

PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

15 January 2019

HALF-YEARLY REPORT

Games Workshop Group PLC ('Games Workshop' or the 'Group') announces its half-yearly results for the six months to 2 December 2018.

Highlights:

	Six months to 2 December 2018	Restated* Six months to 26 November 2017
Revenue	£125.2m	£109.6m
Revenue at constant currency**	£124.2m	£109.6m
Operating profit pre- royalties receivable	£35.3m	£34.5m
Royalties receivable	£5.5m	£3.6m
Operating profit and pre-tax profit	£40.8m	£38.1m
Cash generated from operations	£36.0m	£41.2m
Basic earnings per share	100.8p	96.0p
Dividend per share declared in the period	65p	61p

Kevin Rountree, CEO of Games Workshop, said:

"Our business and the Warhammer Hobby continue to be in great shape.

We have remained true to our long-term strategy, and once again delivered on our promise to produce and sell the best fantasy miniatures in the world, while engaging and inspiring our fans. We continue to strive to make the Warhammer hobby ever better. Exciting times.

December trading continued in line with the sales performance in the first half.

We are also announcing that the Board has today declared a dividend of 25 pence per share, in line with the Company's policy of distributing truly surplus cash."

...Ends...

For further information, please contact:

Games Workshop Group PLC

Kevin Rountree, CEO

Rachel Tongue, Group Finance Director

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Investor relations website

General website

investor.games-workshop.com

www.games-workshop.com

*With effect from 4 June 2018, the Group has retrospectively adopted IFRS 15 'Revenue from contracts with customers'. The change in accounting policy is described in note 2 to this condensed interim financial information.

**Constant currency revenue is calculated by comparing results in the underlying currencies for 2017 and 2018, both converted at the average exchange rates for the six months ended 26 November 2017.

FIRST HALF HIGHLIGHTS

	Six months to 2 December 2018	Restated* Six months to 26 November 2017
Revenue	£125.2m	£109.6m
Revenue at constant currency**	£124.2m	£109.6m
Operating profit pre-royalties receivable	£35.3m	£34.5m
Royalties receivable	£5.5m	£3.6m
Operating profit and pre-tax profit	£40.8m	£38.1m
Cash generated from operations	£36.0m	£41.2m
Basic earnings per share	100.8p	96.0p
Dividend per share declared in the period	65p	61p

Revenue by segment

	Six months to 2 December 2018 Constant currency	Restated* Six months to 26 November 2017 Constant currency	Six months to 2 December 2018 Actual rates	Restated* Six months to 26 November 2017 Actual rates
Trade	£60.7m	£48.0m	£61.4m	£48.0m
Retail	£42.3m	£39.6m	£42.6m	£39.6m
Online	£21.2m	£22.0m	£21.2m	£22.0m
Total revenue	£124.2m	£109.6m	£125.2m	£109.6m

Operating profit by segment

	Six months to 2 December 2018 Constant currency	Restated* Six months to 26 November 2017 Constant currency	Six months to 2 December 2018 Actual rates	Restated* Six months to 26 November 2017 Actual rates
Trade	£22.6m	£17.1m	£22.5m	£17.1m
Retail	£4.9m	£2.9m	£4.8m	£2.9m
Online	£13.1m	£13.6m	£13.1m	£13.6m
Product and supply	£9.0m	£13.1m	£9.6m	£13.1m
Royalties	£4.9m	£3.2m	£5.0m	£3.2m
Other costs	£(13.9)m	£(11.8)m	£(14.2)m	£(11.8)m
Total operating profit	£40.6m	£38.1m	£40.8m	£38.1m

INTERIM MANAGEMENT REPORT

Our business and the Warhammer Hobby continue to be in great shape.

We have remained true to our long-term strategy, and once again delivered on our promise to produce and sell the best fantasy miniatures in the world, while engaging and inspiring our fans. We continue to strive to make the Warhammer hobby ever better. Exciting times.

We are pleased to once again, report record sales and profit levels in the period. Sales and profit growth continue across our retail and trade channels, and our online channel continues to be in line with last year. As we move to complete a series of major investment projects, our gross margin and stock levels are not currently where we'd like them to be. We're looking forward to our new Nottingham factory and ERP projects completing, allowing us to fully optimise our Nottingham site. From there, we'll begin to upgrade our warehousing capacity in both Memphis and Nottingham. These further investments will help us maintain our current volumes, increase efficiencies, and give us good scope for sales growth in the future.

December trading continued in line with the sales performance in the first half.

We are also announcing that the Board has today declared a dividend of 25 pence per share, in line with the Company's policy of distributing truly surplus cash. This will be paid on 1 March 2019 for shareholders on the register at 25 January 2019, with an ex-dividend date of 24 January 2019. The last date for elections for the dividend re-investment plan is 8 February 2019.

Our performance as ever, was driven by a considerable team effort across all aspects of our global, vertically integrated business. Everyone at Games Workshop has worked exceptionally hard to achieve our ambitious growth plans as well as 'keep the lights on'.

In the second half, we will continue to focus on our core values and the activities that drive our business forward. We will continue to do the right things, those that will ensure Games Workshop's long term success.

Sales

Reported sales grew by 14% to £125.2 million for the period. On a constant currency basis, sales were up by 13% from £109.6 million to £124.2 million; split by channel this comprised: retail £42.3 million (2017: £39.6 million), trade £60.7 million (2017: £48.0 million) and online £21.2 million (2017: £22.0 million).

Customer focused

Our online marketing remains one of our great strengths. The main Warhammer Community website continues to increase its readership, with visitor numbers up an impressive 30% compared to the same period last year - now almost a million visits to the site each week.

Elsewhere on social media, we continue to see strong growth. We're delighted to have over 250,000 people signed up to our Warhammer.tv site. We will continue to invest in our own platforms as well as work with popular sites.

Retail

This channel showed growth in all territories with exception of Australia and New Zealand. We opened, including relocations, 23 stores. After closing 5 stores, our net total number of stores at the end of the period is 507. The key priority in the period reported has been to continue to offer our store managers the appropriate product and sales support to help them recruit new customers, retain our existing customers and re-recruit lapsed customers. Recruiting new store managers remains a key area of focus.

Trade

Trade achieved growth of 26% with growth in all key territories. In the period, our net number of trade outlets increased by c. 300 accounts which helped drive forward sales in this channel. A large number of our independent retailers now also sell our products online which in turn has given our customers more places to buy our products online.

Online

Sales in our Citadel online shop were flat compared to last year and our Forge World and Black Library stores declined slightly at £4.6 million (2017: £5.2 million). We continue to improve the online store shopping experience and functionality of the store. Our new games-workshop.com homepage, our email newsletters and the personalisation of page content and navigation through our range online remain an area of focus. As discussed above, customers can buy our products online both through our web store and through those of independent retailers. Sales of digital titles remain comparable to last year. Our titles are now available on Audible which has increased our exposure to new customers and will help us recruit as we move into next year and beyond.

Operating profit

Operating profit before royalty income increased by £0.8 million to £35.3 million. On a constant currency basis, operating profit before royalty income increased by £0.5 million to £35.0 million.

On a constant currency basis, royalty income increased by £2.0 million to £5.6 million. As discussed in note 2, we now recognise royalty income in full on inception of the contract and this has been reflected in these numbers.

Total operating profit increased by £2.7 million to £40.8 million. The net impact in the six months to 2 December 2018 of exchange rate fluctuations was a gain of £0.2 million. It is not the Group's policy to hedge against foreign exchange rate exposure.

Operating expenses increased by £4.1 million due to investment in sales facing activities relating to investment in our trade sales teams, as well as new retail store costs and continued investment in marketing and other central costs.

Capital employed

Average capital employed*** increased by £21.3 million to £67.2 million. The book value of tangible and intangible assets increased by £8.6 million, mainly due to the investment in a second production facility and the ongoing investment in the implementation of a new ERP system. Trade and other receivables increased by £5.1 million as a result of growth in trade revenue, inventory increased by £7.5 million due to the timing of product launches and to meet sales demand and liabilities decreased by £0.1 million.

Return on capital employed

During the period our return on capital declined from 119% at November 2017 to 96% at November 2018. This was driven by the increase in investment in capacity and in working capital, offset by an increase in operating profit before royalties receivable.

Cash generation

During the period, the Group's core operating activities generated £23.9 million of cash after tax payments (2017: £33.2 million) driven by increased investment in working capital. The Group also received cash of £4.0 million in respect of royalties in the period (2017: £2.8 million). After purchases of tangible and intangible assets and product development costs of £10.9 million (2017: £8.4 million), dividends of £21.0 million (2017: £17.7 million), proceeds from issue of share capital of £0.7 million (2017: £0.9 million) and foreign exchange gains of £0.1 million (2017: losses of £0.1 million) there were net funds at the end of the period £25.3 million (2017: £28.6 million).

Dividends

In the period we paid dividends of 30 pence per share and 35 pence per share (2017: 20 pence and 35 pence) amounting to £21.0 million (2017: £17.7 million). In addition, a dividend of 30 pence per share was declared on 7 December 2018 amounting to £9.7 million and a dividend of 25 pence per share was declared today amounting to £8.1 million.

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group. The top seven risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained in all circumstances. The principal risks identified in 2018/19 are discussed below. These risks are not intended to be an extensive analysis of all risks that may arise but more importantly are the ones that could cause business interruption in the year ahead.

- Recruitment - to always have a world class team to support our fantastic business. The risk is we compromise and recruit only for skills and not on the personal qualities we need new members of the global team to demonstrate to ensure we deliver our long-term goals.
- Supply chain - to deliver a seamless supply of products to our customers. The risk is that there are unnecessary delays or expense.
- Range management - as discussed above we are reviewing our range to ensure that we are exploring all opportunities. The risk is that we don't fully exploit all the opportunities that are available to us or that we have too much stock.
- 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.
- Innovation - to surprise and delight our customers with ever better new miniatures or related products. The risk is that we become complacent.
- IP exploitation - to optimise our Warhammer brands fully in addition to being innovative in our core business. The risks are that we do harm to the core business or we don't take this opportunity seriously.
- 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.

Brexit impact statement

Following the UK Government invoking Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU, Games Workshop has reviewed the impact that this may have on the Group. The key risks relate to the movement of goods from the UK to the EU across all sales channels as well as the recruitment and retention of EU nationals working in the UK. These risks are being assessed and, subject to the UK Parliament formalising the transition process, plans are being reviewed to help mitigate the possible impact of these changes.

In our 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. We will do our utmost to ensure that this does not happen.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the condensed consolidated interim financial information. For this reason they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely: an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of (i) the principal risks and uncertainties for the remaining six months of the financial year; (ii) material related-party transactions in the first six months and (iii) any material changes in the related-party transactions described in the last annual report.

There have been no other changes to the board since the annual report for the 53 weeks to 3 June 2018. A list of all current directors is maintained on the investor relations website at investor.games-workshop.com.

By order of the board

K D Rountree

CEO

R F Tongue

Group Finance Director

15 January 2019

*With effect from 4 June 2018, the Group has retrospectively adopted IFRS 15 'Revenue from contracts with customers'. The change in accounting policy is described in note 2 to this condensed interim financial information.

**Constant currency revenue is calculated by comparing results in the underlying currencies for 2017 and 2018, both converted at the average exchange rates for the six months ended 26 November 2017.

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

CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 2 December 2018 £000	Restated* Six months to 26 November 2017 £000	Restated* 53 weeks to 3 June 2018 £000
Revenue	3	125,225	109,572	221,304
Cost of sales		(41,392)	(30,590)	(64,219)
Gross profit		83,833	78,982	157,085
Operating expenses	3	(48,552)	(44,425)	(92,383)
Other operating income – royalties receivable		5,490	3,562	9,617
Operating profit	3	40,771	38,119	74,319
Finance income		38	51	90
Finance costs		-	(50)	(139)
Profit before taxation	5	40,809	38,120	74,270
Income tax expense	6	(7,999)	(7,247)	(14,815)
Profit attributable to owners of the parent		32,810	30,873	59,455
Basic earnings per ordinary share	7	100.8p	96.0p	184.3p
Diluted earnings per ordinary share	7	100.2p	95.2p	181.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	Six months to 2 December 2018 £000	Restated* Six months to 26 November 2017 £000	Restated* 53 weeks to 3 June 2018 £000
Profit attributable to owners of the parent	32,810	30,873	59,455
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	771	(419)	(353)
Other comprehensive income/(expense) for the period	771	(419)	(353)
Total comprehensive income attributable to owners of the parent	33,581	30,454	59,102

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

* With effect from 4 June 2018, the Group has retrospectively adopted IFRS 15 'Revenue from contracts with customers'. The change in accounting policy is described in note 2 to this condensed interim financial information.

CONSOLIDATED BALANCE SHEET

		2 December 2018	Restated* 26 November 2017	Restated* 3 June 2018
	Notes	£000	£000	£000
Non-current assets				
Goodwill		1,433	1,433	1,433
Other intangible assets	9	14,850	14,271	14,195
Property, plant and equipment	10	33,029	24,367	30,072
Trade and other receivables		1,866	1,505	1,409
Deferred tax assets		6,713	3,726	5,704
		57,891	45,302	52,813
Current assets				
Inventories		22,393	16,277	20,159
Trade and other receivables		21,821	17,382	16,169
Current tax assets		319	513	457
Cash and cash equivalents		25,335	28,639	28,545
		69,868	62,811	65,330
Total assets		127,759	108,113	118,143
Current liabilities				
Trade and other payables		(15,950)	(20,554)	(20,298)
Current tax liabilities		(8,522)	(6,579)	(7,828)
Provisions for other liabilities and charges	11	(510)	(757)	(691)
		(24,982)	(27,890)	(28,817)
Net current assets		44,886	34,921	36,513
Non-current liabilities				
Other non-current liabilities		(682)	(537)	(667)
Provisions for other liabilities and charges	11	(519)	(536)	(537)
		(1,201)	(1,073)	(1,204)
Net assets		101,576	79,150	88,122
Capital and reserves				
Called up share capital		1,624	1,617	1,617
Share premium account		12,251	11,531	11,571
Other reserves		4,748	3,911	3,977
Retained earnings		82,953	62,091	70,957
Total equity		101,576	79,150	88,122

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

* With effect from 4 June 2018, the Group has retrospectively adopted IFRS 15 'Revenue from contracts with customers'. The change in accounting policy is described in note 2 to this condensed interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 3 June 2018 and 4 June 2018 (as restated*)	1,617	11,571	3,977	70,957	88,122
Profit for the six months to 2 December 2018	-	-	-	32,810	32,810
Exchange differences on translation of foreign operations	-	-	771	-	771
Total comprehensive income for the period	-	-	771	32,810	33,581
Transactions with owners:					
Share-based payments	-	-	-	140	140
Shares issued under employee sharesave scheme	7	680	-	-	687
Deferred tax charge relating to share options	-	-	-	(281)	(281)
Current tax credit relating to exercised share options	-	-	-	355	355
Dividends paid to Company shareholders	-	-	-	(21,028)	(21,028)
Total transactions with owners	7	680	-	(20,814)	(20,127)
At 2 December 2018	1,624	12,251	4,748	82,953	101,576

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 May 2017 and 29 May 2017 (as restated*)	1,607	10,599	4,330	50,164	66,700
Profit for the six months to 26 November 2017	-	-	-	30,873	30,873
Exchange differences on translation of foreign operations	-	-	(419)	-	(419)
Total comprehensive income for the period	-	-	(419)	30,873	30,454
Transactions with owners:					
Share-based payments	-	-	-	60	60
Shares issued under employee sharesave scheme	10	932	-	-	942
Deferred tax credit relating to share options	-	-	-	279	279
Current tax credit relating to exercised share options	-	-	-	293	293
Dividends paid to Company shareholders	-	-	-	(19,578)	(19,578)
Total transactions with owners	10	932	-	(18,946)	(18,004)
At 26 November 2017 (as restated*)	1,617	11,531	3,911	62,091	79,150

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 May 2017 and 29 May 2017 (as restated*)	1,607	10,599	4,330	50,164	66,700
Profit for the 53 weeks to 3 June 2018	-	-	-	59,455	59,455
Exchange differences on translation of foreign operations	-	-	(353)	-	(353)
Total comprehensive income for the period	-	-	(353)	59,455	59,102
Transactions with owners:					
Share-based payments	-	-	-	204	204
Shares issued under employee sharesave scheme	10	972	-	-	982
Deferred tax credit relating to share options	-	-	-	1,050	1,050
Current tax credit relating to exercised share options	-	-	-	686	686
Dividends paid to Company shareholders	-	-	-	(40,602)	(40,602)
Total transactions with owners	10	972	-	(38,662)	(37,680)
At 3 June 2018 (as restated*)	1,617	11,571	3,977	70,957	88,122

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

* With effect from 4 June 2018, the Group has retrospectively adopted IFRS 15 'Revenue from contracts with customers'. The change in accounting policy is described in note 2 to this condensed interim financial information.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 2 December 2018 £000	Six months to 26 November 2017 £000	53 weeks to 3 June 2018 £000
Cash flows from operating activities				
Cash generated from operations	8	35,968	41,206	82,332
UK corporation tax paid		(7,885)	(4,602)	(10,852)
Overseas tax paid		(159)	(566)	(1,375)
Net cash generated from operating activities		27,924	36,038	70,105
Cash flows from investing activities				
Purchases of property, plant and equipment		(6,560)	(4,948)	(14,697)
Proceeds on disposal of property, plant and equipment		-	1	-
Purchases of other intangible assets		(812)	(927)	(1,496)
Expenditure on product development		(3,536)	(2,554)	(5,387)
Interest received		38	51	99
Net cash used in investing activities		(10,870)	(8,377)	(21,481)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		687	942	982
Interest paid		-	(49)	(138)
Dividends paid to Company shareholders		(21,028)	(17,676)	(38,701)
Net cash used in financing activities		(20,341)	(16,783)	(37,857)
Net (decrease)/increase in cash and cash equivalents		(3,287)	10,878	10,767
Opening cash and cash equivalents		28,545	17,910	17,910
Effects of foreign exchange rates on cash and cash equivalents		77	(149)	(132)
Closing cash and cash equivalents		25,335	28,639	28,545

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

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

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

The Company has its listing on the London Stock Exchange.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the 53 weeks ended 3 June 2018 were approved by the board of directors on 30 July 2018 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either section 498 (2) or section 498 (3) of the Companies Act 2006.

This condensed consolidated interim financial information has not been audited or reviewed pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and does not include all of the information required for full annual financial statements.

This condensed consolidated interim financial information for the six months ended 2 December 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the 53 weeks ended 3 June 2018 which have been prepared in accordance with IFRSs as adopted by the European Union.

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved for issue on 15 January 2019.

This condensed consolidated interim financial information is available to shareholders and members of the public on the Company's website at investor.games-workshop.com.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 53 weeks ended 3 June 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies applied are consistent with those of the annual financial statements for the 53 weeks ended 3 June 2018, as described in those financial statements, except for the adoption of new standards effective from 4 June 2018. The Group applies for the first time IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' which require restatement of previous financial statements. The nature and the impact of the changes are disclosed in note 2.

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). This new standard requires all leases to be recognised on the balance sheet. Currently under IAS 17 'Leases' only leases categorised as finance leases are recognised on the 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. The Group is assessing the impact of the new standard and has commenced work on a project to manage this change.

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.

2. Change in accounting policy

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

2. Change in accounting policy continued

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

- (a) **Advances from customers**
Under IFRS 15, minimum royalty guarantee income will be recognised in full at inception of the contract. Previously, this income was deferred and recognised on the balance sheet within accruals and deferred income and released in line with licensee sales.
- (b) **Delivery charges**
Under the new standard, amounts receivable from customers in respect of delivery charges are recognised as revenue. Previously, this income was offset against delivery charges within cost of sales. The impact of reclassifying delivery charges is an increase in revenue and cost of sales. There is no impact on net assets.

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

	26 November 2017 As reported £000	Impact of change in accounting standards £000	26 November 2017 Restated £000
Revenue	108,852	720	109,572
Cost of sales	(29,870)	(720)	(30,590)
Gross profit	78,982	-	78,982
Other operating income – royalties receivable	4,216	(654)	3,562
Operating profit	38,773	(654)	38,119
Income tax expense	(7,371)	124	(7,247)
Profit attributable to owners of the parent	31,403	(530)	30,873
Retained earnings brought forward	46,296	3,868	50,164
Trade and other receivables	15,329	2,053	17,382
Trade and other payables	(22,622)	2,068	(20,554)
Deferred tax assets	4,509	(783)	3,726
Net assets	75,812	3,338	79,150
Basic earnings per share	97.6p	(1.6)p	96.0p
Diluted earnings per share	96.8p	(1.6)p	95.2p

	3 June 2018 As reported £000	Impact of change in accounting standards £000	3 June 2018 Restated £000
Revenue	219,868	1,436	221,304
Cost of sales	(62,783)	(1,436)	(64,219)
Gross profit	157,085	-	157,085
Other operating income – royalties receivable	9,893	(276)	9,617
Operating profit	74,595	(276)	74,319
Income tax expense	(14,867)	52	(14,815)
Profit attributable to owners of the parent	59,679	(224)	59,455
Retained earnings brought forward	46,296	3,868	50,164
Trade and other receivables	13,400	2,769	16,169
Trade and other payables	(22,028)	1,730	(20,298)
Deferred tax assets	6,559	(855)	5,704
Net assets	84,478	3,644	88,122
Basic earnings per share	185.0p	(0.7)p	184.3p
Diluted earnings per share	182.3p	(0.7)p	181.6p

- (c) **Other adjustments**
In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, segmental information, earnings per share and the cash flow statement were adjusted as necessary.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: recognition and measurement'. Under this new standard, provisions for the impairment of trade receivables 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 the impairment of trade receivables are not recognised until there is an indication of impairment. The impact of adopting the new standard is not material to the financial statements.

3. Segment information

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. At 2 December 2018, the Group is organised as follows:

- Sales channels. These channels sell product to external customers, through the Group's network of retail stores, independent retailers and online via the global web stores. The sales channels have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods, and if they are affected by similar economic factors. The segments are as follows:
 - Trade. This sales channel sells globally to independent retailers, agents and distributors. It also includes the Group's magazine newsstand business and the distributor sales from the Group's publishing business (Black Library).
 - Retail. This includes sales through the Group's retail stores, the Group's visitor centre in Nottingham and global exhibitions.
 - Online. This includes sales through the Group's global web stores and digital sales through external affiliates.
- Product and supply. This includes the design and manufacture of products and incorporates the production facility in the UK and the Group logistics and merchandising 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, marketing 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 periods included in this financial information is as follows:

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Trade	61,445	47,996	94,381
Retail	42,547	39,615	81,971
Online	21,233	21,961	44,952
Total external revenue	125,225	109,572	221,304

For information, we analyse external revenue further below:

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Trade			
UK and Continental Europe	25,816	19,652	39,068
North America	27,171	21,345	41,818
Australia and New Zealand	2,838	2,407	4,340
Asia	2,657	2,025	3,857
Rest of world	1,761	1,275	2,935
Black Library	1,202	1,292	2,363
Total Trade	61,445	47,996	94,381
Retail			
UK	13,652	13,077	27,250
Continental Europe	10,404	10,321	21,303
North America	12,935	10,587	22,243
Australia and New Zealand	4,182	4,586	8,977
Asia	1,374	1,044	2,198
Total Retail	42,547	39,615	81,971
Online	21,233	21,961	44,952
Total external revenue	125,225	109,572	221,304

3. Segment information continued

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

	Six months to 2 December 2018 £000	Six months to 26 November 2017 £000	53 weeks ended 3 June 2018 £000
Trade	(6,525)	(5,734)	(11,413)
Retail	(23,946)	(23,020)	(45,992)
Online	(2,731)	(2,719)	(5,672)
Product and supply	(1,666)	(1,412)	(3,350)
Central costs	(5,140)	(3,743)	(7,598)
Service centre costs	(6,946)	(6,360)	(12,664)
Royalties	(346)	(352)	(686)
Total segment operating expenses	(47,300)	(43,340)	(87,375)
Share-based payment charge	(140)	(60)	(204)
Profit share scheme charge	(1,112)	(1,025)	(1,969)
Discretionary payment to employees	-	-	(2,835)
Total group operating expenses	(48,552)	(44,425)	(92,383)

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

	Six months to 2 December 2018 £000	Restated* Six months to 26 November 2017 £000	53 weeks ended 3 June 2018 £000
Trade	22,474	17,148	32,888
Retail	4,821	2,936	7,185
Online	13,060	13,626	27,880
Product and supply	9,594	13,101	23,887
Central costs	(5,946)	(4,397)	(8,698)
Service centre costs	(6,946)	(6,360)	(12,664)
Royalties	4,966	3,150	8,849
Total segment operating profit	42,023	39,204	79,327
Share-based payment charge	(140)	(60)	(204)
Profit share scheme charge	(1,112)	(1,025)	(1,969)
Discretionary payment to employees	-	-	(2,835)
Total group operating profit	40,771	38,119	74,319
Finance income	38	51	90
Finance costs	-	(50)	(139)
Total group operating profit	40,809	38,120	74,270

*Operating profit amounting to £4,800,000 for the six months ended 26 November 2017 has been reclassified from product and supply to trade (£3,677,000) and retail (£1,123,000) in respect of transfer price adjustments not previously recognised.

4. Dividends

Dividends of £9,705,000 (30 pence per share) and £11,323,000 (35 pence per share) were declared and paid in the six months to 2 December 2018.

Dividends of £6,428,000 (20 pence per share) and £11,249,000 (35 pence per share) were declared and paid in the six months to 26 November 2017. A further £1,901,000 (6 pence per share) was distributed in the six months to 26 November 2017 by way of a rectification dividend. The rectification dividend was satisfied by the release of Company shareholders from the liability to repay the amount received in the year ended 28 May 2017 in the form of an unlawful dividend. Further dividends of £9,703,000 (30 pence per share) and £11,321,000 (35 pence per share) were declared and paid during the second half of the year.

5. Profit before taxation

The following costs have been incurred in the reported periods in respect of ongoing redundancies, inventory provisions, impairments and loss-making retail stores:

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Redundancy costs and compensation for loss of office	264	177	238
Reversal of impairment of property, plant and equipment	(18)	(17)	(20)
Net charge to property provisions including closed or loss-making retail stores	108	28	73
Net inventory provision creation	3,422	1,610	3,960

6. Tax

The taxation charge for the six months to 2 December 2018 is based on an estimate of the full year effective rate of 19.6% (2017: 19.0%). Although overseas tax rates are higher than the UK rate of 19.6%, these are offset by the release of prior provisions against tax uncertainties.

7. 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 throughout the relevant period.

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Profit attributable to owners of the parent (£000)	32,810	30,873	59,455
Weighted average number of ordinary shares in issue (thousands)	32,553	32,166	32,258
Basic earnings per share (pence per share)	100.8	96.0	184.3

Diluted earnings per share

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

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Profit attributable to owners of the parent (£000)	32,810	30,873	59,455
Weighted average number of ordinary shares in issue (thousands)	32,553	32,166	32,258
Adjustment for share options (thousands)	199	280	474
Weighted average number of ordinary shares for diluted earnings per share (thousands)	32,752	32,446	32,732
Diluted earnings per share (pence per share)	100.2	95.2	181.6

8. Reconciliation of profit to net cash from operating activities

	Six months to 2 December 2018	Six months to 26 November 2017	53 weeks ended 3 June 2018
	£000	£000	£000
Operating profit	40,771	38,119	74,319
Depreciation of property, plant and equipment	3,754	2,635	6,614
Net reversal of impairment property, plant and equipment	(18)	(17)	(20)
Loss on disposal of property, plant and equipment	9	20	40
Loss on disposal of intangible assets	-	-	12
Amortisation of capitalised development costs	2,965	1,630	4,130
Amortisation of other intangibles	754	651	1,419
Share-based payments	140	60	204
Changes in working capital:			
-Increase in inventories	(2,195)	(4,128)	(7,948)
-Increase in trade and other receivables	(5,911)	(4,644)	(4,960)
-(Decrease)/increase in trade and other payables	(4,085)	6,764	8,467
-(Decrease)/increase in provisions	(216)	116	55
Net cash from operating activities	35,968	41,206	82,332

9. Other intangible assets

	2 December 2018 £000	26 November 2017 £000	3 June 2018 £000
Net book value at beginning of period	14,195	12,917	12,917
Additions	4,348	3,635	6,840
Exchange differences	1	-	(1)
Disposals	-	-	(12)
Amortisation charge	(3,719)	(2,281)	(5,549)
Reclassification from property, plant and equipment	25	-	-
Net book value at end of period	14,850	14,271	14,195

10. Property, plant and equipment

	2 December 2018 £000	26 November 2017 £000	3 June 2018 £000
Net book value at beginning of period	30,072	22,132	22,132
Additions	6,608	4,912	14,632
Exchange differences	119	(39)	(58)
Disposals	(9)	(20)	(40)
Depreciation charge	(3,754)	(2,635)	(6,614)
Reversal of impairment charge	18	17	20
Reclassification to other intangible assets	(25)	-	-
Net book value at end of period	33,029	24,367	30,072

11. Provisions for other liabilities and charges

Analysis of total provisions:

	2 December 2018 £000	26 November 2017 £000	3 June 2018 £000
Current	510	757	691
Non-current	519	536	537
Total provisions for other liabilities and charges	1,029	1,293	1,228

	Other £000	Employee benefits £000	Property £000	Total £000
At 29 May 2017	-	680	504	1,184
Charged to the income statement	50	150	28	228
Exchange differences	(1)	(5)	(6)	(12)
Utilised	-	(61)	(46)	(107)
At 26 November 2017	49	764	480	1,293
At 29 May 2017	-	680	504	1,184
Charged to the income statement	-	136	73	209
Exchange differences	-	(11)	(1)	(12)
Utilised	-	(37)	(116)	(153)
At 3 June 2018	-	768	460	1,228
Charged to the income statement	-	78	108	186
Exchange differences	-	9	8	17
Utilised	-	(68)	(334)	(402)
At 2 December 2018	-	787	242	1,029

12. Seasonality

The Group's monthly sales profile demonstrates an element of seasonality around the Christmas period which impacts sales in the month of December.

13. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £2,969,000 (2017: £2,480,000).

14. Related-party transactions

There were no material related-party transactions during the period.