the UK and EU to reach an agreement on the withdrawal, although this timeframe can be extended. 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. The directors have assessed 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.

	Year ended 28 May 2017	Year ended 29 May 2016
Profit attributable to owners of the parent (£000)	**30,547**	13,496
Weighted average number of ordinary shares in issue (thousands)	**32,126**	32,093
Basic earnings per share (pence per share)	**95.1**	42.1

Basic earnings per share - pre-change in accounting estimates

Basic earnings per share - pre-change in accounting estimates is calculated by dividing the profit attributable to owners of the parent, before the impact of the change in accounting estimates, by the weighted average number of ordinary shares in issue during the year.

	Year ended 28 May 2017	Year ended 29 May 2016
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	**29,305**	13,496
Weighted average number of ordinary shares in issue (thousands)	**32,126**	32,093
Basic earnings per share pre-change in accounting estimates (pence per share)	**91.2**	42.1

Diluted earnings per share

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

	Year ended 28 May 2017	Year ended 29 May 2016
Profit attributable to owners of the parent (£000)	**30,547**	13,496
Weighted average number of ordinary shares in issue (thousands)	**32,126**	32,093
Adjustment for share options (thousands)	**199**	57
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,325**	32,150
Diluted earnings per share (pence per share)	**94.5**	42.0

Diluted earnings per share - pre-change in accounting estimates

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

	Year ended 28 May 2017	Year ended 29 May 2016
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	**29,305**	13,496
Weighted average number of ordinary shares in issue (thousands)	**32,126**	32,093
Adjustment for share options (thousands)	**199**	57
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,325**	32,150
Diluted earnings per share pre-change in accounting estimates (pence per share)	**90.7**	42.0

12. Dividends per share

A dividend of 20 pence per share, amounting to a total dividend of £6,413,000, and a further dividend of 20 pence per share, amounting to a total dividend of £6,424,000, were declared and paid during the prior year. A dividend of 25 pence per share, amounting to a total dividend of £8,031,000, a dividend of 30 pence per share, amounting to a total dividend of £9,638,000 and a further dividend of 19 pence per share, amounting to a total dividend of £6,132,000, were declared and paid during the current year. Please refer to note 19 for further disclosure regarding the unlawful dividend that relates to part of the dividend paid on 2 June 2017. A resolution is to be proposed at the AGM in order to remedy this oversight.

13. Goodwill

Group	**Year ended 28 May 2017 £000**	Year ended 29 May 2016 £000
Cost		
At beginning of year	**2,405**	2,402
Exchange differences	**7**	3
At end of year	**2,412**	2,405
Accumulated amortisation		
At beginning of year	**(972)**	(969)
Exchange differences	**(7)**	(3)
At end of year	**(979)**	(972)
Net book value at beginning of year and end of year	**1,433**	1,433

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 2% (2016: 2%). The estimated future cash flows expected to arise from the continuing use of the assets are calculated using a pre-tax discount rate of 1.72% (2016: 2.25%).

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.

14. Other intangible assets

Group	Computer software £000	Development costs £000	Total £000
Cost			
At 31 May 2015 and 1 June 2015	10,500	27,738	38,238
Additions	2,784	4,578	7,362
Exchange differences	74	-	74
Disposals	(18)	(2,484)	(2,502)
At 29 May 2016 and 30 May 2016	13,340	29,832	43,172
Additions	1,690	5,686	7,376
Exchange differences	359	-	359
Disposals	(28)	(879)	(907)
At 28 May 2017	**15,361**	**34,639**	**50,000**
Accumulated amortisation			
At 31 May 2015 and 1 June 2015	(5,764)	(24,212)	(29,976)
Amortisation charge	(1,232)	(3,853)	(5,085)
Exchange differences	(73)	-	(73)
Disposals	16	2,447	2,463
At 29 May 2016 and 30 May 2016	(7,053)	(25,618)	(32,671)
Amortisation charge	(1,217)	(2,900)	(4,117)
Exchange differences	(355)	-	(355)
Impairment	(833)	-	(833)
Disposals	28	865	893
At 28 May 2017	**(9,430)**	**(27,653)**	**(37,083)**
Net book amount			
At 29 May 2016	6,287	4,214	10,501
At 28 May 2017	**5,931**	**6,986**	**12,917**

14. Other intangible assets continued

The impact of the change in accounting estimate for the amortisation of development costs intangible assets is an increase in the net book value of intangible assets of £2,197,000 as at 28 May 2017. There is no impact on the net book value of intangible assets at 29 May 2016.

Amortisation of £2,936,000 (2016: £3,954,000) has been charged in cost of sales and £1,181,000 (2016: £1,131,000) in operating expenses.

The net book amount of internally generated intangible assets is £9,529,000 (2016: £6,557,000) and acquired intangible assets is £3,388,000 (2016: £3,944,000). The net book amount of internally generated development costs is £6,986,000 (2016: £4,214,000). £5,404,000 (2016: £3,964,000) is capitalised salary costs.

Salary costs of £4,225,000 (2016: £4,306,000) were capitalised as part of development costs and £348,000 (2016: £548,000) were capitalised as part of computer software during the year.

An impairment of £833,000 relates to the replacement of the ERP system which has been written down to estimated value in use. This has been charged in administrative expenses.

Assets in the course of development, and not amortised, amount to £3,424,000 (2016: £2,811,000) with current and prior year amounts both being included within computer software.

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

15. Property, plant and equipment

Group	Freehold land and buildings £000	Plant and equipment and vehicles £000	Fixtures and fittings £000	Moulding tools £000	Total £000
Cost					
At 31 May 2015 and 1 June 2015	16,730	16,622	18,028	26,500	77,880
Additions	29	1,204	1,806	2,154	5,193
Exchange differences	-	119	377	-	496
Disposals	-	(721)	(1,522)	(662)	(2,905)
Reclassification	(173)	-	173	-	-
At 29 May 2016 and 30 May 2016	16,586	17,224	18,862	27,992	80,664
Additions	34	1,696	1,327	2,315	5,372
Exchange differences	-	504	1,466	1	1,971
Disposals	-	(148)	(281)	(2,413)	(2,842)
At 28 May 2017	**16,620**	**19,276**	**21,374**	**27,895**	**85,165**
Accumulated depreciation					
At 31 May 2015 and 1 June 2015	(5,068)	(12,812)	(15,195)	(22,086)	(55,161)
Charge for the year	(355)	(1,625)	(1,339)	(1,986)	(5,305)
Exchange differences	-	(100)	(326)	-	(426)
Impairment	-	-	(28)	-	(28)
Disposals	-	713	1,502	662	2,877
At 29 May 2016 and 30 May 2016	(5,423)	(13,824)	(15,386)	(23,410)	(58,043)
Charge for the year	(374)	(1,494)	(1,545)	(2,694)	(6,107)
Exchange differences	-	(444)	(1,224)	(1)	(1,669)
Reversal of impairment	-	-	55	-	55
Disposals	-	102	234	2,395	2,731
At 28 May 2017	**(5,797)**	**(15,660)**	**(17,866)**	**(23,710)**	**(63,033)**
Net book amount					
At 29 May 2016	11,163	3,400	3,476	4,582	22,621
At 28 May 2017	**10,823**	**3,616**	**3,508**	**4,185**	**22,132**

The impact of the change in accounting estimate for the depreciation of moulding tools is a decrease in the net book value of property, plant and equipment of £664,000 as at 28 May 2017. There is no impact on the net book value of property, plant and equipment at 29 May 2016.

Depreciation expense of £3,840,000 (2016: £3,199,000) has been charged in cost of sales, £1,492,000 (2016: £1,307,000) in selling costs and £775,000 (2016: £799,000) in administrative expenses.

Freehold land amounting to £3,836,000 (2016: £3,836,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £1,088,000 (2016: £1,085,000). £553,000 (2016: £570,000) of these are included in moulding tools, £385,000 (2016: £373,000) is included in plant and equipment and vehicles, £nil (2016: £26,000) is included in freehold land and buildings, and £150,000 (2016: £116,000) is included in fixtures and fittings above.

A reversal of impairment of £55,000 (2016: impairment of £28,000) relates to fixtures and fittings within loss making retail stores which have been written down to estimated value in use. This has been credited or charged in selling costs in both years.

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

NOTES TO THE FINANCIAL STATEMENTS continued

16. Investments in subsidiaries

Company	**2017 £000**	2016 £000
Shares in group undertakings – cost		
Beginning of year and end of year	**30,584**	30,584

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: Company	Subsidiary Company	Principal business activity
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	208 planta 4 puerta 6, 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	60 Paya Lebar Road, #09-38, Paya Lebar Square, 409051, 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 Limited	Unit 233/234, 2/F, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong	HK $10 ordinary		100%	Dormant

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.

17. 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Deferred tax assets:				
- deferred tax asset to be recovered after more than 12 months	**2,288**	2,274	**1**	2
- deferred tax asset to be recovered within 12 months	**3,111**	945	**28**	41
	5,399	3,219	**29**	43

The gross movement on the deferred tax account is as follows:	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Beginning of year	**3,219**	3,621	**43**	7
Exchange differences	**408**	105	**-**	-
Income statement credit/(charge)	**1,758**	(507)	**(14)**	36
Credited directly to retained earnings	**14**	-	**-**	-
End of year	**5,399**	3,219	**29**	43

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

Group	Accelerated depreciation £000	Development costs £000	Losses available for offset £000	Other £000	Total £000
At 31 May 2015 and 1 June 2015	1,294	(705)	1,787	1,245	3,621
Credited/(charged) to the income statement	49	(138)	(401)	(17)	(507)
Exchange differences	19	-	65	21	105
At 29 May 2016 and 30 May 2016	1,362	(843)	1,451	1,249	3,219
Credited/(charged) to the income statement	226	791	(683)	1,424	1,758
Credited to equity	-	-	-	14	14
Exchange differences	109	-	166	133	408
At 28 May 2017	**1,697**	**(52)**	**934**	**2,820**	**5,399**

Other deferred tax assets include deferred tax on adjustments for profit in stock arising from intra-group sales of £1,475,000 (2016: £861,000), tax relief on exercise of share options of £341,000 (2016: £18,000) and tax relief on intangible assets of £278,000 (2016: £318,000).

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 28 May 2017 or 29 May 2016 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	Accelerated depreciation £000	Other £000	Total £000
At 31 May 2015 and 1 June 2015	2	5	7
Credited to the income statement	-	36	36
At 29 May 2016 and 30 May 2016	2	41	43
Charged to the income statement	(1)	(13)	(14)
At 28 May 2017	**1**	**28**	**29**

18. Inventories

Group	**2017** **£000**	2016 £000
Raw materials	**188**	120
Work in progress	**405**	365
Finished goods and goods for resale	**11,828**	8,055
	12,421	8,540

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

During the year, the Group utilised an inventory provision of £901,000 (2016: £916,000) and £1,376,000 (2016: £1,805,000) has been charged to the income statement.

The Company holds no inventories at either year end.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables	**4,990**	4,537	**-**	-
Less provision for impairment of receivables	**(345)**	(259)	**-**	-
Trade receivables – net	**4,645**	4,278	**-**	-
Prepayments and accrued income	**5,833**	5,304	**21**	20
Other receivables	**1,678**	1,467	**-**	-
Receivables from group companies	**-**	-	**2,479**	1,496
Loans to group companies	**-**	-	**3,957**	3,900
Loans to Company shareholders	**1,901**	-	**1,901**	-
Total trade and other receivables	**14,057**	11,049	**8,358**	5,416
Non-current receivables:				
Prepayments and accrued income	**222**	206	**-**	-
Other receivables	**859**	723	**-**	-
Loans to group companies	**-**	-	**3,957**	3,900
Non-current portion	**1,081**	929	**3,957**	3,900
Current portion	**12,976**	10,120	**4,401**	1,516

As a result of a procedural oversight, 6 pence per share of the dividend paid on 2 June 2017 is being treated as an unlawful dividend in the annual report and is shown within trade and other receivables. Although the Company always had sufficient reserves to pay this dividend at the time that it was made, the Companies Act 2006 requires this to be demonstrated by reference to interim accounts filed at Companies House prior to payment. Those interim accounts, however, were not filed with Companies House until after the relevant dividend had been paid and after the lapse had been identified. No fines or other penalties have been incurred by the Company. A resolution is to be proposed at the AGM in order to remedy this oversight.

The effective interest rate on non-current loans to related parties is charged at LIBOR plus 1% in both years. All non-current receivables are due within five years of the balance sheet date.

Trade receivables are recorded at amortised cost, reduced by estimated allowances for doubtful debts. 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.

Trade receivables that are more than three months past due are considered to be impaired unless a payment plan has been agreed with the customer and is being adhered to. Trade receivables that are less than three months past due are not considered impaired unless amounts are specifically identified as irrecoverable. The ageing analysis of the Group's past due trade receivables is as follows:

	2017			2016		
	Not impaired	**Impaired**	**Total**	Not impaired	Impaired	Total
	£000	**£000**	**£000**	£000	£000	£000
Up to 3 months past due	**484**	**3**	**487**	1,090	34	1,124
3 to 12 months past due	**-**	**174**	**174**	68	47	115
Over 12 months past due	**-**	**3**	**3**	-	60	60
	484	**180**	**664**	1,158	141	1,299

In addition to the above, current debt of £165,000 (2016: £118,000) has been impaired.

Provision for impairment of receivables
Movements on the provision for impairment of trade receivables are as follows:

Group	£000
At 31 May 2015 and 1 June 2015	252
Charge for the year	242
Exchange differences	1
Receivables written off during the year as uncollectible	(236)
At 29 May 2016 and 30 May 2016	259
Charge for the year	212
Exchange differences	3
Receivables written off during the year as uncollectible	(129)
At 28 May 2017	**345**

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

	2017	2016
	£000	£000
Sterling	**6,927**	5,007
Euro	**1,982**	2,080
US dollar	**3,151**	2,360
Other currencies	**1,997**	1,602
Total trade and other receivables	**14,057**	11,049

20. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash at bank and in hand	**16,307**	10,998	**746**	843
Short term bank deposits	**1,603**	777	**-**	-
Cash and cash equivalents	**17,910**	11,775	**746**	843

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

There were no utilised borrowing facilities at 28 May 2017 or 29 May 2016.

21. 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:

Group	**2017 Income gain £000**	2016 Income gain/(loss) £000
15% appreciation of the US dollar (2016: 15%)	**561**	251
15% appreciation of the euro (2016: 15%)	**28**	(187)

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 no longer has a 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 19). Provision requirements are determined with reference to ageing of invoices, credit history and other available information.

Sales made through our own retail stores or via mail order are made in cash or with major credit cards.

21. Financial risk factors continued

Capital risk

The capital structure of the Group consists of net funds (see note 29) and owners' equity (see notes 25 to 27). 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.

	2017				2016			
Group	**Within 1 year £000**	**Between 1 and 2 years £000**	**Between 2 and 5 years £000**	**More than 5 years £000**	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	More than 5 years £000
Trade and other payables	**11,448**	**-**	**-**	**-**	9,144	141	-	-
Provisions for property	**433**	**47**	**24**	**-**	614	159	124	-
	11,881	**47**	**24**	**-**	9,758	300	124	-

Company	**Within 1 year 2017 £000**	Within 1 year 2016 £000
Trade and other payables	**606**	675
	606	675

Financial instruments by category

	Group Loans and receivables		Company Loans and receivables	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Financial assets as per balance sheet				
Trade receivables	**4,645**	4,278	**-**	-
Accrued income	**1,035**	696	**-**	-
Other receivables	**1,678**	1,467	**-**	-
Receivables from group companies	**-**	-	**2,479**	1,496
Loans to group companies	**-**	-	**3,957**	3,900
Loans to Company shareholders	**1,901**	-	**1,901**	-
Cash and cash equivalents	**17,910**	11,775	**746**	843
Total	**27,169**	18,216	**9,083**	6,239

Within the Group net cash and cash equivalents are overdrafts of £nil (2016: £7,938,000) which are subject to a master netting arrangement.

Prepayments have been excluded from the above as they are not financial assets.

	Group Financial liabilities at amortised cost		Company Financial liabilities at amortised cost	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Financial liabilities as per balance sheet				
Trade payables	**5,480**	4,417	**40**	5
Other payables	**3,539**	2,473	**5**	8
Accruals	**2,429**	2,395	**241**	343
Payables to group companies	**-**	-	**320**	319
Total	**11,448**	9,285	**606**	675

Deferred income balances and other taxes and social security payables have been excluded from the above as they are not financial liabilities.

22. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Current				
Trade payables	**5,480**	4,417	**40**	5
Other taxes and social security	**1,207**	1,042	**50**	43
Other payables	**3,539**	2,473	**5**	8
Accruals	**3,052**	2,917	**241**	343
Deferred income	**3,237**	1,995	**-**	-
Payables to group companies	**-**	-	**320**	319
	16,515	12,844	**656**	718

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

23. Other non-current liabilities

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Accruals	**494**	488	**-**	141

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:

	2017	2016
	£000	£000
Sterling	**8,841**	7,521
Euro	**1,882**	1,557
US dollar	**4,937**	3,346
Other currencies	**1,349**	908
Total trade and other payables and other non-current liabilities	**17,009**	13,332

24. Provisions for other liabilities and charges

Analysis of total provisions:

	2017	2016
Group	**£000**	£000
Current	**689**	823
Non-current	**495**	621
Total provisions for other liabilities and charges	**1,184**	1,444

Group	Employee benefits £000	Property £000	Total £000
At 30 May 2016	547	897	1,444
Charged/(credited) to the income statement:			
- Additional provisions	165	186	351
- Unused amounts reversed	(12)	(371)	(383)
Exchange differences	47	57	104
Utilised	(67)	(265)	(332)
At 28 May 2017	**680**	**504**	**1,184**

The Company had no provisions at either year end. 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 years of employment (10 Year Veterans). 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 years of employment.

Property provisions
Property provisions relate to property dilapidations and to committed costs outstanding under onerous or vacant lease commitments and will diminish over the lives of the underlying leases. The above provision is expected to be utilised by 2021. The estimated liability is discounted to its present value using a discount rate of 0.55% (2016: 0.96%).

NOTES TO THE FINANCIAL STATEMENTS continued

25. Share capital

Group and Company	Number of shares (thousands)	Called up share capital £000	Share premium account £000	Total £000
At 1 June 2015	32,064	1,603	10,218	11,821
Shares issued under employee sharesave scheme	57	3	301	304
At 29 May 2016	32,121	1,606	10,519	12,125
Shares issued under employee sharesave scheme	14	1	80	81
At 28 May 2017	**32,135**	**1,607**	**10,599**	**12,206**

During the year 14,086 ordinary shares were issued (2016: 57,157). The total authorised number of shares is 42,000,000 shares (2016: 42,000,000 shares) with a par value of 5p per share (2016: 5p per share). All issued shares are fully paid.

26. Other reserves

	2017				2016			
Group	**Capital redemption reserve £000**	**Translation reserve £000**	**Other reserve £000**	**Total £000**	Capital redemption reserve £000	Translation reserve £000	Other reserve £000	Total £000
Beginning of year	**101**	**2,616**	**(1,050)**	**1,667**	101	2,131	(1,050)	1,182
Exchange differences on translation of foreign operations	**-**	**2,663**	**-**	**2,663**	-	485	-	485
End of year	**101**	**5,279**	**(1,050)**	**4,330**	101	2,616	(1,050)	1,667

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

As at 28 May 2017, the Company's capital redemption reserve was £101,000 (2016: £101,000). The Company had no other reserves in addition to the capital redemption reserve at either year end.

27. Retained earnings

	Group £000	Company £000
At 31 May 2015 and 1 June 2015	38,522	23,082
Profit attributable to owners of the parent	13,496	13,363
Current tax on share options	(3)	-
Share-based payments	193	193
Dividends to Company shareholders	(12,837)	(12,837)
At 29 May 2016 and 30 May 2016	39,371	23,801
Profit attributable to owners of the parent	30,547	26,594
Current tax on share options	5	-
Deferred tax on share options	14	-
Share-based payments	160	160
Dividends to Company shareholders	(23,801)	(23,801)
At 28 May 2017	**46,296**	**26,754**

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

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Operating profit/(loss)	**38,323**	16,860	**(1,664)**	(2,164)
Depreciation of property, plant and equipment	**6,107**	5,305	**-**	-
Net (reversal) of impairment/impairment of property, plant and equipment	**(55)**	28	**-**	-
Loss on disposal of property, plant and equipment (see below)	**111**	28	**-**	-
Impairment of intangible assets	**833**	-	**-**	-
Loss on disposal of intangible assets (see below)	**14**	39	**-**	-
Amortisation of capitalised development costs	**2,900**	3,853	**-**	-
Amortisation of other intangibles	**1,217**	1,232	**-**	-
Share-based payments	**160**	193	**-**	-
Dividend income from investments in subsidiary undertakings	**-**	-	**27,900**	15,000
Changes in working capital:				
- Increase in inventories	**(2,984)**	(701)	**-**	-
- (Increase)/decrease in trade and other receivables	**(379)**	(293)	**(522)**	273
- Increase/(decrease) in trade and other payables	**3,491**	(198)	**(203)**	125
- (Decrease)/increase in provisions	**(368)**	436	**-**	-
Net cash from operating activities	**49,370**	26,782	**25,511**	13,234

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

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

	2017	2016
	£000	£000
Net book amount	**111**	28
Loss on sale of property, plant and equipment	**(111)**	(28)
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 a net book amount of £14,000 during the year (2016: £39,000). 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 other intangibles during either year.

29. Analysis of net funds

	As at 30 May 2016	Cash flow	Exchange movement	**As at 28 May 2017**
Group	£000	£000	£000	**£000**
Cash at bank and in hand	11,775	5,506	629	**17,910**
Net funds	11,775	5,506	629	**17,910**

	As at 30 May 2016	Cash flow	Exchange movement	**As at 28 May 2017**
Company	£000	£000	£000	**£000**
Cash at bank and in hand	843	(102)	5	**746**
Net funds	843	(102)	5	**746**

30. Commitments

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

	2017	2016
Group	**£000**	£000
Property, plant and equipment	**1,102**	609

The Company had no capital commitments at either year end.

Operating lease commitments
The future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

		2017			2016	
	Retail stores	**Other property**	**Other**	Retail stores	Other property	Other
Group	**£000**	**£000**	**£000**	£000	£000	£000
Within 1 year	**7,767**	**544**	**105**	7,595	526	154
Between 1 and 5 years inclusive	**13,072**	**62**	**98**	11,656	493	148
In over 5 years	**259**	**-**	**-**	265	-	-
	21,098	**606**	**203**	19,516	1,019	302

The Company had no operating lease commitments at either year end.

Inventory purchase commitments

	2017	2016
Group	**£000**	£000
Finished goods	**2,587**	1,462
Components	**1,316**	1,135
Raw materials	**110**	92

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

31. Contingencies

The Group has no contingent liabilities in respect of the potential reversionary interest in sub-let leasehold properties (2016: £46,000).

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 for which the aggregate amount outstanding under these arrangements at the balance sheet date was £nil (2016: £1,424,000).

For the year ended 28 May 2017, 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

32. 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	**2017** **£000**	2016 £000
Games Workshop Limited	Recharges	**366**	382
	Dividends receivable	**27,900**	15,000

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	**2017** **£000**	2016 £000	**2017** **£000**	2016 £000
Games Workshop Limited	**2,268**	1,275	**-**	-
Games Workshop Retail Inc.	**203**	120	**-**	-
EURL Games Workshop	**2**	4	**-**	-
Games Workshop SL	**1**	26	**-**	-
Games Workshop Oz Pty Limited	**1**	2	**-**	-
Games Workshop Deutschland GmbH	**1**	2	**-**	-
Games Workshop International Limited	**-**	-	**(320)**	(319)
Games Workshop (Queen Street) Limited	**3**	1	**-**	-
Games Workshop Italia SRL	**-**	18	**-**	-
Games Workshop Hong Kong Limited	**-**	48	**-**	-
	2,479	1,496	**(320)**	(319)

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

	Amounts owed by subsidiaries	
Subsidiary	**2017** **£000**	2016 £000
Games Workshop Interactive Limited	**6,779**	6,779
Less provision for impairment	**(6,779)**	(6,779)
Games Workshop Limited	**3,900**	3,900
Games Workshop Hong Kong Limited	**55**	-
Games Workshop Malaysia Sdn. Bhd.	**2**	-
	3,957	3,900

T H F Kirby provided consultancy at a cost of £35,000 during the prior year.

33. Subsequent events

A dividend of 20 pence per share was declared after the balance sheet date and was paid before the signing of these financial statements.

FIVE YEAR SUMMARY

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Revenue	**158,114**	118,069	119,132	123,501	134,597
Operating profit – pre-exceptional items and royalties receivable	**30,832**	10,921	14,937	15,355	20,229
Exceptional items	**-**	-	42	(4,500)	-
Royalties receivable	**7,491**	5,939	1,498	1,442	1,025
Operating profit	**38,323**	16,860	16,477	12,297	21,254
Finance income	**87**	93	109	106	176
Finance costs	**(7)**	(5)	(1)	(7)	(35)
Profit before taxation	**38,403**	16,948	16,585	12,396	21,395
Income tax expense	**(7,856)**	(3,452)	(4,328)	(4,389)	(5,077)
Profit attributable to owners of the parent	**30,547**	13,496	12,257	8,007	16,318
Basic earnings per ordinary share	**95.1p**	42.1p	38.3p	25.2p	51.5p
Pre-exceptional earnings per ordinary share	**95.1p**	42.1p	38.2p	36.1p	51.5p
Basic earnings per ordinary share pre-change in accounting estimates	**91.2p**	42.1p	38.3p	25.2p	51.5p

FINANCIAL CALENDAR

Annual general meeting	13 September 2017
Announcement of half year results	January 2018
Financial year end	3 June 2018
Announcement of final results	July 2018

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 10.00am on 13 September 2017 for the following purposes:

Ordinary business
As ordinary business to consider and, if thought fit, to pass the following resolutions 1 to 7 as ordinary resolutions:

Resolution 1
To receive the Company's annual financial statements for the year ended 28 May 2017 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 R F Tongue as a director.

Resolution 3
To re-elect C J Myatt as a director.

Resolution 4
To re-elect N J Donaldson as a director.

Resolution 5
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 6
To authorise the directors to fix the auditors' remuneration.

Resolution 7
To approve the remuneration report (excluding the directors' remuneration policy set out on pages 24 to 27 for the year ended 28 May 2017).

Special business
To consider and, if thought fit, pass the following resolutions, of which resolution 8 will be proposed as an ordinary resolution and resolutions 9 to 11 will be proposed as special resolutions.

Resolution 8
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 £530,286 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 12 December 2018 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 9
That subject to the passing of resolution 8 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 8 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 £80,346.

Resolution 9 continued
The power granted by this resolution will expire on 12 December 2018 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 10
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:

(c) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 12 December 2018 whichever is the earlier;
(d) the maximum aggregate number of ordinary shares that may be purchased is 3,213,856;
(e) the minimum price (excluding expenses) which may be paid for an ordinary share is 5p;
(f) 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
(g) 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.

Resolution 11
That:

(a) £1,901,000 of the dividend of the Company paid on 2 June 2017 in technical breach of the Companies Act 2006 be treated as a loan to the shareholders of the Company who received such dividends (the 'Recipients') (an 'Unlawful Dividend');
(b) the directors of the Company be and are hereby authorised to appropriate distributable profits of the Company (as shown in the interim accounts of the Company made up to 26 February 2017 and filed with Companies House on 17 July 2017) to the payment of £1,901,000 which shall be for an amount equal to the Unlawful Dividend, and on the Company's ordinary shares (a 'Rectification Dividend');
(c) the Rectification Dividend shall be made to the relevant Recipients of the corresponding original Unlawful Dividend;
(d) the Rectification Dividend shall not be satisfied in cash but shall be satisfied by the release of each shareholder of the Company who was a recipient of the Unlawful Dividend from the liability to repay the amount already paid to such shareholder in the form of the Unlawful Dividend;
(e) any and all claims which the Company may have in respect of the payment of the Unlawful Dividend and/or the Rectification Dividend against its shareholders who received the Unlawful Dividend be waived and released and deeds of release in favour of such shareholders be entered into by the Company in the form of the deeds produced to this meeting and signed by the Chairman for the purpose of identification; and
(f) any breach of duty committed by the directors of the Company arising out of or in connection with the approval, declaration or payment of the Unlawful Dividend be and is hereby ratified and that any and all claims which the Company may have against its directors (both past and present) arising out of or in connection with the approval, declaration or payment of the Unlawful Dividend be waived and released and that a deed of release in favour of each of the Company's relevant directors be entered into by the Company in the form of the deeds produced to this meeting and signed by the chairman for purposes of identification.

By order of the board
R F Tongue
Company secretary
24 July 2017
Registered office:
Willow Road, Lenton
Nottingham
NG7 2WS
Registered in England and Wales under number 2670969

NOTICE OF ANNUAL GENERAL MEETING continued

Notes

1. Only those members registered on the Company's register of members at 10.00 am on 11 September 2017 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 24 July 2017 (being the last practical date prior to the publication of this notice), the Company's issued share capital comprised 32,138,568 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 24 July 2017 is 32,138,568. 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.
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.

Notes continued

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 accounts (including the auditor's 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 Rachel Tongue, 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 rachel.tongue@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 4 – 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:

- R F Tongue
- C J Myatt
- N J Donaldson

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 page 15 of the 2017 annual report.

Resolutions 5 and 6 – 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 5 and 6, 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.

Explanatory notes to the notice of annual general meeting continued

Resolution 7 – Directors' remuneration

Shareholders will be requested to approve the directors' remuneration report (excluding the directors' remuneration policy) for the financial year ended 28 May 2017.

Resolution 8– 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 8 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 £530,286 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under resolution 9). This amount (before any reduction) represents approximately 33% of the issued ordinary share capital of the Company as at 24 July 2017, 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 8. 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 9 – Disapplication of pre-emption rights on equity issues for cash

Resolution 9, 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 £80,346 (which represents approximately 5% of the Company's issued share capital as at 24 July 2017), 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 10 - 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 10 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 3,213,856 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.

Explanatory notes to the notice of annual general meeting continued
Resolution 11– Unlawful dividend
The resolutions deal with a technical issue that has come to light in respect of the dividend that was paid by the Company to its shareholders on 2 June 2017.

Under the Companies Act 2006 (the 'Act') a dividend paid by a public company must not exceed the amount of its distributable profits reported in its last annual accounts laid before such company in general meeting (the 'Relevant Accounts'). In the event that a public company actually has the requisite distributable reserves at the time a dividend is proposed but its distributable profits reported in its Relevant Accounts are insufficient to declare such a dividend (as these Relevant Accounts may have been prepared a long time in advance of the proposed dividend) then it should prepare interim accounts in accordance with the provisions of the Act and file them at Companies House showing that it has the required distributable profits at the time the dividend is paid. Failure to prepare and file such interim accounts is a technical breach of the Act and renders the affected dividend as unlawful.

In respect of the Unlawful Dividend (as set out above), the Company's Relevant Accounts did not show sufficient distributable reserves to cover the whole amount of the dividend paid on 2 June 2017. At the time the Unlawful Dividend was paid, the Company had in fact the requisite distributable reserves by reference to its latest management accounts. However, prior to the payment of the Unlawful Dividend, interim accounts had not been prepared and filed at Companies House in accordance with the Act. As a result, the Company has decided to take a prudent approach and to treat the dividend that was paid in technical breach of the Act as unlawful.

Consequently, the Company may have claims under the Act against the Recipients (being present and past shareholders that were recipients of the Unlawful Dividend) to recover the amounts paid in technical infringement of the Act (totalling £1,901,000) in aggregate (the 'Total Sum')). The Company may also have claims against those directors who participated at the relevant board meeting at which the decision was taken to pay the Unlawful Dividend.

It is clearly not the Company's intention to make any such claim against either the shareholders or directors. The Company has been advised by its external legal advisors that this matter can be rectified by the passing of a resolution by the shareholders to ratify this breach and to put the shareholders and directors into the position which was always intended. This will be effected by treating the Unlawful Dividend as a loan to shareholders who received it and the shareholders' obligation to repay the relevant loan will be satisfied by the declaration and approval at the AGM of a new dividend of the Company equal to the amount of the loan received by each shareholder. In effect the new dividend will be netted off against the loans so that no further payment will be required to be made to or by shareholders in respect of the Unlawful Dividend or the new dividend so declared.

The resolutions will therefore be proposed at the AGM to:

- treat the Unlawful Dividend as a loan to shareholders;
- approve a new dividend of the Company which is (i) equal in aggregate to the Total Sum, (ii) payable to the relevant Recipients of the Unlawful Dividend and (iii) shall be satisfied by the release of each Recipient from their liability to repay the amount already paid to them in the form of the Unlawful Dividend (the 'Dividend Rectification');
- waive any rights of the Company against the Recipients of the Unlawful Dividend;
- waive any rights of the Company against the directors who approved the payment of the Unlawful Dividend and ratify their breaches of duty; and
- approve the Company entering into deeds of release in favour of such shareholders and the relevant directors in respect of the Unlawful Dividend. Draft forms of the deeds are available for inspection at the Company's registered office until the time of the meeting and at the place of the meeting from 15 minutes before the meeting until it ends.

Shareholders will note that, whilst the Dividend Rectification is referred to in the financial statements for the Company for the financial year ended 28 May 2017 (the '2017 Annual Report') enclosed with this document, the Company's distributable profits shown in the 2017 Accounts have been adjusted to reflect the impact of the Unlawful Dividend. Accordingly, the Company has prepared the 2017 Annual Report which properly reflects the treatment of the Unlawful Dividend as a loan, as outlined above and show the Total Sum within current assets. The interim accounts for the period to 26 February 2017 have sufficient distributable profits to cover the new dividend to be proposed at the AGM. A copy of such interim accounts has been filed at Companies House.

The board unanimously recommend shareholders to vote in favour of the resolutions. The directors believe that the dividend rectification is in the best interests of the Company and the shareholders of the Company as a whole; however, the Act prevents them from voting on the resolutions in respect of their own shareholdings and also prevents them from recommending that you vote in favour of this resolution in respect of your shareholding. This is because part of resolution 11, if passed, releases the directors from any claim which the Company may have against them in respect of the Unlawful Dividend and they are therefore personally interested in the passing of such resolution.