PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

9 January 2018

HALF-YEARLY REPORT

Games Workshop Group PLC ("Games Workshop" or the "Group") announces its half-yearly results for the six months to 26 November 2017.

Highlights:

	Six months to 26 November 2017	Six months to 27 November 2016
Revenue	**£108.9m**	£70.9m
Revenue at constant currency*	**£108.6m**	£70.9m
Operating profit pre-change in accounting estimates and royalties receivable	**£33.4m**	£9.7m
Impact of change in accounting estimates	**£1.2m**	£0.8m
Operating profit pre-royalties receivable	**£34.6m**	£10.5m
Royalties receivable	**£4.2m**	£3.3m
Operating profit and pre-tax profit	**£38.8m**	£13.8m
Cash generated from operations	**£41.2m**	£19.6m
Basic earnings per share	**97.6p**	34.0p
Dividend per share declared in the period	**61p**	25p

Kevin Rountree, CEO of Games Workshop, said:

"Our business and our Warhammer Hobby are in great shape.

We are pleased to report record sales and profit levels in the period. It is encouraging that sales and profit growth continue across all regions and channels. Given the high levels of operational gearing and our relentless management of our costs, our improving sales performance has translated into record profit and cash levels.

Our sales for the month of December have also shown good growth trends."

…Ends…

For further information, please contact:

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

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

*Constant currency revenue is calculated by comparing results in the underlying currencies for 2016 and 2017, both converted at the average exchange rates for the six months ended 27 November 2016.

FIRST HALF HIGHLIGHTS

	Six months to 26 November 2017	Six months to 27 November 2016
Revenue	**£108.9m**	£70.9m
Revenue at constant currency*	**£108.6m**	£70.9m
Operating profit pre-change in accounting estimates and royalties receivable	**£33.4m**	£9.7m
Impact of change in accounting estimates	**£1.2m**	£0.8m
Operating profit pre-royalties receivable	**£34.6m**	£10.5m
Royalties receivable	**£4.2m**	£3.3m
Operating profit and pre-tax profit	**£38.8m**	£13.8m
Cash generated from operations	**£41.2m**	£19.6m
Basic earnings per share	**97.6p**	34.0p
Dividends per share declared in the period	**61p**	25p

Revenue by segment

	Six months to 26 November 2017 Constant currency	Six months to 27 November 2016 Constant currency	**Six months to 26 November 2017 Actual rates**	Six months to 27 November 2016 Actual rates
Trade	**£48.0m**	£29.3m	**£48.0m**	£29.3m
Retail	**£39.3m**	£29.2m	**£39.6m**	£29.2m
Mail order	**£21.3m**	£12.4m	**£21.3m**	£12.4m

Operating profit by segment

	Six months to 26 November 2017 Constant currency	Six months to 27 November 2016 Constant currency	**Six months to 26 November 2017 Actual rates**	Six months to 27 November 2016 Actual rates
Trade	**£13.1m**	£8.8m	**£13.5m**	£8.8m
Retail	**£1.5m**	£(2.4)m	**£1.8m**	£(2.4)m
Mail order	**£13.6m**	£6.7m	**£13.6m**	£6.7m
Product and supply	**£18.4m**	£6.4m	**£17.9m**	£6.4m
Royalties	**£3.8m**	£3.0m	**£3.8m**	£3.0m
Other costs	**£(11.9)m**	£(8.7)m	**£(11.8)m**	£(8.7)m

INTERIM MANAGEMENT REPORT

Our business and our Warhammer Hobby are in great shape.

We are pleased to report record sales and profit levels in the period. It is encouraging that sales and profit growth continue across all regions and channels. Given the high levels of operational gearing and our relentless management of our costs, our improving sales performance has translated into record profit and cash levels.

Our sales for the month of December have also shown good growth trends.

These cracking results are built on hard work continuing to focus on making and selling an ever better range of Warhammer miniatures. We're proud of the improving trends, but we are not taking anything for granted, our feet remain firmly on the ground as we stride into the year ahead. We will continue to focus on the core values and activities that drive our business. In the second half of this financial year I will continue to invest appropriately in my team and facilities to ensure we can deliver our ambitious operational plans.

One of our key measures of our performance is return on capital. During the period our return on capital grew from 40% at November 2016 to 119% at November 2017. This was driven by the increase in operating profit before royalties receivable, offset slightly by an increase in average capital employed**.

Sales
Reported sales grew by 54% to £108.9 million for the period. On a constant currency basis, sales were up by 53% from £70.9 million to £108.6 million; split by channel this comprised: retail £39.3 million (2016: £29.2 million), trade £48.0 million (2016: £29.3 million) and mail order £21.3 million (2016: £12.4 million).

Customer focused
Key to this sales performance has been our commitment to talking with our customers. We have a great, global community who are both loyal and passionate. Over the last six months we have - again - doubled the number of customers interacting with us on social media.

We've supported these customers with daily content for Warhammer: Age of Sigmar and Warhammer 40,000, and increased our video output to more than one video every day, reaching over 100,000 people per day. We've also continued to develop warhammer-community.com and created new brand content sites. In the last six months alone, our content has had 16.3 million views from 2.5 million users, and this increase shows no sign of stopping.

Retail
This channel showed growth in all territories. We opened, including relocations, 17 stores. After closing 10 stores, our net total number of stores at the end of the period is 469. 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
All key territories achieved growth. In the period, our net number of trade outlets increased by 199 accounts. In the period reported we changed our trade terms with our independent accounts in North America, implementing a minimum advertised pricing policy. This was implemented on time and as a direct result supported the growth in this territory in this channel.

Mail order
Sales in our online shops were up 71%. 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.

Digital sales
Sales of digital publications through Apple continue to grow, up 22%. In addition, the last six months saw us launch our digital titles onto Amazon and release our Black Library audio range onto Audible. The overall effect has been to increase our digital sales. In addition, this 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 £23.7 million to £33.4 million (2016: £9.7 million) before the change in accounting estimates described below. On a constant currency basis, operating profit before the change in accounting estimates increased by £23.4 million to £33.1 million.

With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and for the depreciation of moulding tools. The impact of the change for the six months to 26 November 2017 is an increase in operating profit of £1.2 million. The change in accounting estimates is described in note 2 to this half-yearly report.

On a constant currency basis, royalty income increased by £0.9 million to £4.2 million (2016: £3.3 million).

Total operating profit increased by £25.0 million to £38.8 million (2016: £13.8 million). The net impact in the six months to 26 November 2017 of exchange rate fluctuations was a gain of £0.3 million. It is not the Group's policy to hedge against foreign exchange rate exposure.

Operating expenses increased by £5.4 million due to an investment in sales facing activities relating to new retail store costs and increased retail variable pay, continued investment in marketing and IT teams, as well as an increased profit share payment paid to all employees.

Capital employed
Average capital employed** increased by £4.3 million to £46.1 million. The book value of tangible and intangible assets increased by £2.8 million, mainly due to the ongoing investment in the implementation of a new ERP system and the change in accounting estimates for development costs and moulding tools. Whilst trade and other receivables increased by £2.2 million, inventory increased by £2.8 million due to the timing of product launches, provisions decreased by £0.3 million and current liabilities increased by £3.8 million.

Cash generation
During the period, the Group's core operating activities generated £33.2 million of cash after tax payments (2016: £14.5 million). The Group also received cash of £2.8 million in respect of royalties in the year (2016: £3.6 million). After purchases of tangible and intangible assets and product development costs of £8.4 million (2016: £6.8 million), dividends of £17.7 million (2016: £8.0 million), proceeds from issue of share capital of £0.9 million (2016: £nil) and foreign exchange losses of £0.1 million (2016: gains of £0.8 million) there were net funds at the end of the period £28.6 million (2016: £15.9 million).

Dividends
In the period we paid dividends of 20 pence per share and 35 pence per share (2016: 25 pence) amounting to £6.4 million and £11.3 million respectively (2016: £8.0 million). Also in the period a further 6 pence per share, amounting to £1.9 million, was distributed 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. In addition, a dividend of 30 pence per share was declared on 13 December 2017 amounting to £9.7 million.

Risks and uncertainties
The board has overall responsibility for ensuring risk is appropriately managed across the Group. As discussed in the 2017 annual report, the top five risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained. The principal risks for the balance of the year are the same as those identified in the 2017 annual report and are discussed below:

ERP change - 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. Our new Global Head of IT and her team are making steady progress.
Store manager recruitment - this comprises both recruitment of managers for new stores as well as replacing poor performing managers. Retail is our primary method of recruiting new customers and so we need great managers in all our stores. Our new recruiting website and tools are on track to go live in 2018.
Supply chain - our new mail order warehouse system went live in September 2017. This is part of an ongoing programme of continuous improvement for our warehouse systems. We have strengthened the team with a new Global Head of Logistics joining us in January 2018. In relation to factory capacity, given the step change in our performance in the last two years we need to ensure we have the appropriate infrastructure to support the new levels of product volumes in our vertically integrated business. We are making the necessary and appropriate investments in factory capacity to manage these risks.
Range management - 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. We have strengthened the team and a new Global Head of Merchandising will be joining us in February 2018.
Distractions - this is anything else that gets in the way of us delivering our goals.

Games Workshop relies upon the continued availability and integrity of its IT systems. Our business critical systems are monitored and disaster recovery plans are in place and reviewed to ensure they remain up to date. The security of our systems is reviewed with software updates applied and equipment updated as required.

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

The greatest risk is the same one that we repeat each year, namely, management. So long as we have great people we will be fine. Problems will arise if the board allows egos and private agendas to rule. I will do my utmost to ensure that this does not happen.

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.

Tom Kirby retired from the board at the 2017 AGM and Nick Donaldson was appointed as non-executive chairman. There have been no other changes to the board since the annual report for the year to 28 May 2017. 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

9 January 2018

*Constant currency revenue is calculated by comparing results in the underlying currencies for 2016 and 2017, both converted at the average exchange rates for the six months ended 27 November 2016.

**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 26 November 2017 £000**		Six months to 27 November 2016 £000		Year to 28 May 2017 £000
Revenue	3		**108,852**		70,935		158,114
Cost of sales pre-change in accounting estimates*		**(31,103)**		(22,171)		(45,224)	
Cost of sales impact of change in accounting estimates*		**1,233**		798		1,533	
Cost of sales			**(29,870)**		(21,373)		(43,691)
Gross profit			**78,982**		49,562		114,423
Operating expenses			**(44,425)**		(39,065)		(83,591)
Other operating income – royalties receivable			**4,216**		3,261		7,491
Operating profit pre-change in accounting estimates*		**37,540**		12,960		36,790	
Operating profit impact of change in accounting estimates*		**1,233**		798		1,533	
Operating profit	3		**38,773**		13,758		38,323
Finance income			**51**		29		87
Finance costs			**(50)**		-		(7)
Profit before taxation	5		**38,774**		13,787		38,403
Income tax expense	6		**(7,371)**		(2,857)		(7,856)
Profit attributable to owners of the parent			**31,403**		10,930		30,547
Basic earnings per ordinary share	7		**97.6p**		34.0p		95.1p
Diluted earnings per ordinary share	7		**96.8p**		33.9p		94.5p
Basic earnings per ordinary share pre-change in accounting estimates*	7		**94.5p**		32.0p		91.2p
Diluted earnings per ordinary share pre-change in accounting estimates*	7		**93.7p**		31.9p		90.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	Six months to 26 November 2017 £000	Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Profit attributable to owners of the parent	**31,403**	10,930	30,547
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	**(419)**	2,687	2,663
Other comprehensive (expense)/income for the period	**(419)**	2,687	2,663
Total comprehensive income attributable to owners of the parent	**30,984**	13,617	33,210

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

*With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and for the depreciation of moulding tools. The change in accounting estimates is described in note 2 to this condensed consolidated interim financial information.

CONSOLIDATED BALANCE SHEET

	Notes	**As at 26 November 2017 £000**	As at 27 November 2016 £000	As at 28 May 2017 £000
Non-current assets				
Goodwill		**1,433**	1,433	1,433
Other intangible assets	9	**14,271**	12,824	12,917
Property, plant and equipment	10	**24,367**	22,112	22,132
Trade and other receivables		**1,505**	1,413	1,081
Deferred tax assets		**4,509**	2,881	5,399
		46,085	40,663	42,962
Current assets				
Inventories		**16,277**	11,224	12,421
Trade and other receivables		**15,329**	11,507	12,976
Current tax assets		**513**	982	596
Cash and cash equivalents		**28,639**	15,877	17,910
		60,758	39,590	43,903
Total assets		**106,843**	80,253	86,865
Current liabilities				
Trade and other payables		**(22,622)**	(16,761)	(16,515)
Current tax liabilities		**(6,579)**	(2,689)	(5,840)
Provisions for other liabilities and charges	11	**(757)**	(838)	(689)
		(29,958)	(20,288)	(23,044)
Net current assets		**30,800**	19,302	20,859
Non-current liabilities				
Other non-current liabilities		**(537)**	(416)	(494)
Provisions for other liabilities and charges	11	**(536)**	(662)	(495)
		(1,073)	(1,078)	(989)
Net assets		**75,812**	58,887	62,832
Capital and reserves				
Called up share capital		**1,617**	1,606	1,607
Share premium account		**11,531**	10,533	10,599
Other reserves		**3,911**	4,354	4,330
Retained earnings		**58,753**	42,394	46,296
Total equity		**75,812**	58,887	62,832

The following notes form an integral part of this condensed consolidated 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 28 May 2017 and 29 May 2017	1,607	10,599	4,330	46,296	62,832
Profit for the six months to 26 November 2017	-	-	-	31,403	31,403
Exchange differences on translation of foreign operations	-	-	(419)	-	(419)
Total comprehensive (expense)/income for the period	**-**	**-**	**(419)**	**31,403**	**30,984**
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
Corporate tax credit relating to exercised share options	-	-	-	292	292
Dividends paid to Company shareholders	-	-	-	(19,577)	(19,577)
Total transactions with owners	**10**	**932**	**-**	**(18,946)**	**(18,004)**
At 26 November 2017	**1,617**	**11,531**	**3,911**	**58,753**	**75,812**

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 29 May 2016 and 30 May 2016	1,606	10,519	1,667	39,371	53,163
Profit for the six months to 27 November 2016	-	-	-	10,930	10,930
Exchange differences on translation of foreign operations	-	-	2,687	-	2,687
Total comprehensive income for the period	-	-	2,687	10,930	13,617
Transactions with owners:					
Share-based payments	-	-	-	82	82
Shares issued under employee sharesave scheme	-	14	-	-	14
Deferred tax credit relating to share options	-	-	-	42	42
Dividends paid to Company shareholders	-	-	-	(8,031)	(8,031)
Total transactions with owners	-	14	-	(7,907)	(7,893)
At 27 November 2016	1,606	10,533	4,354	42,394	58,887

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 29 May 2016 and 30 May 2016	1,606	10,519	1,667	39,371	53,163
Profit for the year to 28 May 2017	-	-	-	30,547	30,547
Exchange differences on translation of foreign operations	-	-	2,663	-	2,663
Total comprehensive income for the period	-	-	2,663	30,547	33,210
Transactions with owners:					
Share-based payments	-	-	-	160	160
Shares issued under employee sharesave scheme	1	80	-	-	81
Deferred tax credit relating to share options	-	-	-	14	14
Current tax credit relating to exercised share options	-	-	-	5	5
Dividends paid to Company shareholders	-	-	-	(23,801)	(23,801)
Total transactions with owners	1	80	-	(23,622)	(23,541)
At 28 May 2017	1,607	10,599	4,330	46,296	62,832

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Six months to 26 November 2017 £000**	Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Cash flows from operating activities				
Cash generated from operations	8	**41,206**	19,621	49,370
UK corporation tax paid		**(4,602)**	(1,313)	(5,212)
Overseas tax paid		**(566)**	(155)	(270)
Net cash generated from operating activities		**36,038**	18,153	43,888
Cash flows from investing activities				
Purchases of property, plant and equipment		**(4,948)**	(2,484)	(5,409)
Proceeds on disposal of property, plant and equipment		**1**	-	-
Purchases of other intangible assets		**(927)**	(1,187)	(1,749)
Expenditure on product development		**(2,554)**	(3,167)	(5,686)
Interest received		**51**	35	87
Net cash used in investing activities		**(8,377)**	(6,803)	(12,757)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**942**	14	81
Interest paid		**(49)**	-	(4)
Loans to Company shareholders		**-**	-	(1,901)
Dividends paid to Company shareholders		**(17,676)**	(8,031)	(23,801)
Net cash used in financing activities		**(16,783)**	(8,017)	(25,625)
Net increase in cash and cash equivalents		**10,878**	3,333	5,506
Opening cash and cash equivalents		**17,910**	11,775	11,775
Effects of foreign exchange rates on cash and cash equivalents		**(149)**	769	629
Closing cash and cash equivalents		**28,639**	15,877	17,910

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 year ended 28 May 2017 were approved by the board of directors on 24 July 2017 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 26 November 2017 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 year ended 28 May 2017 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 9 January 2018.

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 year ended 28 May 2017.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 May 2017, as described in those financial statements. With effect from 30 May 2016 the Group implemented a change in accounting estimate for the amortisation of development costs intangible assets and the accounting estimate for the depreciation of moulding tools. These are described in note 2 below along with the impact on the results for the six months to 26 November 2017.

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

There are no new accounting standards or interpretations effective in the current period which are relevant to the Group.

New standards, amendments to standards and interpretations which have been published but are not yet effective which are relevant to the Group are:

- IFRS 16 'Leases' (effective for the year ending 31 May 2020). Under this new standard all leases will be required to be recognised on balance sheet. Currently under IAS 17 'Leases' only leases categorised as finance leases are recognised on balance sheet, with leases categorised as operating leases not recognised. In broad terms the impact will be to recognise a lease liability and corresponding asset for the Group's operating lease commitments. The Group is assessing the impact of the new standard.
- IFRS 15 'Revenue from contracts with customers' (effective for the year ending 2 June 2019). Under this new standard the royalty minimum guarantee income is expected to be taken as revenue up front. Currently the minimum guarantee income is deferred and released in line with licensee sales. In addition, amounts receivable from customers in respect of delivery charges will be recognised as revenue. Currently these are offset against the carriage cost to the Group within cost of sales. The Group is assessing the impact of the new standard and expects to have a clearer view of the financial impact by the year end.
- IFRS 9 'Financial instruments' (effective for the year ending 2 June 2019). Under this new standard, provisions for impairment of trade receivables will be recognised at an amount based on expected credit losses and will be calculated from the initial recognition of the asset. Currently provisions for impairment of trade receivables are not recognised until there is an indication of impairment. The Group is assessing the impact of the new standard and expects to have a clearer view of the financial impact by the year end.

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 estimates

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

2. Change in accounting estimates continued

The changes were made in order to better match the expenditure incurred to the expected revenue generated from the subsequent product release. In accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors', the changes have been recognised prospectively since 30 May 2016.

The impact of the change on the results for the six months to 26 November 2017 is shown in the table below:

	Pre-change in accounting estimates £000	Impact of change in accounting estimates £000	Total six months to 26 November 2017 £000
Cost of sales	(31,103)	1,233	(29,870)
Gross profit	77,749	1,233	78,982
Operating profit	37,540	1,233	38,773
Income tax expense	(7,137)	(234)	(7,371)
Profit attributable to owners of the parent	30,404	999	31,403
Retained earnings brought forward	45,054	1,242	46,296
Other intangible assets	10,952	3,319	14,271
Property, plant and equipment	24,919	(552)	24,367
Deferred tax assets	4,404	105	4,509
Current tax liabilities	(5,948)	(631)	(6,579)
Net assets	73,571	2,241	75,812
Basic earnings per share	94.5p	3.1p	97.6p
Diluted earnings per share	93.7p	3.1p	96.8p

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

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 26 November 2017, the Group is organised as follows:

- Sales channels. These channels sell product to external customers, through the Group's network of retail stores, independent retailers and directly via the global web stores. The sales channels have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods, and if they are affected by similar economic factors. The segments are as follows:
    - Trade. This sales channel sells globally to independent retailers, agents and distributors. It also includes the Group's magazine newsstand business and the distributor sales from the Group's publishing business (Black Library).
    - Retail. This includes sales through the Group's retail stores, the Group's visitor centre in Nottingham and global exhibitions.
    - Mail order. This includes sales through the Group's global web stores and digital sales through external affiliates.
- Product and supply. This includes the design and manufacture of the products and incorporates the production facility in the UK and the Group logistics and stock management costs. This also includes adjustments for the profit in stock arising from inter-segment sales and charges for inventory provisions.
- Central costs. These include the Company overheads, head office site costs and the costs of running the Games Workshop Academy.
- Service centre costs. Provides support services (IT, accounting, payroll, personnel, procurement, legal, health and safety, customer services and credit control) to activities across the Group and undertakes strategic projects.
- Royalties. This is royalty income earned from third party licensees after deducting associated licensing costs.

The chief operating decision-maker assesses the performance of each segment based on operating profit, excluding share option charges recognised under IFRS 2, 'Share-based payment', charges in respect of the Group's profit share scheme and, for the year to 28 May 2017, the discretionary payment to employees. 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 26 November 2017 £000	Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Trade	**47,961**	29,341	61,254
Retail	**39,615**	29,168	64,848
Mail order	**21,276**	12,426	32,012
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Total external revenue	**108,852**	70,935	158,114
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3. Segment information continued

For information, we analyse external revenue further below:

	Six months to 26 November 2017 £000	Restated* Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Trade			
UK and Continental Europe	**19,652**	12,958	25,442
North America	**21,345**	12,178	27,207
Australia and New Zealand	**2,407**	1,261	2,472
Asia	**2,025**	1,109	2,257
Rest of world	**1,260**	648	1,580
Black Library	**1,272**	1,187	2,296
Total Trade	**47,961**	29,341	61,254
Retail			
UK	**13,077**	10,275	22,474
Continental Europe	**10,321**	7,869	16,859
North America	**10,587**	7,141	16,759
Australia and New Zealand	**4,586**	3,338	7,471
Asia	**1,044**	545	1,285
Total Retail	**39,615**	29,168	64,848
Mail order	**21,276**	12,426	32,012
Total external revenue	**108,852**	70,935	158,114

*Segment revenue of £5,915,000 for the six months to 27 November 2016 previously reported as non-core trade has been reclassified within the trade segment as UK and Continental Europe (£2,542,000), North America (£1,047,000), Australia and New Zealand (£128,000), Asia (£363,000), Rest of world (£648,000) and Black Library (£1,187,000) to reflect the management structure in place at 28 May 2017 and 26 November 2017.
Segment revenue of £1,752,000 for the six months to 27 November 2016 previously reported as non-core retail has been reclassified within the retail segment as UK (£1,648,000), North America (£97,000) and Asia (£7,000) to reflect the management structure in place at 28 May 2017 and 26 November 2017.
In addition mail order segment revenue of £2,143,000 for the six months to 27 November 2016 previously reported as non-core mail order and £10,283,000 previously reported as Citadel and Forge World are now reported together as Mail order which reflects the management structure in place at 28 May 2017 and 26 November 2017.

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

	Six months to 26 November 2017 £000	Restated* Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Trade	**(5,734)**	(5,388)	(10,855)
Retail	**(23,020)**	(21,222)	(42,849)
Mail order	**(2,719)**	(2,595)	(5,290)
Product and supply	**(1,412)**	(1,261)	(2,618)
Central costs	**(3,743)**	(3,143)	(6,215)
Service centre costs	**(6,360)**	(4,738)	(11,824)
Royalties	**(352)**	(192)	(371)
Total segment operating expenses	**(43,340)**	(38,539)	(80,022)
Share-based payment charge	**(60)**	(82)	(160)
Profit share scheme charge	**(1,025)**	(444)	(444)
Discretionary payment to employees	**-**	-	(2,965)
Total group operating expenses	**(44,425)**	(39,065)	(83,591)

*Operating expenses of £18,000 for the six months to 27 November 2016 relating to certain marketing costs have been reclassified from product and supply to central costs which reflects the management structure in place at 28 May 2017 and 26 November 2017.

3. Segment information continued

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

	Six months to 26 November 2017 £000	Restated* Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Trade	**13,471**	8,791	17,956
Retail	**1,813**	(2,369)	461
Mail order	**13,626**	6,651	18,788
Product and supply	**17,901**	6,356	16,286
Central costs	**(4,397)**	(3,406)	(6,724)
Service centre costs	**(6,360)**	(4,738)	(11,824)
Royalties	**3,804**	2,999	6,949
Total segment operating profit	**39,858**	14,284	41,892
Share-based payment charge	**(60)**	(82)	(160)
Profit share scheme charge	**(1,025)**	(444)	(444)
Discretionary payment to employees	**-**	-	(2,965)
Total group operating profit	**38,773**	13,758	38,323
Finance income	**51**	29	87
Finance costs	**(50)**	-	(7)
Profit before taxation	**38,774**	13,787	38,403

*A segment loss of £281,000 for the six months to 27 November 2016 relating to certain marketing costs has been reclassified from product and supply to central costs. This reflects the management structure in place at 28 May 2017 and 26 November 2017.

4. Dividends

Dividends of £6,428,000 (20 pence per share) and £11,248,000 (35 pence per share) were declared and paid in the six months to 26 November 2017. In addition 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.

A dividend of £8,031,000 (25 pence per share) was declared and paid in the six months to 27 November 2016.

Dividends of £8,031,000 (25 pence per share), £9,638,000 (30 pence per share), and £6,132,000 (19 pence per share) were declared and paid during the year ended 28 May 2017.

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 26 November 2017 £000	Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Redundancy costs and compensation for loss of office	**177**	345	1,009
(Reversal) of/charge for impairment of property, plant and equipment	**(17)**	16	(55)
Charge for impairment of computer software	-	-	833
Net charge/(credit) to property provisions including closed or loss-making retail stores	**28**	197	(185)
Net inventory provision creation	**1,610**	235	1,376

6. Tax

The taxation charge for the six months to 26 November 2017 is based on an estimate of the full year effective rate of 19.0% (2016: 20.7%). Although overseas tax rates are higher than the UK rate of 19%, 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 26 November 2017	Six months to 27 November 2016	Year to 28 May 2017
Profit attributable to owners of the parent (£000)	**31,403**	10,930	30,547
Weighted average number of ordinary shares in issue (thousands)	**32,166**	32,121	32,126
Basic earnings per share (pence per share)	**97.6**	34.0	95.1

Basic earnings per share pre-change in accounting estimates

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

	Six months to 26 November 2017	Six months to 27 November 2016	Year to 28 May 2017
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	**30,404**	10,286	29,305
Weighted average number of ordinary shares in issue (thousands)	**32,166**	32,121	32,126
Basic earnings per share pre-change in accounting estimates (pence per share)	**94.5**	32.0	91.2

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 26 November 2017	Six months to 27 November 2016	Year to 28 May 2017
Profit attributable to owners of the parent (£000)	**31,403**	10,930	30,547
Weighted average number of ordinary shares in issue (thousands)	**32,166**	32,121	32,126
Adjustment for share options (thousands)	**280**	77	199
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,446**	32,198	32,325
Diluted earnings per share (pence per share)	**96.8**	33.9	94.5

7. Earnings per share continued

Diluted earnings per share pre-change in accounting estimates

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

	Six months to 26 November 2017	Six months to 27 November 2016	Year to 28 May 2017
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	**30,404**	10,286	29,305
Weighted average number of ordinary shares in issue (thousands)	**32,166**	32,121	32,126
Adjustment for share options (thousands)	**280**	77	199
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**32,446**	32,198	32,325
Diluted earnings per share pre-change in accounting estimates (pence per share)	**93.7**	31.9	90.7

8. Reconciliation of profit to net cash from operating activities

	Six months to 26 November 2017 £000	Six months to 27 November 2016 £000	Year to 28 May 2017 £000
Operating profit	**38,773**	13,758	38,323
Depreciation of property, plant and equipment	**2,635**	3,156	6,107
Net (reversal) of impairment/impairment of property, plant and equipment	**(17)**	16	(55)
Loss on disposal of property, plant and equipment	**20**	23	111
Impairment of intangible assets	**-**	-	833
Loss on disposal of intangible assets	**-**	-	14
Amortisation of capitalised development costs	**1,630**	1,557	2,900
Amortisation of other intangibles	**651**	604	1,217
Share-based payments	**60**	82	160
Changes in working capital:			
-Increase in inventories	**(4,128)**	(1,805)	(2,984)
-Increase in trade and other receivables	**(4,813)**	(1,298)	(379)
-Increase in trade and other payables	**6,279**	3,585	3,491
-Increase/(decrease) in provisions	**116**	(57)	(368)
Net cash from operating activities	**41,206**	19,621	49,370

9. Other intangible assets

	26 November 2017 £000	27 November 2016 £000	28 May 2017 £000
Net book value at beginning of period	**12,917**	10,501	10,501
Additions	**3,635**	4,479	7,376
Exchange differences	**-**	5	4
Disposals	**-**	-	(14)
Amortisation charge	**(2,281)**	(2,161)	(4,117)
Impairment	**-**	-	(833)
Net book value at end of period	**14,271**	12,824	12,917

10. Property, plant and equipment

	26 November 2017 £000	27 November 2016 £000	28 May 2017 £000
Net book value at beginning of period	**22,132**	22,621	22,621
Additions	**4,912**	2,348	5,372
Exchange differences	**(39)**	338	302
Disposals	**(20)**	(23)	(111)
Charge for the period	**(2,635)**	(3,156)	(6,107)
Reversal of impairment/(impairment)	**17**	(16)	55
Net book value at end of period	**24,367**	22,112	22,132

11. Provisions for other liabilities and charges

Analysis of total provisions:

	26 November 2017 £000	27 November 2016 £000	28 May 2017 £000
Current	**757**	838	689
Non-current	**536**	662	495
	1,293	1,500	1,184

	Other £000	Employee benefits £000	Property £000	Total £000
At 29 May 2016	-	547	897	1,444
Charged to the income statement	-	99	197	296
Exchange differences	-	53	60	113
Utilised	-	(47)	(306)	(353)
At 27 November 2016	-	652	848	1,500

	Other £000	Employee benefits £000	Property £000	Total £000
At 29 May 2016	-	547	897	1,444
Charged/(credited) to the income statement	-	153	(185)	(32)
Exchange differences	-	47	57	104
Utilised	-	(67)	(265)	(332)
At 28 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**

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 £2,480,000 (2016: £996,000).

14. Related-party transactions

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