

FIRST HALF HIGHLIGHTS

- Revenue £57.1m (2004: £71.0m); Lord of the Rings 'bubble' still deflating
- Gross margin holding up at 69.1% (2004: 70.5%)
- Overheads reduced to £39.0m (2004: £42.2m)
- Operating profit £0.5m (2004: £7.9m)
- Major supply chain investment completed and nine new Hobby stores opened
- Maintained interim dividend of 4.95p

	Six months to 27 November 2005	Six months to 28 November 2004
Revenue	£57.1m	£71.0m
Operating profit	£0.5m	£7.9m
Profit before tax	£0.1m	£7.7m
Basic earnings per share	0.2p	16.6p
Interim dividend per share	4.95p	4.95p

CHAIRMAN'S STATEMENT

Results

As first reported last year, our business continues to experience the downside of a trading cycle as the Lord of the Rings 'bubble' deflates. This has continued throughout 2005 to date, resulting in a 20% decline in sales in the first half against the previous year. The decline has been largely consistent across all of our markets and has been slightly more severe than originally expected.

The position has been exacerbated by the continued reduction in our sales to independent toy and hobby retailers, notably in the US, where many smaller independent operators are ceasing to trade. We have sought to mitigate the impact of these difficult conditions by working closely with stronger outlets to nurse them through their current problems and by generating healthier performances from our own Hobby stores.

Our emphasis has been to focus on the development of our own Hobby stores and on investing in recruitment and also in structured training at all levels of management and staff. We are strengthening all direct channels to market.

Despite lower production volumes and the consequent reductions in the benefits of scale, gross margins at 69.1% are higher than our original expectations and only slightly short of the comparative first half in 2005 (70.5%). Greater operational efficiency from the capital investments at Memphis and Nottingham (all completed on time and on budget), and sourcing bought in components and print more cost effectively from both Europe and Asia, have further helped to mitigate the effects of lower volume.

Additionally, overheads have been reduced from £42.2m last year to £39.0m this first half after absorbing the cost of making the reductions, whilst increasing our expenditure on customer facing activities including 17 new store openings since November 2004.

Dividend

A maintained interim dividend of 4.95 pence per share (2005: 4.95p) will be paid on 21 April 2006 to shareholders on the register at 17 March 2006.

CHAIRMAN'S STATEMENT CONTINUED

Prospects

Our sales for the five weeks to 1 January 2006 show a year on year decline of 17%. We can now see that our full year sales, and therefore profits, are likely to fall short of current market expectations. This is why we have brought forward the timing of our interim results announcement this year.

We now have a total of 336 Hobby stores. Although 2005/6 is proving to be a difficult trading year for the Group, we remain confident that we will re-establish our sales growth by continuing to open new stores and by ensuring that our in-store activity of introductory gaming, painting lessons and other structured Hobby events is well delivered.

Games Workshop is a tightly run, well invested business. Our overheads continue to be reduced and, having come to the end of our factory investment programme, our investment efforts going forwards will be in new Hobby stores and in ensuring that our sales staff receive good training. We are moving from a period of investment in our supply infrastructure assets to a period of investment in the training of our people.

Whilst recognising that at present our levels of trading are below last year, the directors firmly believe that the prospects for the business remain very good.

International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with IFRS, and the impact of the conversion of the accounts for previous periods (which were prepared under UK GAAP) is set out in pages 11 to 20 in accordance with IFRS 1 (First-time Adoption of IFRS).

T H F Kirby

Chairman and Chief Executive

6 January 2006

REVENUE BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 27 November 2005	Six months to 28 November 2004
Continental Europe	€35.8m	€45.4m
United Kingdom	£16.6m	£21.0m
The Americas	US\$21.6m	US\$27.1m
Asia Pacific	Aus\$8.7m	Aus\$10.5m

CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Revenue	2	57,090	70,972	136,647
Cost of sales		(17,650)	(20,918)	(42,126)
Gross profit		39,440	50,054	94,521
Net operating expenses		(38,977)	(42,180)	(80,253)
Operating profit	2	463	7,874	14,268
Finance income		69	71	153
Finance costs		(413)	(266)	(538)
Profit before taxation		119	7,679	13,883
Income tax expense	3	(54)	(2,610)	(4,889)
Profit for the period		65	5,069	8,994
Basic earnings per ordinary share	5	0.2p	16.6p	29.3p
Diluted earnings per ordinary share	5	0.2p	16.3p	28.9p
Proposed interim dividend per ordinary share		4.95p	4.95p	

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Profit for the period	65	5,069	8,994
Net exchange adjustments offset in reserves	717	463	486
Cash flow hedges:			
- fair value gains in the period	178	(306)	331
- transferred to net profit	(315)	(581)	(615)
Tax on items recognised directly in equity	40	275	85
Total recognised income for the period	685	4,920	9,281

CONSOLIDATED BALANCE SHEET

	Notes	As at 27 November 2005 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
Non-current assets				
Goodwill		2,531	2,437	2,468
Other intangible assets		4,401	3,570	3,995
Property, plant and equipment		29,777	26,232	28,973
Other receivables		420	274	398
Deferred income tax assets		2,224	2,276	2,178
		39,353	34,789	38,012
Current assets				
Inventories		13,382	14,965	12,838
Trade and other receivables		13,614	16,762	10,350
Current tax assets		374	-	-
Derivative financial instruments		338	174	476
Cash and cash equivalents		6,253	8,811	8,622
		33,961	40,712	32,286
Total assets		73,314	75,501	70,298
Current liabilities				
Financial liabilities		(4,108)	(559)	(252)
Trade and other payables		(16,687)	(20,845)	(18,021)
Current income tax liabilities		-	(2,744)	(1,698)
Provisions		(222)	(133)	(322)
		(21,017)	(24,281)	(20,293)
Net current assets		12,944	16,431	11,993
Non-current liabilities				
Financial liabilities		(10,007)	(9,172)	(5,038)
Other non-current liabilities		(907)	(360)	(345)
Provisions		(903)	(877)	(881)
		(11,817)	(10,409)	(6,264)
Net assets		40,480	40,811	43,741
Capital and reserves				
Called up share capital	6	1,555	1,550	1,553
Share premium	6	6,728	6,272	6,542
Other reserves	6	1,437	374	819
Retained earnings	6	30,760	32,615	34,827
Total equity		40,480	40,811	43,741

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Net cash from operating activities				
Cash generated from operations	7	1,961	5,161	21,149
UK corporation tax paid		(1,137)	(1,764)	(4,141)
Overseas tax paid		(1,275)	(1,120)	(2,186)
Net cash from operating activities		(451)	2,277	14,822
Cash flows used in investing activities				
Purchases of property, plant and equipment		(4,931)	(5,254)	(11,015)
Proceeds on disposal of property, plant and equipment		19	3	49
Expenditure on product development		(1,236)	(1,100)	(2,106)
Purchases of other intangible assets		(336)	(590)	(895)
Interest received		72	70	151
Net cash used in investing activities		(6,412)	(6,871)	(13,816)
Cash flows from financing				
Proceeds from issue of ordinary share capital		164	587	727
Proceeds from borrowings		5,000	9,000	5,000
Repayment of principal under finance leases		(72)	(81)	(165)
Equity dividends paid		(4,340)	(4,295)	(5,818)
Interest paid		(371)	(212)	(516)
Net cash from financing activities		381	4,999	(772)
Effects of foreign exchange rates		173	241	223
Net (decrease)/increase in cash and cash equivalents		(6,309)	646	457
Opening cash and cash equivalents		8,622	8,165	8,165
Closing cash and cash equivalents		2,313	8,811	8,622

Analysis of net funds/(debt)

	As at 29 May 2005 £000	Cash flow £000	Exchange movement £000	As at 27 November 2005 £000
Cash at bank and in hand	8,622	(2,542)	173	6,253
Current borrowings - bank overdraft	-	(3,940)	-	(3,940)
Cash and cash equivalents	8,622	(6,482)	173	2,313
Non-current borrowings	(5,000)	(5,000)	-	(10,000)
Finance leases	(181)	72	(1)	(110)
Net funds/(debt)	3,441	(11,410)	172	(7,797)

NOTES TO THE INTERIM RESULTS

1. Interim results

The interim results for the six months to 27 November 2005 and for the comparative six months to 28 November 2004 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

With effect from 30 May 2005, the Company has moved to reporting its financial results in accordance with International Financial Reporting Standards ('IFRS') endorsed by the European Union. Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its income statement are provided in the appendix to the interim results.

The financial information set out in this interim report has been prepared in accordance with the accounting policies under IFRS detailed in the appendix to the interim results. These policies are expected to be followed in the full financial statements for the year to 28 May 2006.

Standards currently in issue and adopted by the EU are subject to interpretation issued from time to time by the International Financial Reporting Interpretations Committee ('IFRIC'). Further standards may be issued by the International Accounting Standards Board that may be adopted for financial years beginning 30 May 2005. Additionally, IFRS is currently being applied in the United Kingdom and in a large number of countries simultaneously for the first time. Furthermore, due to a number of new and revised standards included within the body of the standards that comprise IFRS there is not yet a significant body of established practice on which to draw in forming opinions regarding interpretation and application. Accordingly, practice is continuing to evolve. At this preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied and reported on in the Company's first IFRS financial statements for the year to 28 May 2006, may be subject to change.

Copies of the interim results will be sent to shareholders and are available to members of the public at the Company's registered office.

2. Geographical analysis

Revenue by geographical area of sales operation

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Continental Europe	24,339	30,918	59,539
United Kingdom	16,634	21,006	40,166
The Americas	12,428	14,853	28,670
Asia Pacific	3,689	4,195	8,272
Revenue	57,090	70,972	136,647

Operating profit by geographical area of sales operation

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Continental Europe	3,760	8,717	15,350
United Kingdom	1,812	4,257	7,252
The Americas	(706)	53	317
Asia Pacific	(260)	414	1,014
	4,606	13,441	23,933
Design and development costs - amortisation	(974)	(983)	(1,809)
Design and development costs - not capitalised	(1,032)	(1,656)	(2,872)
Central costs	(2,641)	(3,084)	(5,358)
Operating (loss)/profit before royalties	(41)	7,718	13,894
Royalty income	504	156	374
Operating profit	463	7,874	14,268

NOTES TO THE INTERIM RESULTS

3. Income tax expense

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
UK corporation tax	27	1,967	3,633
Overseas tax	32	1,104	1,823
Origination and reversal of timing differences	(5)	(461)	(567)
	54	2,610	4,889

4. Dividends

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Paid in the period			
Interim ordinary dividend	-	-	1,523
Final ordinary dividend	4,340	4,295	4,295
	4,340	4,295	5,818

An interim dividend was proposed in the period for the year ended 28 May 2006 of 4.95p (November 2004: 4.95p) resulting in a proposed interim dividend of £1,541,000 (November 2004: £1,523,000). The interim dividend was declared by the board on 5 January 2006 and as such has not been included as a liability as at 27 November 2005.

5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the period and the weighted average number of ordinary shares in issue throughout the relevant period, excluding treasury shares.

The calculation of diluted earnings per ordinary share has been based on the profit for the period and the weighted average number of shares in issue during the relevant period, excluding treasury shares, adjusted for the dilution effect of share options outstanding at the end of the period.

	Six months to 27 November 2005	Six months to 28 November 2004	Year to 29 May 2005
Weighted average number of shares:			
For basic earnings per ordinary share	30,789,543	30,620,058	30,691,357
Dilution effect of share options	207,844	467,107	384,946
For diluted earnings per ordinary share	30,997,387	31,087,165	31,076,303

NOTES TO THE INTERIM RESULTS

6. Consolidated statement of changes in shareholders' equity

	Called up share capital £000	Share premium £000	Other reserves			Retained earnings		Total equity £000
			Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Treasury shares £000	Profit and loss £000	
As at 30 May 2005	1,553	6,542	101	486	232	(1,132)	35,959	43,741
Exchange adjustments	-	-	-	717	-	-	-	717
Profit for the period	-	-	-	-	-	-	65	65
Shares vested	-	-	-	-	-	672	(672)	-
Dividends paid	-	-	-	-	-	-	(4,340)	(4,340)
Share-based payment	-	-	-	-	-	-	230	230
Deferred tax	-	-	-	-	-	-	2	2
Current tax	-	-	-	-	38	-	-	38
Cash flow hedges								
- fair value gains in the period	-	-	-	-	178	-	-	178
- transferred to net profit	-	-	-	-	(315)	-	-	(315)
Issue of ordinary share capital	2	186	-	-	-	-	(24)	164
As at 27 November 2005	1,555	6,728	101	1,203	133	(460)	31,220	40,480
As at 31 May 2004	1,542	5,251	101	-	431	(1,011)	33,067	39,381
Exchange adjustments	-	-	-	463	-	-	-	463
Profit for the period	-	-	-	-	-	-	5,069	5,069
Shares vested	-	-	-	-	-	-	215	215
Dividends paid	-	-	-	-	-	-	(4,295)	(4,295)
Share-based payment	-	-	-	-	-	-	3	3
Deferred tax	-	-	-	-	266	-	9	275
Cash flow hedges								
- fair value gains in the period	-	-	-	-	(306)	-	-	(306)
- transferred to net profit	-	-	-	-	(581)	-	-	(581)
Issue of ordinary share capital	8	1,021	-	-	-	-	(442)	587
As at 28 November 2004	1,550	6,272	101	463	(190)	(1,011)	33,626	40,811
As at 31 May 2004	1,542	5,251	101	-	431	(1,011)	33,067	39,381
Exchange adjustments	-	-	-	486	-	-	-	486
Profit for the period	-	-	-	-	-	-	8,994	8,994
Purchase of treasury shares	-	-	-	-	-	(150)	-	(150)
Shares vested	-	-	-	-	-	29	121	150
Dividends paid	-	-	-	-	-	-	(5,818)	(5,818)
Share-based payment	-	-	-	-	-	-	170	170
Deferred tax	-	-	-	-	85	-	-	85
Cash flow hedges								
- fair value gains in the period	-	-	-	-	331	-	-	331
- transferred to net profit	-	-	-	-	(615)	-	-	(615)
Issue of ordinary share capital	11	1,291	-	-	-	-	(575)	727
As at 29 May 2005	1,553	6,542	101	486	232	(1,132)	35,959	43,741

NOTES TO THE INTERIM RESULTS

7. Reconciliation of profit to net cash from operations

	Six months to 27 November 2005 £000	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Profit for the period	65	5,069	8,994
Income tax expense	54	2,610	4,889
Depreciation of property, plant and equipment	3,697	3,142	6,214
Loss on disposal of property, plant and equipment	11	33	59
Amortisation of capitalised development costs	974	983	1,809
Amortisation of other intangibles	272	332	695
Interest income	(69)	(71)	(153)
Interest expense	413	266	538
Other non-cash changes	189	327	465
Changes in working capital:			
Increase in inventories	(143)	(2,879)	(644)
(Increase)/decrease in trade and other receivables	(3,137)	(4,744)	1,498
(Decrease)/increase in payables	(279)	248	(3,034)
Decrease in provisions	(86)	(155)	(181)
Net cash from operating activities	1,961	5,161	21,149

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) RESTATEMENT INFORMATION

Transition to IFRS

Games Workshop Group PLC reported under UK GAAP in its previously published financial statements for the year ended 29 May 2005. The following reconciliations of net assets and profit show the differences between figures presented under UK GAAP and IFRS.

Transitional arrangements

Application of IFRS 1

The Group's financial statements for the year ending 28 May 2006 will be the Group's first annual financial statements reported under IFRS. These interim financial statements have been prepared as described in note 1. The Group has applied IFRS 1 in preparing these consolidated interim financial statements.

Games Workshop Group PLC's transition date is 31 May 2004. The Group prepared its opening IFRS balance sheet at that date. The Group's IFRS adoption date is 30 May 2005.

On transition to IFRS, an entity is generally required to apply IFRS retrospectively, except where an exemption is available under IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The Group has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS.

The following is a summary of the key elections from IFRS 1 that were made by the Group:

Business combinations exemption

The Group has elected to adopt the IFRS exemption in relation to business combinations and will only apply IFRS 3 'Business Combinations' prospectively from 31 May 2004. As a result, the balance of the goodwill recognised under UK GAAP at 30 May 2004 will be deemed the cost at 31 May 2004.

Cumulative foreign currency translation differences exemption

The Group has elected to set the foreign currency translation differences reserve to nil at 31 May 2004.

Share-based payment transaction exemption

The Group has elected to apply the share-based payment exemption. IFRS 2 has been applied from 31 May 2004 to those options that were issued after 7 November 2002 and had not vested by 30 May 2005.

Application of IAS 39

Hedge accounting

The Group has adopted IAS 39 at its transition date and applied hedge accounting from 31 May 2004 for all transactions where the hedge relationship meets all the hedge accounting criteria under IAS 39. It has also adopted the amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intra-Group Transactions' from the transition date.

Summary reconciliation of net assets and operating profit under UK GAAP to IFRS

The following reconciliations provide a quantification of the effect of the transition to IFRS.

The first analysis shows a summary reconciliation of operating profit for the period to 28 November 2004 and 29 May 2005 as reported under UK GAAP to the revised operating profit reported under IFRS.

	Notes	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
Operating profit reported under UK GAAP		7,864	13,893
Capitalisation of development expenditure	1.1	116	294
Recognition of employee benefit liabilities	1.2	(180)	(95)
Write back of goodwill amortisation	1.3	192	379
Share-based payment	1.4	(3)	(170)
Derivatives not qualifying for hedge accounting/hedge ineffectiveness	1.5	(97)	(68)
Other adjustments		(18)	35
Operating profit reported under IFRS		7,874	14,268

IFRS RESTATEMENT INFORMATION CONTINUED

The analysis below shows a summary reconciliation of net assets reported under UK GAAP as at 30 May 2004, 28 November 2004 and 29 May 2005 to the revised net assets under IFRS.

	Notes	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
Net assets reported under UK GAAP		34,104	38,675	38,073
Capitalisation of development expenditure	1.1	1,721	1,838	2,014
Recognition of employee benefit liabilities	1.2	(647)	(833)	(732)
Write back of goodwill amortisation	1.3	-	192	383
Derivatives not qualifying for hedge accounting/hedge ineffectiveness	1.5	112	15	44
Derivatives recognised and measured at fair value relating to future transactions	1.6	616	(272)	330
Deferred recognition of lease incentives/payments	1.7	(236)	(247)	(218)
Dividend recognition	1.8	4,290	1,523	4,357
Other adjustments		(205)	(217)	(201)
Tax effect of the above adjustments	1.9	(374)	137	(309)
Net assets reported under IFRS		39,381	40,811	43,741

Notes to the above reconciliations are shown below:

1.1 Capitalisation of development expenditure

The adoption of IAS 38 'Intangible Assets' resulted in the capitalisation of certain costs relating to the design and development of core tabletop wargaming product.

1.2 Employee benefit liabilities

IAS 19 'Employee Benefits' requires the recognition of liabilities relating to holiday pay and long service benefits (i.e. the 10 Year Veterans holiday scheme) not previously recognised, in line with common practice, under UK GAAP.

1.3 Goodwill

Under IFRS 3 'Business Combinations' goodwill is no longer amortised on a straight line basis but is instead subject to annual impairment reviews. The transition to IFRS therefore resulted in the write back of goodwill previously amortised since the transition date.

1.4 Share-based payment

Adoption of IFRS 2 'Share-based Payment' requires the assignment of fair values at the date of grant to the sharesave options granted to employees after 7 November 2002 which had not vested by 30 May 2005. The expense is spread over the vesting period of those options.

1.5 Derivatives not qualifying for hedge accounting/hedge ineffectiveness

IAS 39 'Financial Instruments: Recognition and Measurement' requires the recognition of the fair value of forward foreign currency contracts that are in place at the balance sheet date to hedge future transactions. Where the designated forecast transaction is expected to fall below the value of the hedging instrument, an element of hedge ineffectiveness arises. Where hedge ineffectiveness arises or where the forward contracts in place do not meet the requirements of IAS 39 for hedge accounting to be applied, the movement in the related fair values is taken to the income statement.

1.6 Fair value of derivatives that are in place to hedge future transactions

IAS 39 permits hedge accounting for forward foreign currency contracts designated as cash flow hedges of highly probable forecast transactions. The effective portion of the fair value of derivatives accumulate in equity (hedging reserve) until the hedged item affects the income statement in future periods.

1.7 Recognition of lease incentives/payments

The adoption of IAS 17 'Leases' requires any benefits received as an incentive to sign a lease to be charged on a straight line basis over the entire lease term rather than the period up to the first market rent review, as under UK GAAP. This resulted in the deferred element of lease incentives received being spread over a longer period.

IFRS RESTATEMENT INFORMATION CONTINUED

1.8 Recognition of dividends

IAS 10 'Events after the Balance Sheet Date' requires that dividends should only be recognised when approved by shareholders. Hence, under IFRS, the final proposed dividend has been recognised in the following financial year. Under UK GAAP, dividends are recognised in the period to which they relate.

1.9 Deferred and current income taxes

The principles of IAS 12 'Income Taxes' have been applied to the adjustments made on the adoption of IFRS. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount in the balance sheet and the corresponding tax basis used in the computation of taxable profit.

Detailed reconciliations between UK GAAP and IFRS

The following six reconciliations provide full details of the impact of the IFRS transition on:

- net income for the period to 28 November 2004 and for the year to 29 May 2005;
- equity at 30 May 2004, 28 November 2004 and 29 May 2005;
- reconciliation of the consolidated cash flow statement.

Reconciliation of net income for the period to 28 November 2004

	Notes	UK GAAP to 28 November 2004 £000	Effect of transition to IFRS £000	IFRS to 28 November 2004 £000
Revenue		70,972	-	70,972
Cost of sales	2.1	(20,871)	(47)	(20,918)
Gross profit		50,101	(47)	50,054
Net operating expenses	2.2	(42,237)	57	(42,180)
Operating profit		7,864	10	7,874
Finance income		71	-	71
Finance costs		(266)	-	(266)
Profit before taxation		7,669	10	7,679
Income tax expense	2.3	(2,837)	227	(2,610)
Profit for the period		4,832	237	5,069

Reconciliation of net income for the year to 29 May 2005

	Notes	UK GAAP to 29 May 2005 £000	Effect of transition to IFRS £000	IFRS to 29 May 2005 £000
Revenue		136,647	-	136,647
Cost of sales	2.1	(42,071)	(55)	(42,126)
Gross profit		94,576	(55)	94,521
Net operating expenses	2.2	(80,683)	430	(80,253)
Operating profit		13,893	375	14,268
Finance income		153	-	153
Finance costs		(538)	-	(538)
Profit before taxation		13,508	375	13,883
Income tax expense	2.3	(4,863)	(26)	(4,889)
Profit for the year		8,645	349	8,994

IFRS RESTATEMENT INFORMATION CONTINUED

Notes to the above reconciliations of net income are shown below:

2.1 Cost of sales

	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
IAS 39 'Financial Instruments: Recognition and Measurement' requires movements in the fair value of forward foreign currency contracts relating to forecast transactions that do not qualify for hedge accounting, or include an element of ineffectiveness, to be taken to the income statement.	(47)	(55)

2.2 Net operating expenses

	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
IAS 38 'Intangible Assets' requires the capitalisation of development expenditure that meets certain criteria. These amounts were previously written off as incurred.	116	294
IAS 39 'Financial Instruments: Recognition and Measurement' requires movements in the fair value of forward foreign currency contracts that relate to a recognised asset to be taken to the income statement.	(50)	(13)
IAS 19 'Employee Benefits' requires an accrual to be made for the holiday pay and the expected cost of providing one off benefits to employees who reach 10 years service [10 Year Veterans].	(180)	(95)
IFRS 3 'Business Combinations' removes the requirement to amortise goodwill, and requires the write back of amortisation charged since the transition date.	192	379
IFRS 2 'Share-based Payment' requires the recognition of the fair value of share based payments to be reflected in the income statement over the period that the related services are received.	(3)	(170)
Other adjustments	(18)	35
	57	430

2.3 Income tax expense

	Six months to 28 November 2004 £000	Year to 29 May 2005 £000
IAS 12 'Income Taxes' requires deferred tax to be recognised on temporary differences between the tax computation and balance sheet. It was previously recognised on timing differences between taxable profits and results as stated in the financial statements.	189	19
The effect on taxation of the other IFRS adjustments to the income statement	38	(45)
	227	(26)

IFRS RESTATEMENT INFORMATION CONTINUED

Reconciliation of equity at 30 May 2004

	Notes	UK GAAP as at 30 May 2004 £000	Effect of transition to IFRS £000	IFRS as at 30 May 2004 £000
Non-current assets				
Goodwill	3.1	2,463	-	2,463
Other intangible assets	3.2	-	3,192	3,192
Property, plant and equipment	3.3	25,627	(1,616)	24,011
Other receivables		267	-	267
Deferred income tax assets	3.4	1,848	(374)	1,474
		30,205	1,202	31,407
Current assets				
Inventories		12,102	-	12,102
Trade and other receivables	3.5	11,497	387	11,884
Derivative financial instruments	3.6	-	948	948
Cash and cash equivalents	3.7	8,570	(405)	8,165
		32,169	930	33,099
Total assets		62,374	2,132	64,506
Current liabilities				
Financial liabilities	3.6	(161)	(2)	(163)
Trade and other payables	3.8	(23,736)	3,601	(20,135)
Current income tax liabilities		(2,661)	-	(2,661)
Provisions	3.9	-	(95)	(95)
		(26,558)	3,504	(23,054)
Net current assets		5,611	4,434	10,045
Non-current liabilities				
Financial liabilities		(204)	-	(204)
Other non-current liabilities		(584)	-	(584)
Provisions	3.10	(924)	(359)	(1,283)
		(1,712)	(359)	(2,071)
Net assets		34,104	5,277	39,381
Capital and reserves				
Called up share capital		1,542	-	1,542
Share premium		5,251	-	5,251
Other reserves	3.11	101	431	532
Retained earnings		27,210	4,846	32,056
Total equity		34,104	5,277	39,381

IFRS RESTATEMENT INFORMATION CONTINUED

Reconciliation of equity at 28 November 2004

	Notes	UK GAAP as at 28 November 2004 £000	Effect of transition to IFRS £000	IFRS as at 28 November 2004 £000
Non-current assets				
Goodwill	3.1	2,245	192	2,437
Other intangible assets	3.2	-	3,570	3,570
Property, plant and equipment	3.3	28,131	(1,899)	26,232
Other receivables		274	-	274
Deferred income tax assets	3.4	2,139	137	2,276
		32,789	2,000	34,789
Current assets				
Inventories		14,965	-	14,965
Trade and other receivables	3.5	16,563	199	16,762
Derivative financial instruments	3.6	-	174	174
Cash and cash equivalents	3.7	8,799	12	8,811
		40,327	385	40,712
Total assets		73,116	2,385	75,501
Current liabilities				
Financial liabilities	3.6	(120)	(439)	(559)
Trade and other payables	3.8	(21,587)	742	(20,845)
Current income tax liabilities		(2,744)	-	(2,744)
Provisions	3.9	-	(133)	(133)
		(24,451)	170	(24,281)
Net current assets		15,876	555	16,431
Non-current liabilities				
Financial liabilities		(9,172)	-	(9,172)
Other non-current liabilities		(360)	-	(360)
Provisions	3.10	(458)	(419)	(877)
		(9,990)	(419)	(10,409)
Net assets		38,675	2,136	40,811
Capital and reserves				
Called up share capital		1,550	-	1,550
Share premium		6,272	-	6,272
Other reserves	3.11	101	273	374
Retained earnings		30,752	1,863	32,615
Total equity		38,675	2,136	40,811

IFRS RESTATEMENT INFORMATION CONTINUED

Reconciliation of equity at 29 May 2005

	Notes	UK GAAP as at 29 May 2005 £000	Effect of transition to IFRS £000	IFRS as at 29 May 2005 £000
Non-current assets				
Goodwill	3.1	2,085	383	2,468
Other intangible assets	3.2	-	3,995	3,995
Property, plant and equipment	3.3	31,049	(2,076)	28,973
Other receivables		398	-	398
Deferred income tax assets	3.4	2,487	(309)	2,178
		36,019	1,993	38,012
Current assets				
Inventories		12,838	-	12,838
Trade and other receivables	3.5	10,155	195	10,350
Derivative financial instruments	3.6	-	476	476
Cash and cash equivalents	3.7	8,610	12	8,622
		31,603	683	32,286
Total assets		67,622	2,676	70,298
Current liabilities				
Financial liabilities	3.6	(143)	(109)	(252)
Trade and other payables	3.8	(21,692)	3,671	(18,021)
Current income tax liabilities		(1,698)	-	(1,698)
Provisions	3.9	-	(322)	(322)
		(23,533)	3,240	(20,293)
Net current assets		8,070	3,923	11,993
Non-current liabilities				
Financial liabilities		(5,038)	-	(5,038)
Other non-current liabilities		(345)	-	(345)
Provisions	3.10	(633)	(248)	(881)
		(6,016)	(248)	(6,264)
Net assets		38,073	5,668	43,741
Capital and reserves				
Called up share capital		1,553	-	1,553
Share premium		6,542	-	6,542
Other reserves	3.11	101	718	819
Retained earnings		29,877	4,950	34,827
Total equity		38,073	5,668	43,741

IFRS RESTATEMENT INFORMATION CONTINUED

Notes to the above reconciliations of equity are shown below:

3.1 Goodwill

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IFRS 3 'Business Combinations' removes the requirement to amortise goodwill and requires the write back of amortisation charged since the transition date.	-	192	383

3.2 Other intangible assets

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 38 'Intangible Assets' requires computer software to be classified as an intangible asset.	1,471	1,732	1,981
IAS 38 'Intangible Assets' requires the capitalisation of development expenditure that meets certain criteria. These amounts were previously written off as incurred.	1,721	1,838	2,014
	3,192	3,570	3,995

3.3 Property, plant and equipment

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 38 'Intangible Assets' requires computer software to be classified as an intangible asset.	(1,471)	(1,732)	(1,981)
IAS 17 'Leases' requires any benefit or cost relating to lease incentives received or given to be netted off the related lease liability and included within current or non-current assets/liabilities as appropriate.	(145)	(167)	(95)
	(1,616)	(1,899)	(2,076)

3.4 Deferred income tax assets

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 12 'Income Taxes' requires deferred tax to be recognised on temporary differences between the tax computation and the balance sheet. It was previously recognised on timing differences between taxable profits and results as stated in the financial statements.	62	257	85
The effect on taxation of other IFRS adjustments.	(436)	(120)	(394)
	(374)	137	(309)

IFRS RESTATEMENT INFORMATION CONTINUED

3.5 Trade and other receivables

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 17 'Leases' requires any benefit relating to lease incentives received to be spread over the entire period of the related lease, netted off the related lease liability and included within current or non-current assets/liabilities as appropriate.	200	203	200
IAS 39 'Financial Instruments: Recognition and Measurement' requires all assets and liabilities relating to forward foreign currency contracts to be included within derivative financial instruments.	187	(4)	(5)
	387	199	195

3.6 Derivative financial instruments

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 39 'Recognition and Measurement' requires assets and liabilities relating to the closing fair value of forward foreign currency contracts in place at the period end to be included within derivative financial instruments/financial liabilities.			
Derivative financial instruments - assets	948	174	476
Derivative financial instruments - liabilities	(2)	(439)	(109)

3.7 Cash and cash equivalents

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 39 'Financial Instruments: Recognition and Measurement' requires all assets and liabilities relating to financial instruments to be included within derivative financial instruments.	(405)	12	12

3.8 Trade and other payables

	As at 30 May 2004 £000	As at 28 November 2004 £000	As at 29 May 2005 £000
IAS 17 'Leases' requires any benefit or cost relating to lease incentives received or given to be spread over the entire period of the related lease, netted off the related lease liability and included within current or non-current assets/liabilities as appropriate.	(291)	(283)	(323)
IAS 19 'Employee Benefits' requires the recognition of holiday pay accruals and other service benefits not previously recognised under UK GAAP.	(193)	(281)	(162)
IAS 10 'Events after the Balance Sheet Date' states that dividends declared after the balance sheet date should not be recognised as a liability at that balance sheet date.	4,290	1,523	4,357
Other adjustments	(205)	(217)	(201)
	3,601	742	3,671

IFRS RESTATEMENT INFORMATION CONTINUED

3.9 Provisions - current

	As at 30 May 2004 €000	As at 28 November 2004 €000	As at 29 May 2005 €000
IAS 19 'Employee Benefits' requires a liability to be recognised for the expected cost of providing one off benefits to employees who reach 10 years service (10 Year Veterans).	(64)	(98)	(111)
IAS 1 'Presentation of Financial Statements' requires provisions to be split between current and non-current amounts. As a result a number of property provisions have been reclassified.	(31)	(35)	(211)
	(95)	(133)	(322)

3.10 Provisions - non-current

	As at 30 May 2004 €000	As at 28 November 2004 €000	As at 29 May 2005 €000
IAS 19 'Employee Benefits' requires a liability to be recognised for the expected cost of providing one off benefits to employees who reach 10 years service (10 Year Veterans).	(367)	(430)	(436)
IAS 19 'Employee Benefits' requires an accrual to be made for the expected cost of providing retirement indemnities to employees from certain EU territories who finish their working lives with a group company.	(23)	(24)	(23)
IAS 1 'Presentation of Financial Statements' allows provisions to be split between current and non-current amounts. As a result a number of property provisions have been reclassified.	31	35	211
	(359)	(419)	(248)

3.11 Other reserves

	As at 30 May 2004 €000	As at 28 November 2004 €000	As at 29 May 2005 €000
IAS 39 'Financial Instruments: Recognition and Measurement' allows movements in the fair value of derivatives used as hedging instruments for future transactions and that meet the hedge accounting criteria, to be taken to reserves then recycled to the income statement in the period the transaction occurs.	615	(273)	331
Deferred tax relating to the above	(184)	83	(99)
IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires the net exchange differences arising on consolidation of overseas subsidiaries to be recognised as a separate component of equity (translation reserve).	-	463	486
	431	273	718

Reconciliation of the consolidated cash flow statement

The principal difference between UK GAAP and IFRS in the Group's cash flow statement is the reconciliation to cash and cash equivalents rather than cash at bank and in hand.

IFRS ACCOUNTING POLICIES

A summary of the Group's principal IFRS accounting policies is set out below:

Basis of preparation

The consolidated financial statements are now prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains 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.

Goodwill

Goodwill arising on acquisition of subsidiaries, represents any excess of the fair value of the consideration given over the fair value of the Group's share of identifiable net assets acquired. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Provision is made for any impairment by comparing the individual carrying values to the expected value in use discounted at the Group's weighted average cost of capital.

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 expenditure

Costs incurred in respect of product design and development activities are recognised as intangible assets provided that a number of criteria are satisfied. These include the intention to use or sell the asset, technical feasibility, adequate resources being available to complete the development and probable future economic benefits being generated.

Product development costs recognised as intangible assets are amortised on a straight line basis over periods ranging between 6 to 48 months to match the expenditure incurred to the expected revenue generated from the subsequent product release.

Research expenditure is written off as incurred.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring in to use the specific software. Computer software licences are held at cost and amortised over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Core business systems computer software	15-33
Other computer software	33-50

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 so as to write off the cost of property, plant and equipment, less any assigned residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2-4
Plant and equipment	15-33
Motor vehicles	33
Fixtures and fittings	20-25
Moulding tools	25

IFRS ACCOUNTING POLICIES CONTINUED

Leasehold premises are amortised over the period of the lease. Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Impairment of assets

Assets that have an indefinite useful economic life are not subject to amortisation but tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 and carried at original invoice amount less provision for impairment. 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 receivables. 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. 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.

Finance leases

Finance leases which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment at the lower of the fair value of the leased property and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's life and the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. In respect of finished goods, cost includes appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

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 foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences on monetary items are recognised in the income statement with the exception of differences on transactions that are subject to effective cash flow or net investment hedges.

The results of overseas subsidiary companies 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 period;
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and borrowings and other currency instruments designated as hedges of such investments, are taken to equity. Tax charges and credits attributable to those differences are taken directly to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Financial instruments

Derivative financial instruments are recognised at fair value at inception and are subsequently re-measured at their fair value by reference to quoted market values for similar instruments at the balance sheet date. The recognition of the resulting gain or loss depends on whether hedge accounting is permitted.

IFRS ACCOUNTING POLICIES CONTINUED

Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are recognised immediately in the income statement.

In order to apply hedge accounting, the Group designates certain derivatives as:

- Cash flow hedges: hedges of highly probable forecast transactions; or
- Fair value hedges: hedges of the fair value of recognised assets or liabilities; or
- Net investment hedges: hedges of net investments in foreign operations.

The Group documents the relationship between the hedging instruments and hedged items at the hedge inception, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Cash flow hedges

Forward foreign currency contracts that are in place to hedge future transactions are designated as cash flow hedges. The effective element of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Net investment hedges

Any gain or loss on the hedging instrument relating to the effective portion of the hedge of a net investment in a foreign operation is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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 bank overdrafts. In the balance sheet, bank overdrafts are included in current financial liabilities.

Share-based payment

The Group operates a number of equity-settled employee sharesave schemes. Options are granted on an annual basis and are subject to either a two or three year service vesting condition. The fair value of the employee services received under such schemes, which is determined by use of the Black-Scholes Option Pricing Model, is recognised as an expense in the income statement with a corresponding increase in equity over the vesting period. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest, with any revisions being recognised in the income statement over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. If an employee ceases saving and withdraws from the sharesave scheme, the full charge to the end of the vesting period is recognised immediately.

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.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the income statement as they accrue. For those incentive plans which are based upon performance criteria measured over a period in excess of one year, costs are charged to the income statement based upon the directors' estimate of the likely future outcome of those criteria.

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 ten 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.

IFRS ACCOUNTING POLICIES CONTINUED

Investments

Shares and loans in subsidiary undertakings are stated at cost less provision for impairment. Own shares are held in treasury and recorded in shareholders' equity.

Revenue

Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods and services supplied.

Revenue on goods sold to customers on a sale or return basis, 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 1% of consolidated revenue.

Where the Group operates a customer loyalty scheme, such as the redemption of loyalty card points, revenue is adjusted to show sales net of all related discounts. A provision is recognised based on the fair value of expected free goods given to customers. The fair value is measured as the retail value to the customer.

Royalty income is recognised by spreading the guarantees and advances receivable over the term of the licence agreement, and recognising all other income receivable by reference to the underlying licensee performance.

Segment reporting

The primary reporting segments are the main geographic areas in which the Group operates. These are Continental Europe, United Kingdom, the Americas and Asia Pacific. The geographical segments identified engage in providing products within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group has no further reporting segments, the Games Workshop Hobby being considered as a single reporting segment.

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 substantially 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.

The taxation charge in the interim results is based on an estimate of the effective tax rate for the full year.

Dividends

Final equity dividends are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

Provisions

Provisions are made when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provision is made for committed costs outstanding under onerous or vacant property leases. The estimated liability is discounted at the Group's weighted average cost of capital.

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.