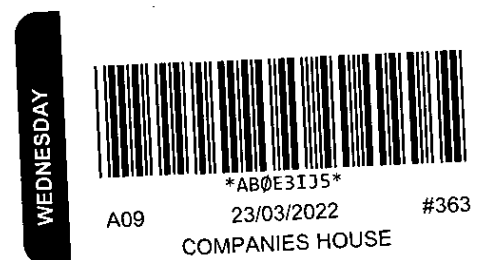


GAMES WORKSHOP GROUP PLCTM

Annual Report 2021



FINANCIAL HIGHLIGHTS

	2021	2020
	£m	£m
Revenue	353.2	269.7
Revenue at constant currency*	361.0	269.7
Operating profit - pre-royalties receivable	135.4	73.2
Royalties receivable	16.3	16.8
Operating profit	151.7	90.0
Operating profit at constant currency*	155.7	90.0
Profit before taxation	150.9	89.4
Net increase in cash - pre-dividends paid	93.4	70.5
Earnings per share	372.7p	218.7p
Dividends per share declared in the year	235p	145p
Dividends per share paid in the year	185p	145p

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*Constant currency revenue and operating profit are calculated by comparing results in the underlying currencies for 2021 and 2020, both converted at the 2020 average exchange rates as set out on page 16.

CHAIR'S STATEMENT

This is my first statement as non-executive chair of Games Workshop Group PLC, having stepped into the job on 1 January 2021.

I'm delighted that we are reporting truly exceptional results in our financial year ended 30 May 2021, with revenue exceeding £350 million and profit before tax of over £150 million for the first time. This outstanding performance has been delivered in a period of unprecedented global uncertainty with the ongoing health and economic crises of COVID-19, and it is a true testament both to the strength of our operational team and to the resilience of our business model.

Our culture determines what and how we deliver and achieve. It is built on the qualities of honesty, humility and courage. We are an enthusiastic and committed team. We hire people with great skills, great attitudes and great behaviours. Our sense of togetherness is very strong - even more so when the going is tough, and this year has certainly been tough. We understand that we win together or we lose together. This year we won together and our company and the Warhammer hobby continue to be in great shape.

We invested £10 million in capital projects to support our growing business. We declared 235 pence per share in dividends totalling £77 million, compared with £47 million in respect of 2019/20. We were delighted to distribute £13 million equally to all of our colleagues to recognise their significant role in delivering these great results. We also paid some discretionary bonuses (like we do most years) in recognition of exceptional performance. These payments were made entirely out of surplus cash generated. We continue to have no borrowings and to retain sufficient cash both to invest in future growth and to protect the business against unforeseen risks and headwinds.

The health and safety of our Games Workshop team, their families and of our customers and partners continues to be our primary concern. Many of our retail stores and some of our trade customers have been closed for a large proportion of the year. Our colleagues and trade partners are keen to get back to normal as soon as possible, and we will continue to support them in doing so safely.

As Kevin reports later in his strategic review, some of our investment projects have taken longer than we had hoped and we have also faced significant logistical and operational challenges throughout the year. The Games Workshop team have worked tirelessly to overcome these challenges, and our customers have been very understanding when we have fallen short of our normal high standards. Thank you one and all.

We aim to make the best fantasy miniatures in the world, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever. 'Forever' is an important word to us and all of our decisions are focused on long-term success and not short-term gain. We know that to achieve our ambition to be around forever, running the company that we love, we have to have a responsible and principled approach in our dealings with all of our stakeholders - our colleagues, customers, shareholders, suppliers, local neighbourhoods and the world in which we live.

We take these responsibilities very seriously and have spent a lot of time this year focusing on more effective wider stakeholder communication and management. Just some examples of this include the establishment of our environment, social and governance (ESG) steering group, the ongoing development of our global communication forum and the companywide review of our remuneration policies. We also reviewed our executive remuneration policy and found that we had fallen significantly behind market rate for our executives, given the complexity and size of our business. We have addressed this and made some changes to our policy as outlined later in this report. We have also spent considerable time reviewing and ensuring that our risk management processes are robust for the world in which we now operate. As we set out in some detail later in this annual report, we work hard to ensure that our long-term approach is evident across all aspects of our business and we have again made great progress this year.

Our work on refreshing the composition of the board of the Company continued this year and after an extensive search process, we were delighted to welcome Sally Matthews as our newest non-executive director and chair of the audit and risk committee. Nick Donaldson retired from the board on 31 May 2021, having served 19 years as a non-executive director and the last three years as our non-executive chair. I would like to extend my thanks and that of the entire Games Workshop team to Nick. You will be missed.

I am delighted in the progress we are making in our board composition. In particular, I'm pleased that we have an executive team with a combined 48 years of tenure at Games Workshop, supported by a non-executive panel with really rich experience across manufacturing and logistics, IP and media, digital retailing and financial and listed company expertise. I will continue to keep the board composition under review and commit to ensuring that we always have a quality team of non-executives with diverse but relevant experience to support our high performing executives. Ensuring we surround ourselves with those who are moral, ethical and quality obsessed will always be a key priority.

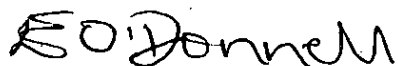
In the coming year, we plan to redouble our focus on 'to do this forever'. We will do this by accelerating our investment around assessing our impact on the environment and playing our part to address climate change. We will also continue to invest to put our rich intellectual property in front of new audiences and explore new product types designed to engage those beyond the tabletop market, encouraging them to get involved in the fantastical worlds of Warhammer. All of these plans will cost money and their value will only truly be known in future years but we believe that by investing in strong foundations we will deliver on our commitment of 'to do this forever' - which we are sure is truly in the interests of all of our stakeholders.

Last year, we were very disappointed not to host our AGM face to face. This year, we were once again hoping to be able to hold our AGM at our global head office in Nottingham. However, we are unfortunately still in the midst of the pandemic and with the health and safety of our colleagues an ongoing priority, we have decided to hold the AGM off-site at Trent Vineyard in Lenton, Nottingham. We recommend that shareholders do not attend the AGM, but instead submit any questions by email in advance and vote by proxy.

Finally, in concluding my first statement as your chair, I would like to extend my sincere thanks:

- Firstly, to our executive directors and the entire Games Workshop global team. The team performance and spirit has been second to none in very challenging times.
- Secondly, to our loyal customers for continuing to engage in the Warhammer hobby in such a positive way. We will do our best to keep supporting and delighting you.
- Thirdly, to our shareholders for your ongoing support and loyalty. I have really enjoyed meeting many of you virtually and I hope to be able to see many more of you face to face as and when restrictions ease.

With kind regards

A handwritten signature in black ink, appearing to read 'EO'Donnell'.

Elaine O'Donnell
Non-executive chair
26 July 2021

STRATEGIC REPORT

Strategy and objectives

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

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

Let me go through our strategy part-by-part:

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

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

The third element is that we are customer focused. We aim to communicate in an open, fun way. Whoever and wherever our customers are, and in whichever way they want to engage with Warhammer, we will do our utmost to support them.

The fourth element is the global nature of our business. Our customers can be found anywhere, and we seek them out all over the world. They're a passionate bunch with an interest in science fiction and fantasy. They're collectors, painters, model builders, gamers, book lovers and much more. And while no two engage with Warhammer in exactly the same way, they're all deeply invested in the rich characters and settings of our IP.

To reach them, we have two key tools: our retail chain and our digital content. In retail, we showcase the Warhammer hobby and offer a fantastic customer experience. Our digital offering has never been richer. Through [warhammer-community.com](https://www.warhammer-community.com) and social media we reach thousands of people every day, showing them the very best aspects of the Warhammer hobby and inviting them to join our global community of enthusiastic fans.

Our retail channel is supported by our own online store (it has the full range of our products) and our independent stockist and trade accounts across the world. These independent accounts do a great job supporting our customers in parts of the world where we either have not yet opened one of our stores or where it is not commercially viable for us to have one. Our long-term goal is to have all three channels (retail, trade and online) growing in harmony. We will always have more independent accounts than our own stores. Our strategy is to grow our business through geographic spread, growing all of the three complementary channels.

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

We measure our long-term success by seeking a high return on investment. In the short term, we measure our success on our ability to grow sales whilst maintaining our core business operating profit margin at current levels. The way we go about implementing this strategy is to recruit the best staff we can. We look for those with the appropriate attitude and behaviour a given job requires and for those who are moral, ethical and quality obsessed. It is also important that everyone we employ has a real desire to learn the skills needed to do their job and has a great attitude towards change (there's never a dull moment here!). To support them, we offer all of our staff both personal development and skills training.

We continue to believe there are great opportunities for our business to grow, particularly in North America and Asia.

Our brands

We have originated and are in control of a number of strong, globally recognised brands with their own identities, associations and logos.

Our key consumer facing brand is 'Warhammer'.

We design, make and sell products under a number of brands and sub brands, which denote setting, tone and product type, the key ones being:

- Warhammer: Age of Sigmar - our unique fantasy setting.
- Warhammer 40,000 - our most popular and recognisable brand is a space fantasy setting.
- Horus Heresy - an offshoot of Warhammer 40,000, the Horus Heresy brand is presented as 'fictional history' of that universe.

We believe our IP to be among the best in the world.

Strategy and objectives

Our brands continued

The Warhammer settings are incredibly rich and evocative backdrops. They're populated by more than three decades of fantastical characters and comprise thousands of exciting narratives. We are committed to making it easier than ever for people to discover, engage with and immerse themselves in our IP. Aided by a small, senior team we have already begun to find new partners, and new ways to help us bring the worlds of Warhammer to life like never before. Together, we'll continue to explore animation, live action and more. We'll present the very best aspects of our rich IP, delighting audiences while always ensuring we do no harm to our core miniatures business.

Business model and structure

We design, manufacture, distribute and sell our fantasy miniatures and related products. These are fantasy miniatures from our own Warhammer 40,000 and Warhammer: Age of Sigmar universes. Our two factories, two warehouse facilities and back office support functions are all based in or near Nottingham. We are an international business centrally run from our HQ in Nottingham, with 77% of our sales coming from outside the UK.

Design

We design all of our products at our HQ in Nottingham. Employing 262 people, the design studio creates all the IP and all the associated miniatures, artwork, games and publications that we sell. Annually, these specialist staff produce hundreds of new sculpts, illustrations, rules, stories etc. enabling us to deliver new products every week and continue to keep our customers engaged and excited. In 2020/21 we invested £12.7 million in the studio (including software costs) with a further £4.4 million spent on tooling for new plastic miniatures. We are committed to investing in these areas at an appropriate level every year.

All of our plastic miniatures are branded as Citadel Miniatures, a mark with an unparalleled reputation for quality. It denotes both a style and level of detail that we apply to both our own worlds (Warhammer 40,000, Warhammer: Age of Sigmar, etc.) and those of others, e.g. Lord of the Rings.

Our resin miniatures, designed for more experienced customers, are branded as Forge World and are less widely available than their plastic counterparts.

Many customers love personalising their miniatures and our Citadel Colour paint range, brushes and accompanying painting system are designed to help everyone from the complete beginner to the most experienced painters in the world achieve great results. In the pursuit of ever better, we continually develop new types of paint and ways of using them. The result - our paints are used the world over. And for painting more than just our miniatures!

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

Manufacture

We are proud to manufacture our product in Nottingham. It's where we started and where we intend to stay. During the year we completed the work on Factory 2 of increasing our production facilities in Nottingham, with the expansion of our tooling facility and further office space. We also purchased a further two pieces of land next to our main site in Nottingham which will allow for future expansion.

Logistics

Our product is distributed from our main warehouse at the Nottingham HQ or our new rented warehouse facility approximately 25 minutes from the main HQ. These facilities supply our two hubs; one in Memphis, Tennessee and one in Sydney, Australia. Between these four facilities we are able to then directly supply our independent retailers, our own retail stores and fulfil our online orders. The upgrade of the Memphis facility as well as moving into this new rented warehouse near Nottingham, are now both nearing operational completion.

Sell

We sell via three channels, our own stores 'Retail', third party independent retailers 'Trade' and our online store 'Online'. We also 'sell', or rather generate income, via our licensing partners. We support these channels and activities via our digital and marketing team.

Retail - our stores provide the focus for the Warhammer hobby in their geographical areas. Our stores only stock Games Workshop product. They are where we recruit the majority of our new customers. To do so, the stores don't offer the full range of our product, only starter sets, new release product and the appropriate extended range. At the year end, we had 523 of our own retail stores in 23 countries. Our stores contributed 20% of the year's sales. We have 406 single staff stores: small sites, each one operated by only one store manager. We also have 117 multi-staff stores, which, like our single staff stores, are constantly reviewed to ensure they remain profitable. If not, they will probably be converted to single staff stores.

Trade - we sell to third party retailers under closely controlled terms and conditions. Independent retailers are an integral part of our business model helping us to sell our products around the world and importantly in areas where we don't have our own stores. Games Workshop strives to support those outlets which help to build the Warhammer hobby community in their local areas. The bulk of our sales to independent retailers are made via our telesales teams based in Memphis and Nottingham. We also have small telesales teams in Sydney, Tokyo, Shanghai, Singapore, Hong Kong and Kuala Lumpur. In 2020/21 we had 5,400 independent retailers (2020: 4,900) in 73 countries. We strive to deliver excellent service, operating in 23 languages covering all time zones. 55% of our sales came from sales to independent retailers in the year reported. These sales are from their physical stores as well as their own online web stores.

STRATEGIC REPORT continued

Business model and structure continued

Sell continued

Online - sales via our own web stores accounted for 25% of total sales in 2020/21. All of our retail stores also have a web store terminal that allows our customers to access the full range from within the store. Our web stores are run centrally from our Nottingham HQ.

Licensing - we grant licences to a number of carefully chosen partners. This allows us to leverage our IP to broaden the presence and brand exposure of Warhammer around the world, often entering new markets such as board games, apparel or accessories and media and entertainment. It also allows us to generate additional income. Currently, the majority of this income is generated by computer games sales in North America, the UK and Continental Europe.

Marketing - keeps us customer focused. This team acts as the bridge between our other business areas, ensuring we have a joined up approach between product (design to manufacture) and sales. Marketing spends a lot of time listening and developing a two way dialogue with our customers to make sure we keep their needs at the forefront, championing the Warhammer hobby around the globe and injecting our content and communications with a real sense of passion and fun.

Structure

We control the business centrally from our HQ in Nottingham; it is where the majority of people with experience and knowledge of running our business work. I have put in place a flat structure: the people with senior responsibility that make all of the big decisions report directly to me. To bring extra focus and ambition, my team is now split into six parts: product design and IP creation, manufacturing and supply chain, sales, digital and marketing, operations and support, and IP exploitation.

We have a global IP and product design director who is responsible for our design studios (miniatures, books and box games, specialist systems, Warhammer hobby product and our publishing business, Black Library).

The responsibility for our retail chain is split between two retail territory heads, one for North America and Asia and one for the rest of the world. Our trade sales are the responsibility of a single head of trade sales. All of our online and digital sales are the responsibility of a global marketing and digital director.

These sales channels are supported by a merchandising team, managed by the global manufacturing and supply chain director and by the marketing team that sits under the global marketing and digital director. The global manufacturing and supply chain director also manages the factories and our four main warehouse facilities in Nottingham, Memphis and Sydney.

Our operations and support structure includes a chief financial officer for Games Workshop who is responsible for accounts, HR, legal and compliance, and licensing as well as ensuring we invest in our core IT systems to help us deliver our long-term goals.

Key performance indicators

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

Our key financial performance indicators are:

Monthly and year-to-date sales growth by channel

This measures the sales growth achieved in each of our channels on a monthly and year to date basis: see page 13.

Monthly and year to date Group gross margin

This measures the gross margin achieved on sales after taking account of the direct costs and depreciation of manufacturing equipment and shipping our product to customers/stores on a monthly and year to date basis: see page 14.

Year to date core business operating profit percentage

The ratio of core business operating profit before royalty income against revenue, as a percentage: see page 15. This is considered to be a measure which reflects sales under our direct control.

Monthly and year to date core business profit

This measures gross profit less operating expenses on a monthly and year to date basis, before royalty income: see page 15. This is considered to be a measure which reflects sales under our direct control.

Our key non-financial performance indicators are:

Number of own stores by territory

This measures the number of our own stores which is an indicator of our global reach: see page 13.

Number of ordering stockist accounts by territory

This measures the number of trade outlets that have ordered from us in the last six months. It is an indicator of our global reach and the health of our trade account base: see 'Trade' paragraph on page 5.

Key performance indicators continued

Key non-financial performance indicators continued

Customer engagement

We measure this through our owned content channel warhammer-community.com and reach delivered through our social platforms: see page 11.

Staff engagement

We have a monthly Games Workshop Group Communications Forum which is attended by staff representatives and senior managers. This is to ensure regular staff engagement across the Group. Information on topics discussed at these meetings is circulated to all staff and to the board.

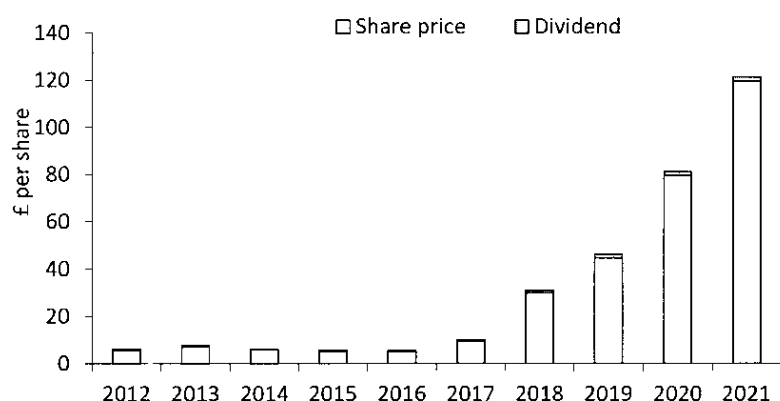
Shareholder value

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

We return our surplus cash to our owners and try to do so in ever increasing amounts. A 'working cash buffer' of three months' worth of working capital requirement has been set aside along with six months' worth of future capital spend and tax payments before deciding how much cash is truly surplus for the purpose of declaring dividends.

Graph of shareholder value

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



Review of the year

Core business

COVID-19

As ever, our global team has been focused on delivering a better performance, and making the Warhammer hobby ever more fun and engaging. With a challenging backdrop we have been able to deliver on our core strategy and our customers have continued to enjoy Warhammer as best they can. We look forward to the easing of restrictions, healthy and happy staff and customers, all able to engage in our full Warhammer hobby experience.

Our priorities during the year have not changed - to protect the health and safety of our staff and to do our utmost to balance the needs of all stakeholders. We have done well; supporting governments fully with their health and safety guidelines keeping people safe, our staff with job security, wellbeing support and full pay. Our customers have had considerably more free, engaging digital content and the best new miniatures we have ever made! To our disappointment, we have also had more customers' service issues, chiefly delays on deliveries. These were primarily driven by our internal issues with capacity constraints at our warehouse facilities, rather than by external factors. To support affected customers we upscaled our customer service resource. We have continued to support our suppliers, staying loyal whenever possible and paying their invoices on time. Our shareholders have had record dividends too. Our focus on spending cash wisely has proven the right approach, we have had good cash balances throughout the year in line with our short term forecasts. We will continue to focus on improving our relationships with all stakeholders and make decisions with all in mind.

Where possible our office based staff (global services, studios, trade sales teams etc.) have worked from home. We have now been clear with all of our staff what their new working arrangements will be going forward. In summary, our office based support and operations staff will have some flexibility, working from home for some or all of the week. All other staff will operate full-time from one of our business locations. We are currently working on making the HQ office space in Nottingham more flexible to meet our new requirements. This should be completed by September 2021. Office based staff are being phased back as we complete the work on their areas. I hope everyone settles into their new areas well, and I look forward to playing musical chairs with everyone, including the senior team, who will be making use of our new hot desk areas!

Our manufacturing, warehousing and support teams at our main HQ in Nottingham and warehouse hubs in Memphis, Tennessee and Sydney, Australia, not only worked well within our health and safety procedures but they have also made, picked and packed a significant increase in volume compared to the same period last year. All our staff in these areas are still working to local social distancing guidelines, these will be amended as government guidelines change.

STRATEGIC REPORT continued

Core business continued

COVID-19 continued

The majority of our 523 retail stores have been restricted or closed during the period, following local government guidelines. It was great to see, during the periods our stores were allowed to open, our store managers doing a fantastic job of delivering their normal outrageous service for our loyal customers during such a challenging time. Our retail offer is one of our unique services. You'll find no better place to immerse yourself in the Warhammer hobby. Many trade accounts have been able to access government assistance, and many have the flexibility to sell outside of their physical location (online via 'click and collect', 'curbside pickup' and delivery). It is still early days to predict what 2021/22 is going to look like. We continue to invest in all of our sales channels.

In line with our earlier announcement regarding repayment of furlough support and other government subsidies, we have cancelled the UK expanded business rates retail discount scheme for 2020/21. We made no claims for financial support or subsidies from governments during the period.

There still remains the potential for further disruption, so we will continue to monitor the impact and do what is necessary to ensure our staff, their families and our customers are safe. This is, and will remain, at the forefront of our minds.

Year to May 2021

This has been a tough and challenging year operationally for everyone. As a global, vertically integrated business it has taken a considerable effort to keep our operational plans on track. I'd like to take the opportunity to acknowledge everyone that has helped us during these challenging times. Thanks to you all, you have been amazing.

Our core strategy is unchanged and we have delivered on all of the key elements. They have again driven our growth in sales and profits. The key elements are:

- Make the best fantasy miniatures
- Engage and inspire our customers
- Sell our product profitably, globally
- Make decisions with long term success in mind

More Warhammer. More Often - core business

At our 2019 AGM we shared a new phrase 'More Warhammer. More Often'. We believe Warhammer is immense fun, and we wanted to be clear that there are many more ways to take part than ever before and that all of them should be embraced and supported equally.

To help more people enjoy Warhammer in more ways, we have our core business which focuses on realising our IP as miniatures and supporting products - the core Warhammer hobby. A licensing team which is there to enrich and expand the ways in which Warhammer fans can interact with the IP. As ever we want to make sure Warhammer is around forever and so we pick partners carefully, ones with respect for the IP and the creative vision to help strengthen and enrich it. To bridge these areas, we aim to bring everything to My Warhammer, a single source of truth for all things Warhammer. We continue to develop this platform.

The main highlight of the year for the core business was a confident global launch of our updated Warhammer 40,000 system which, given the increased volumes, tested our legacy IT systems to their maximum. They mostly passed the tests. Our relentless focus on producing the highest quality miniatures continues to deliver results. That combined with a customer focused approach helped us sell more miniatures than any year before.

The low point - at times we looked under considerable pressure, but the shared understanding of our beliefs amongst my senior team, and many others, pulled us through. Our understanding that there are no silver bullets and our attitude to hard work, and our compassion and camaraderie have never been more essential. The global team has documented and delivered an ever changing operational plan again, and it continues (I actively encourage) to be a little flexible around the edges leaving us the freedom to make changes to and explore unproven new initiatives.

The results: another solid year building on the great progress and profitable growth we have been consistently delivering over the last six years. I will continue to set the bar higher; it is worth noting that historically the launch year of a new Warhammer 40,000 edition is normally the financial high point... until the next edition of Warhammer 40,000. The goal is to ensure we help more and more people share our love for Warhammer. Our immediate operational plans look encouraging.

Given the backdrop I am delighted to report an exceptional financial performance; record constant currency sales, profit and cash generation in the period. In line with our Group Profit Share scheme and previous years, we have paid in total £2.6 million (2020: £2.4 million) to staff. To further reward their exceptional performance in helping to increase our profitability significantly in the period reported, we have also paid in cash a discretionary bonus equally to all employees of a total of £10.6 million (2020: £nil). Total dividends declared in the period reported were 235 pence per share (2020: 145 pence per share).

Update on priorities for 2020/21

We have made some reasonable progress with our key priorities. Each of these is designed to ensure we deliver our exciting operational plan and continue to engage and inspire our loyal customers.

Some have been delayed by COVID-19 and Brexit, others by our inability at times to implement large scale projects on time. I accept full responsibility for the delays, clearly the plan wasn't good enough. We are working to address any issues. Most are under our control.

Business recovery

Our factory sites and logistics hubs have adopted COVID-19 social distancing measures and practices, above and beyond basic government minimum requirements. Whilst these measures have constrained capacity a little, they have ensured that staff remain safe. As a minimum, we will continue to adhere to government guidelines.

Design

The new edition of the Warhammer 40,000 range, set in our unique science fiction IP, was released in July 2020 and has, by a considerable margin, been our most successful launch to date. Along with fantastic new models, the new edition introduced a step change in narrative gaming for those Warhammer hobbyists whose primary passion is bringing our worlds to life on the tabletop. Sales of subsequent new releases and existing lines have all enjoyed good levels of success since the launch.

Releases for Age of Sigmar, our primary fantasy IP, included three new factions, and the Cursed City game which, dramatically exceeding expectations, sold out very quickly. We do our best to guess the right number to make, sometimes we are wrong. The second half of the year has seen releases focused around a series of dramatic in-world events leading up to the launch of a new edition of the game in the first quarter of next financial year - we can't wait!

To improve the quality and accessibility of our offer we are expanding our translation teams. In-house Chinese and Russian translation teams will be in place in Q1 and Q2 respectively next financial year.

There were four magazine partworks based on our Warhammer miniatures hobby running throughout the year and tests were successfully conducted in the UK, Spain, Germany and (for the first time) the US for launches in 2021/22.

Our other intellectual properties - Necromunda, Adeptus Titanicus, Aeronautica and Lord of the Rings, are all in good health receiving a steady stream of new product in the year while Blood Bowl, our irreverent game of fantasy football, had a new edition which was enthusiastically received by both new and existing customers alike. We will continue to develop and periodically bring to market new IPs and game systems, giving both existing and new customers more reasons to collect our wonderful miniatures. We have plenty of exciting plans in the pipeline.

Paint sales were flat in the year following a significant new release launch in the summer of 2019. We are committed to continuing to develop new and innovative paint, enabling customers to get ever better results from this popular aspect of the Warhammer hobby.

Black Library, our novel publishing division, also had its best year so far publishing over 150 new titles. It was no surprise that digital sales of these titles were popular on the large digital platforms, more than offsetting the lower sales from third party physical bookstores that were closed during the period.

The strategy of keeping customers engaged by broadening and deepening our offer sees us continue to invest in IP and design with studio payroll costs increasing by £1.1 million to £10.0 million; as a percentage of Group revenue they have fallen by 0.5% to 2.8%. Studio payroll costs as a percentage of Group revenue are forecast to be higher in the next financial year, which will allow us to bring additional product lines to the market and also provide additional intellectual property for exploitation through our licensing team.

Manufacturing

Another busy year and step change in output versus last year against a backdrop of significant disruption in the global supply chain. Our two factories are up and running and are now fully operational. In line with our aim of maximising output from our two current factories, permanent night shifts have been established in key areas with additional weekend shifts used to respond to spikes in demand.

Our phased increase in plastic production capacity will continue with an additional five injection moulding machines scheduled to be operational by August 2021 and a further eight by January 2022. New paint filling equipment will be installed in the second quarter of 2021/22 delivering both capacity and cost efficiencies. Additional land adjacent to our new Factory 2 has been secured to ensure that space does not become a constraint to output in the future.

Having received CCC product safety registration for China last year we now have c. 750 products that have successfully been registered. Due to some cross border delays with customs clearance they have not all been on sale in the country just yet. We hope to have them all on sale soon.

Production payroll costs rose in the year in line with costs increasing by £2.5 million to £10.0 million; being maintained at 2.8% of Group revenue despite COVID disruption and pay rises.

STRATEGIC REPORT continued

Update on priorities for 2020/21 continued

Warehousing

UK

A very busy year, with multiple issues initially beyond our control thrown at us. I'm keeping my fingers crossed when I say we're starting to see some good progress addressing delays delivering product to our very patient and understanding customers.

A wide array of activities have been supported through the new East Midlands Gateway (EMG) facility following its partial opening in summer 2020. Reliance upon third party warehousing services has dramatically reduced, and our interim warehouse management solutions, whilst far from optimal, have delivered record component volumes, in turn supporting unparalleled factory output.

The warehousing operation development works at our EMG facility are now well progressed with the installation of racking, conveyor, robotics solutions and our strategic warehouse management system (mirroring the facility in Memphis). These are all progressing at pace and should be completed during the summer of 2021, soon! Consultation with staff moving between the old and new facilities is well advanced with the main body of staff transitioning from September 2021. Works to reconfigure and repurpose the original Eurohub facility in Nottingham to become our primary component facility will commence in late 2021.

North America

Development and testing of our much needed warehouse equipment and systems upgrade in Memphis continued throughout the year. The phased implementation of new solutions, which commenced at the end of May 2021, dramatically increased our capacity, though in recent months even this has not been able to keep pace with customer demand. We are confident that once fully operational, our new solutions will enable us to provide the levels of service we and our customers expect going forward.

Australia

During much of the year global shipping and container constraints heavily restricted our ability to flow product into Australia, with customer demand regularly outstripping available supply before gradually improving in the last six months. We have again extended the lease on our current Sydney facility for a two year period.

Total warehousing costs have increased by £5.1 million to £16.8 million; as a percentage of sales they have increased from 4.3% to 4.8%. We would expect this percentage to rise to 5.2% and then remain at similar sales levels following the investments described above.

Services

We continue to invest in the core support functions of the business.

During the past year we have restructured our people team to place clear emphasis on the key functions of business support and advice, and resourcing and development. Our support and advisory function gives managers and staff the support they need with day-to-day employment matters. In recent months it has (and continues to) manage the transition of staff to new ways of working in the future, whether office based or flexible, and in the year ahead is focussed on ensuring that all managers across the business have the tools they need to manage their teams effectively. Set goals, keep score, take appropriate action remains our overriding management principle. Our resourcing and development function has had a busy year. They have successfully launched our new learning management system (LMS) across the business, giving us an effective way of managing training across the Group and a platform through which we can give staff access to the training and development material they need, whenever they need it. The team have also launched a new induction programme for new starters in the UK which we will be replicating globally in the year ahead. We continue to strive to make sure that everyone feels welcome and supported at Games Workshop, both on arrival and throughout what we hope will be long and successful careers.

We have recently merged our health and safety and wellbeing functions into a combined team and we are very excited to be planning for the launch of a new Group wide wellbeing programme later in the year. This programme will include a range of new initiatives for Games Workshop, across the key subjects of health, mental wellbeing, engagement and personal and professional development. Now more than ever, we recognise the importance of wellbeing, and this is a priority for us in the year ahead.

Our IT team has provided solutions for a successful transition for staff in the office to be able to do their jobs from home. These included a new VPN solution, upgrading of internet connectivity to our data centres, providing laptops and hardware for all home workers and ensuring we all work in a safe and secure manner, protecting our IP and data. IT has played a significant part in working closely with all key business areas in continuing to deliver key projects including ERP, new warehouse solutions and new offices and factory sites. Along with all the projects the IT team has done a sterling job in managing the pressure on our IT systems with the increased growth in sales, manufacturing and warehousing operations.

Brexit

Since the UK referendum result on membership of the EU in June 2016, we have been working to assess and mitigate the likely impacts of Brexit on our customers and suppliers. Our fundamental objective was to ensure that we offer continuity of service and supply to our customers, wherever they are. We identified a number of key areas of focus for a potential Brexit impact, specifically:

- The movement of goods from the UK to the EU across all sales channels has faced significant disruption. We again acknowledge that unfortunately delivery service to our Continental European customers was well below expectations during the opening months of 2021. We have offered full refunds and if needed, extended credit to trade accounts whenever it was needed. Total refunds were £1.2 million in the period. We continue to monitor the impact on our trade account base as it is too early to see the impact of this disruption. It is still early days, but we now have a reliable cross border service up and running which was implemented in April 2021. We are strengthening our logistics team further with in-country resources to better support our international growth; the world seems to be getting smaller but crossing borders much harder.
- The recruitment and retention of EU nationals working in the UK has, as you would expect, not been plain sailing this year either. Our EU trade team is based in Nottingham and during the year we never really had a full team. The team we did have though are an engaging, international bunch who tackled the year with their usual lively style.

Diversity

Our behaviour led culture governs how we work and our shared beliefs guide our interactions with each other. We will continue to performance manage and recruit for the personal qualities you need to do a particular job as well as the necessary skills. We do not select based on any other criteria. I will continue to do my best to ensure this is the case and that we are fair and free from any bias and/or prejudice.

Sustainability

Climate change has enormous implications for society. We acknowledge that fully. We are committed to doing our bit. We won't make any long term promises - we never do on any topic. We will guarantee to take it seriously and make progress every year. By continuing to do the right thing we will deliver change.

More recently we have created a new 'Sustainability action list' which aligns our approach of just doing the right thing with better external reporting. The action list will focus our efforts on where we can make the biggest difference. We believe that we create long-term value for our stakeholders through delivering on each of these elements: growth, good cash returns and by having a positive impact on others.

Customer focus

This year, perhaps more than ever before, we focused on supporting our global community through engaging and inspiring content. With the world in lockdown, our digital spaces became the core way in which people could engage with the Warhammer hobby. This posed some unique challenges and allowed us to highlight one of the greatest things about Warhammer - it is far more than just a game.

Over the year we put out over 10,000 pieces of digital content, giving our fans constant encouragement, inspiration and support as they enjoyed building and painting their collections, sharing their efforts digitally and immersing themselves in Warhammer lore. To take the place of physical events and Warhammer gatherings, we hosted special online events and streamed live seminars, each of which saw over a million interactions. The result - the best year for engagement and online sales we've ever had.

Warhammer-community.com, the cornerstone of our online presence, saw visits increase by 16% compared to the prior year. We saw strong growth across our social media channels too, with engagements up 25% on the prior year. Our email lists also performed well with 21.2 million opens in the period, up 18% on prior year and subscribers are now approaching 600,000.

More Warhammer. More Often - media and entertainment

We're now very close to launching our bespoke subscription service, Warhammer +. This service will provide our loyal fans with a new way to experience the worlds of Warhammer and is how we will distribute the animated shows our internal Warhammer animations team have been working on. Launching with a host of animation shows, as well as all-new gaming, painting and lore shows, Warhammer + will also give subscribers access to free exclusive miniatures and more.

When we previewed Warhammer + and some of its exciting shows, it quickly became some of our most viewed content of all time. Our fans were thrilled at the opportunity to see their favourite characters and settings on screen and enjoying these new media ventures is fast becoming a core part of what it means to be a Warhammer hobbyist.

Licensing

Our strategy is to exploit the value in our huge and extensive (nearly 40 years) library of IP across multiple markets globally and in multiple categories for both direct income and increased brand awareness and engagement. We intend to ensure Warhammer's place as one of the top fantasy IPs globally through a number of key goals. These are:

- Increasing our video game activity and revenues
- Establishing our IPs use in widely distributed entertainment projects

We only intend to work with high calibre expert companies in each one. We focus the majority of our efforts on key franchises, specific interpretations of parts of our IPs, typically driven by video game or media projects, for example the Vermintide and the Total War series of games.

STRATEGIC REPORT continued

Licensing continued

Video games

In the year we launched nine new games (five PC/console, four mobile) and continued to see successful sales of top titles supported by ongoing releases of extra content and expansions. The majority of video game income came from the ongoing success of existing titles this year, highlighting the long term revenue stream generated by the franchise strategy and the lack of exposure to any one new release's performance. Several large franchise games were announced as launching in the next 12 months including Warhammer 40,000: Darktide, Total War: Warhammer 3 and Total War Battles: Warhammer. There are currently 15 video games in development across all platforms ranging from AAA PC/console titles to mobile projects, which will be released over the next few years. Further out, more large scale projects are in the early stages as well.

Entertainment

A number of projects are in development with various partners around the world, using well known established writers across the entertainment spectrum from Hollywood to the Japanese animation industry. We have recruited an industry veteran who is overseeing our development in this area.

We have further invested in our licensing business with the recruitment of more senior staff to the team including marketing expertise from the entertainment industry. We are also engaging with various marketing agencies to ensure we maximise the return on our key franchises by reaching the largest possible market.

Total number of licenses signed in the year was 14, with 13 expiring as they ran their course, leaving us with a total of 125 current contracts.

Whilst recognised income is down due to lower levels of deals with high minimum guarantees compared to the prior year, actual sales of licensed products at retail value was the highest ever this year. In other words more customers bought more Warhammer licensed products than ever - in excess of £133 million worth. In the recent 'Top 150 Global Licensors 2020' list we placed at 66th.

Priorities for 2021/22

Core business

As part of our overall strategy, six key initiatives will be prioritised in 2021/22. These are designed to deliver further sales growth whilst maintaining our operating profit margin and continuing to surprise and delight our customers. They are in addition to our investment in new product quality and ensuring our new factories and warehouses deliver the appropriate cash payback.

Firstly, staff training and development:

We will recruit only essential new jobs or where we need to back-fill positions. Many of these recruits will be in order to scale - in our factories and warehouse facilities as well as in our support functions, mainly IT. Health, safety and wellbeing is a strategic priority, not because we have any major concerns, rather that the last 18 months has taught us that we can do much more; it's the right thing to do. We are still getting to grips with ensuring our new management processes allow everyone to succeed at Games Workshop; some of our staff need the freedom to explore new ways of doing things (innovation not continuous improvement) others need to focus on delivering our proven methods. Management training remains a key area of focus.

Secondly, growth:

Although the backdrop is still uncertain I see no reason to pause our growth plans. We aim to grow in every major country in the world, and via all of our three sales channels with all of our core IP. The only real obstacles are lack of ambition and focus- and these are not things I will allow us to be held back by. We will continue to search for customers everywhere.

China and Japan - not significant contributors to our performance yet, but we remain focused on sharing our passion for Warhammer to more people in these countries as well as the rest of Asia. We would like to show new people the Warhammer hobby, it's great fun and a great way to hang out with like minded enthusiasts. It's a shame not everyone can visit the Warhammer World visitor centre at our HQ. The closest experience to that is our Warhammer cafes in Dallas and LA. They offer a wonderful glimpse of what our Warhammer hobby is really like. All being well, we plan to open one in Shanghai and one in Tokyo in 2021/22. They are too expensive to run as a profitable format everywhere but sparingly they work. These will be supported by a new third party online store and more community and marketing support. We remain focused on growing profitably, in a way that is sustainable. It will be interesting to see if the brand awareness from some of our licensee mobile/PC game launches help market Warhammer to more people.

We will continue to open more independent retailer accounts. Selling via physical outlets remains an important sales channel for us. Some have their own online store, some not. We have seen sales grow healthily in both. This will be based on our well established terms and conditions, selling independent retailers our best selling products and, where appropriate, the extended range. The goal is to make sure our products are available where our customers want to shop. We will also continue with our plan to open another 10 Warhammer stores per year in North America.

Thirdly, we will continue to be customer focused, better engaging our existing ones and reaching whole new audiences with the Warhammer hobby. We are investing in our digital offer. Work has started on another strategic priority: our new online store, subject to our ERP project going live, it will be our major IT project for the next few years. It will integrate with a customer's My Warhammer account which was successfully launched this year. A reminder for some - a My Warhammer account serves as a dashboard into our incredible Warhammer Community experience. Given the year we have had, customer service improvements will be a key deliverable.

Priorities for 2021/22 continued

Finally, we have added social responsibility as a key area of focus. We have been making some good progress quietly in the background. However, with the evolving expectations of our different stakeholders and authorities we will examine our existing and potential social and environmental risks in greater depth. Some of the findings may be translated into us tracking new key performance indicators. We are looking for significant ways we can support global initiatives including climate change, diversity and equality. A huge area so we will be documenting a realistic plan to make some progress, *forever*. We will of course comply with any future reporting requirements, no small task in itself, needs must. One of the biggest challenges for us will be finding a plastic alternative. We will be working closer with the industry to see if we can help in any way. One of the biggest opportunities is to continue to make Games Workshop and the Warhammer hobby even more inclusive.

This will be an investment we commit to every year. Often long-term commitments like these are paused when financial KPIs need to be maintained. To deliver a long term change we really need to commit for the long term.

Media and entertainment

The priority remains the same - to successfully launch our IP to live action or animation shows.

Inhouse projects

As I write our new Warhammer + offer is getting its final tests. An exciting new way to interact with the worlds of Warhammer. This is not just a place to see content, it will be much more. It will launch this summer.

Licensed projects

The small team continues to search for the right deals. They have been busy during the year, separating our IP into some exciting franchises. A fancy term for us splitting our IP up into significant distinctive brands. We are always looking to assign rights to deliver value whilst appropriately protecting our IP. We are pursuing many interesting projects; some directly profit enhancing, some great for brand awareness which I'm sure will help us show more people that Warhammer is one of the best fantasy IPs. There are many opportunities, none are guaranteed successes. With the team adding some industry experience, I'm sure we will get more projects right than we get wrong.

Sales

Reported sales grew by 31% to £353.2 million for the period. On a constant currency basis, sales were up by 34% from £269.7 million to £361.0 million; split by channel this comprised: Trade £200.6 million (2020: £140.0 million), Retail £72.0 million (2020: £78.0 million) and Online £88.4 million (2020: £51.7 million).

Sales by segment

	Year to 30 May 2021 Constant currency £m	Year to 31 May 2020 Constant currency £m	Year to 30 May 2021 Actual rates £m	Year to 31 May 2020 Actual rates £m	2021 % of total sales	2020 % of total sales
Trade	200.6	140.0	194.8	140.0	55%	52%
Retail	72.0	78.0	70.7	78.0	20%	29%
Online	88.4	51.7	87.7	51.7	25%	19%
Total sales	361.0	269.7	353.2	269.7		

Sales by channel

55% (2020: 52%) of sales were to independent retailers, 20% (2020: 29%) of sales were made through our own stores and 25% (2020: 19%) were online.

Trade

Trade achieved significant growth of 39% with growth in all key countries. In the period, our net number of trade outlets increased by c.500 accounts to 5,400 which helped drive forward sales in this channel. It's worth noting that a large number of independent retailers now also sell our products online, meaning our customers have more choice than ever about where to buy Warhammer.

Retail

Store openings and closures during the year:

	Number of stores at 31 May 2020	Opened	Closed	Number of stores at 30 May 2021	Number of single staff stores at 30 May 2021	Number of single staff stores at 31 May 2020
UK	140	2	4	138	96	98
North America	160	3	2	161	142	141
Continental Europe	157	2	6	153	113	113
Australia	49	2	2	49	37	37
Asia	25	-	3	22	18	22
	531	9	17	523	406	411

STRATEGIC REPORT continued

Sales by channel continued

Retail continued

We believe our stores are the best place to start your Warhammer hobby journey with us. It is not a surprise that our +500 own stores have never sold the highest volume of our specific getting started product ranges, that has always been +5,000 independent outlets, but, they have always had a dedicated team with extensive Warhammer knowledge building local communities and offering Warhammer hobby guidance and support. It is an essential and unique customer service offer that we are proud of.

In the period, we opened, including relocations, 9 stores. After closing 17 stores, our net total number of stores at the end of the period is 523. Retail remains a challenging environment. We finished the year surprisingly well after what seemed an endless period of closure in most countries broadly in line with government restrictions. As the retail stores re-open, the performance of each store will be kept under review and any stores that do not meet our financial model will be closed. Of the 90 stores that did not break even in the year, the value of the assets related to these stores is not material.

Our relatively new Warhammer cafe store in Dallas, Texas is a great example of a new format that we have piloted that is profitable. It, like most of our North American stores, could offer 'phone and collect' throughout the period. We opened our second cafe store in California in June 2021 and are planning a further 10 new stores in North America in the new year too. The majority of new store openings will continue to follow our low cost single staff model. These were previously known as 'one-man stores'. On reflection this was a poor choice of term, and doesn't accurately reflect the diverse group of individuals running our stores. We have never meant any offence ever to anyone. We will continue to review the format of our stores pragmatically. Ensuring we always recruit great store managers and offer our customers an exceptional in-store experience, remains a priority for us.

Online

Online sales continue to grow by 70% compared to the same period last year. It more than made up for the sales volume shortfall when physical stores were closed. As noted above, our customers have a lot of options when it comes to shopping for Warhammer online, and are able to buy our products both through our own web stores (reported in Online) and through those of independent retailers (reported in Trade).

Our online store is, however, looking a little dated and the back-end systems at times cannot cope with current volumes, clearly not a long term solution or as customer focussed as we would like it to be. The complexity of our ERP upgrade has pushed back the start of a project to upgrade our digital offer, which includes personalising content and improving navigation, by about a year. We are currently in the scoping phase. The early concepts look amazing. It will be another major IT supported project so we will be resourcing it appropriately with third party expertise.

Gross margin

Gross margin improved in the year (2021: 72.7%; 2020: 67.0%). This was due to a combination of the disruption in production and inventory provisions booked in the prior year due to COVID-19, as well as being positively impacted in the current year by the sales mix of new and existing product (38% of sales from new releases and 62% of sales from existing product) and channel mix changes.

Costs

Costs have increased by £14.1 million in the year (2021: 34.4% of sales; 2020: 39.8% of sales); £4.1 million additional spend on our operations, support and marketing teams including staff costs in support functions of £1.5 million, IT related costs of £1.0 million, brand marketing costs of £1.1 million and administrative cost increases of £0.5 million. Web store running costs have increased by £1.9 million, whilst retail costs have decreased by £5.1 million due to reduced travel, retail workshops and variable staffing costs during store closures. We have invested an additional £0.4 million in the licensing team. As a direct result of our performance we rewarded all our staff with a £1,000 profit share payment each (2021: £2.6 million; 2020: £2.4 million) as well as a discretionary payment of £4,000 each (total cost £10.6 million; 2020 £nil). Bonuses to the senior management team were £1.1 million (2020: £0.3 million).

Operating profit

Operating profit/(loss) by segment

	Year to 30 May 2021 Constant currency £m	Year to 31 May 2020 Constant currency £m	Year to 30 May 2021 Actual rates £m	Year to 31 May 2020 Actual rates £m
Trade	6.6	4.6	6.4	4.6
Retail	2.9	2.9	2.8	2.9
Online	2.9	1.7	2.6	1.7
Design to manufacture	226.0	134.3	222.6	134.3
Merchandising and logistics	(47.5)	(36.2)	(47.3)	(36.2)
Other costs	(50.8)	(33.1)	(50.4)	(33.1)
Licensing (net of costs)	15.6	15.8	15.0	15.8
Total operating profit	155.7	90.0	151.7	90.0

Core business operating profit (operating profit before royalty income)

Core business operating profit grew by £62.2 million to £135.4 million (2020: £73.2 million). On a constant currency basis, core business operating profit increased by £65.7 million to £138.9 million. As a percentage of sales core business operating profit was 38.3% (2020: 27.1%).

Royalty income

Royalty income decreased in the year by £0.5 million to £16.3 million. This was largely due to a high level of guarantee income on multi year contracts signed in the prior year; this income is recognised in full at the inception of the contract in line with IFRS 15 'Revenue from contracts with customers'. Reported income is split as follows: 73% PC and console games, 13% mobile and 14% other.

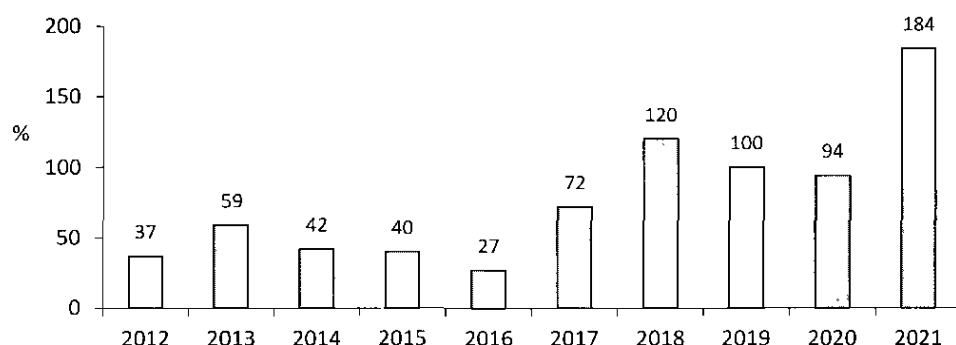
Cash generation

During the year, the Group's core operating activities generated £131.7 million of cash after tax payments (2020: £94.4 million). The Group received cash of £14.2 million in respect of royalties in the year (2020: £12.5 million). After purchases of tangible and intangible assets and product development costs of £30.0 million (2020: £24.6 million), dividends of £60.5 million (2020: £47.3 million), group profit share to employees of £13.2 million (2020: £2.4 million), proceeds from the issue of ordinary share capital relating to the sharesave scheme of £1.4 million (2020: £0.8 million) and net interest and foreign exchange losses of £0.4 million (2020: gains of £0.4 million), there was cash at the year end of £85.2 million (2020: £52.9 million).

Dividends

We followed our principle of returning truly surplus cash to shareholders. Dividends of £76.9 million (2020: £47.3 million) were declared during the year. A 'working cash buffer' of three months' worth of working capital requirement alongside six months' worth of tax payments and capital expenditure has been set aside before deciding how much cash is truly surplus for the purpose of declaring dividends.

Return on capital employed



A long-term measure of our performance has been return on capital. During the year our return on capital improved from 94% to 184%. This is an exceptional result, driven by the growth in operating profit before royalties on a reduced average capital base, a result of the volume growth in the year and the impact of COVID-19 in the prior year.

For this calculation, we use average capital employed averaged over a 12 month period to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade receivables in the pre-Christmas trading period. Return is defined as operating profit before royalty income, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation, royalties receivable and dividends. If return on capital employed was calculated using the year end values, it would be 155% (2020: 114%).

Capital employed

Average capital employed decreased by £4.4 million to £73.8 million. The average book value of tangible and intangible assets increased by £21.9 million. Average inventories decreased by £0.8 million and trade and other receivables decreased by £2.8 million. Average liabilities increased by £22.7 million. Average balances are calculated over the 12 month period.

Investments in assets

This is what we have been spending your money on:

	2021 £m	2020 £m
Shop fits for new and existing stores	0.6	1.1
Production equipment and tooling	7.5	6.7
Computer equipment and software	5.2	3.4
Site	7.3	6.8
Total capital additions	20.6	18.0

STRATEGIC REPORT continued

Investment in assets continued

In 2020/21, we invested £2.8 million in tooling, milling and injection moulding and paint machines and a further £4.7 million on moulding tools. The investment in computer equipment and software includes £2.3 million on the new warehousing facility in Nottingham and work on the new ERP system of £1.1 million. The investment in site includes £2.6 million to expand our production, warehousing and office capacity in Nottingham and £2.7 million of land at the Nottingham site for future expansion. £0.7 million on the North America warehouse upgrade is included within site and software above. Capital investment is expected to be higher than depreciation and amortisation over the next few years as we upgrade our core back office systems and the web store.

Inventories

Inventories have increased by £6.8 million; mainly due to our factory being closed for a period in the prior year and higher levels of inventory provisions being booked in 2019/20. Inventory provision reduced by 2.1% to 0.3% of sales. We continue to offer a broad range of price points. The average increase in the price of product sales varies by product category and ranges from 2% to 7%.

Trade and other receivables

Trade and other receivables increased by £9.8 million, which includes a £5.4 million VAT receivable, £0.3 million increase in trade debt, £2.1 million in respect of royalty income receivable, £0.5 million increase in accrued digital income, £0.8 million in rent and rates prepayments and £1.5 million increase in inventory deposits, partially offset by other reductions.

Trade and other payables

Trade and other payables increased by £5.1 million, including a £5.8 million increase in trade payables and an increase of £3.5 million in accruals. This was, partially offset by a £1.6 million decrease in deferred income, payment of other payables for COVID-19 support and deferrals held at the prior year end.

Taxation

The effective tax rate for the year was 19.2% (2020: 20.2%). While we continue to expect a rate above that for a business with activities solely in the UK due to higher overseas rates, this has been largely offset by increased profit in inventory provisions at those same rates.

Treasury

The objective of our treasury operation is the cost effective management of financial risk. The relationship with the Group's bank is managed centrally. It operates within a range of board approved policies. No transactions of a speculative nature are permitted. A six month overdraft facility of £25 million was agreed in May 2020 with Santander to cover cash flow during the COVID-19 pandemic. It was not utilised and has now been cancelled.

Funding and liquidity risk

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

Interest rate risk

Net interest receivable for the year was £0.2 million (2020: £0.1 million).

Foreign exchange

Our big currency exposures are the euro and US dollar:

	euro		US dollar	
	2021	2020	2021	2020
Year end rate used for the balance sheet	1.16	1.11	1.42	1.23
Average rate used for earnings	1.13	1.14	1.34	1.26

The net impact in the year of exchange rate fluctuations on our operating profit was a decrease of £4.0 million (2020: increase of £0.4 million).

Non-financial information statement

As highlighted in the business model section earlier in this annual report, we are a relatively complex business. With this in mind, we aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below and the information it refers to is intended to help stakeholders understand our position on key non-financial matters and how we are addressing our reporting requirements. This is an area of focus for us going forwards.

Reporting requirement	Key policies and standards which govern our approach and controls	Where this is referenced in this annual report
Employees	Employee statement Attendance and absence policies including career break, maternity, paternity and shared parental leave Disciplinary, grievance and appeals policy Social media policy Health and safety policy	Pages 24-25
Anti-corruption and bribery	Anti-bribery policy Anti-slavery policy Insider dealing policy Whistleblowing policy	Page 33 Page 26
Human rights	Safeguarding policy Data protection policy Dignity at work policy Equal opportunities policy	
Environmental matters	Environmental statement Product safety policy	Pages 22-23
Business model		Pages 5-6
Non-financial KPIs		Pages 6-7
Description of principal risks		Page 17

Gender diversity, greenhouse gases, social, community and human rights, and employees

We report on these topics in the directors' report on pages 20 to 26.

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group and has carried out a robust assessment of the principal risks to the business. The top four strategic risks to the Group are regularly reviewed by the board. The principal strategic risks identified in 2020/21 are discussed below. These risks are not intended to be an extensive analysis of all risks that may arise but more importantly are the ones which we believe could cause business interruption in the period ahead.

- Digital selling strategy - as sales through our online channel continue to grow, it is now more important than ever that we have a robust plan in place which ensures we are making product available to our customers in a manner consistent with modern consumer expectations/behaviour. We are reviewing our digital selling strategy and the people resources and technology required to deliver it.
- IT strategy and delivery - with a number of significant business projects in play, all of which are dependent on IT support, there is a requirement for a robust IT strategy which enables us to deliver key strategic projects as well as supporting day to day activities. We are keeping the structure of our global IT team under review to ensure the IT support needs of the business can be delivered.
- Media - whilst this remains an area for future growth, it is imperative that exploitation of our IP through media channels does no harm to our core business. Our IP steering team meets every month to discuss ongoing and future exploitation, to ensure that all use of our IP, through all channels, is approved, correct and consistent. They are fully supported by our in-house legal team who will act when needed.
- Social responsibility - we don't intend to 'greenwash' or to be 'politically correct'. We believe we are already good corporate citizens and we have been making some good progress quietly in the background. We are looking for ways we can support global initiatives including climate change, diversity and equality and we are documenting a realistic plan to make some progress, forever.

We consider that COVID-19 is not a specific risk that we can mitigate against but we are managing our response to it alongside our operational risks. We also do not consider that we have material solvency or liquidity risks.

STRATEGIC REPORT continued

Section 172 statement

This section describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 in exercising their duty to promote the success of the company for the benefit of its members as a whole.

The likely consequences of any decision in the long term

To be around forever, it is essential that the board makes decisions which are the best for Games Workshop in the long term. These decisions are focused on long-term success, not short-term gains. The best example of this is the ongoing long-term capital investment being made by the business in new production facilities, warehousing space, and global IT infrastructure, all of which will stand us in good stead for the future.

The interests of the Group's employees

The board actively engages with employees to ensure that the opinions and ideas of staff are always considered, and that staff are kept up to date and informed. This has been achieved in a number of different ways over the past 12 months:

- Our global communications forum continues to support clear and open communication between the board, senior management and staff, with representatives from all departments, in all territories around the world. The matters discussed at the Games Workshop Global Communications Forum (GWGCF) are circulated to the board and discussed at board meetings to ensure that the board understands the views and concerns of employees. Throughout the year, members of the board have attended GWGCF meetings to ensure ongoing board engagement with employees.
- Throughout the COVID-19 pandemic, staff have received regular communications and updates from me to ensure that they are kept up to date and informed in respect of action being taken by the business and of the impact of the situation on business performance.

The need to foster the Group's business relationships with suppliers, customers and others

Suppliers

The board is briefed on a monthly basis regarding major investments and ongoing relationships with key suppliers as required, most notably in the past 12 months in respect of the ongoing ERP implementation project, and investment in new production and warehousing facilities. The board also has oversight of relationships with suppliers through regular updates and reports from the executive directors. Details of how we engage with suppliers can be found in the directors' report on page 25.

Customers

The enjoyment of all things Warhammer by our customers is our priority. The board assesses and considers customer satisfaction and engagement on a regular basis. Sales and performance information provide the board with good visibility of customer demand on a monthly basis. Key performance indicators in respect of engagement with customers through our Warhammer Community website, digital communications, and initiatives like Warhammer Schools Alliance are likewise reported to, and assessed by, the board regularly. Any other significant trends, issues or opinions of our customers are reported up to and discussed by the board when appropriate. Details of how we engage with customers can be found in the director's report on page 24.

The impact of the Group's operations on the community and the environment

The board recognises the importance of managing the social impact of the business and minimising any adverse impact of our operations on the environment. Details of the progress made in respect of environmental sustainability and social impact can be found in the directors' report on pages 22 to 24. This is an important subject for the board and the wider business, which will continue to be an area of focus in the next year.

The desirability of the Group maintaining a reputation for high standards of business conduct

The board expects the highest standards of business conduct. Nothing else will do. The board receives regular updates in respect of matters of regulatory compliance, and the business has policies, procedures and processes in place in respect of modern slavery, bribery and corruption, ethical sourcing and tax evasion.

The board recognises the importance of good corporate governance. Details of the approach taken by Games Workshop can be found in our corporate governance report on pages 27 to 30.

The need to act fairly as between members of the Company

The Company has one class of shares so all shareholders are treated equally. Details of how we engage with shareholders can be found in our corporate governance report on page 29.

Outlook

I'll repeat the words from the half year, not because I'm lazy, they are still very relevant... 'I'm really proud to say that I have seen Games Workshop at its very best during these uncertain times: our staff have 'walked the walk' with a can-do attitude offering wonderful support to their work-mates and friends. Our senior team has been on the front foot, not watching but actively managing the constant changes.

We will continue to do what is right for Games Workshop and our customers. We will focus on what is in our control; delivering on our operational plan rather than worrying about, for example, any short term share price volatility or the weather. Most days that's making sure management is doing the right thing for Games Workshop. Ensuring that we have the right person in the right job helps enormously and this is even more important as we continue to grow and we recruit additional senior people. Our biggest risk is senior management becoming complacent. I will continue to do my best to ensure that does not happen.

I'm mindful of the uncertainty caused by COVID-19 and Brexit. Like every other company we have our internal plans as to our future performance, which show a range of outcomes which are not shared with the stock market: predicting the future is always a risky business. To help inform shareholders and followers of Games Workshop as best we can, we will continue to provide regular updates of our trading in each current year (much as we do already).'

Finally, after a tough year we are delighted that the Warhammer hobby and Games Workshop are in great shape; thanks to everyone involved and thanks to everyone that continues to keep us safe and well.

Approved by the board, and signed on behalf of the board



Kevin Rountree
CEO
26 July 2021

DIRECTORS' REPORT

The directors present their annual report together with the audited consolidated financial statements and independent auditors' report for the year ended 30 May 2021.

General information

Games Workshop Group PLC (the 'Company') and its subsidiaries (together the 'Group' or 'Games Workshop') designs and manufactures miniature figures and games and distributes these through its own network of retail stores, independent retailers and online via the global web stores. The Group has manufacturing activities in the UK and sells mainly in Europe, North America and Asia Pacific.

The Company is a public listed company, incorporated and domiciled in the United Kingdom. The address of its registered office is Willow Road, Lenton, Nottingham, NG7 2WS, United Kingdom. The Company's ordinary share capital is listed on the London Stock Exchange.

Dividends

Dividends of 235 pence per share (2020: 145 pence per share) were declared during the year (2021: £76.9 million; 2020: £47.3 million). This includes £16.4 million (50 pence per share) paid after the year end.

Directors

The present directors of the Company are listed on page 49. All of the directors were members of the board throughout the year and up to the date of signing the financial statements with the exception of S Matthews, who was appointed on 1 November 2020 and N J Donaldson who retired from the board on 31 May 2021.

In accordance with the 2018 UK Corporate Governance Code, all directors are subject to annual re-election. In relation to the non-executive directors, the chair has confirmed that, following formal performance evaluation, the performance of J R A Brewis, K E Marsh, and S Matthews continues to be effective and they continue to demonstrate commitment to their roles as non-executive directors, including commitment of the necessary time to board and committee meetings and other duties. E O'Donnell is considered by the board to be independent of the Group, as set out in the corporate governance report. The non-executive directors have formally evaluated the performance of E O'Donnell as non-executive chair and consider her to be effective in her role.

Directors' interests

The interests of the directors in the shares of the Company, together with details of share options granted to the directors, are disclosed in the remuneration report on page 47. None of the directors had a material interest in any contract of significance to which the Company, or any of its subsidiaries, was a party during the year.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year and up to 26 July 2021.

Information on executive directors

K D Rountree (age 51), CEO. Kevin joined Games Workshop in March 1998 as assistant group accountant. He then had various management roles within Games Workshop, including head of sales for the Other Activities division (including Black Library, Licensing and Sabertooth Games). Kevin was appointed CFO in October 2008. During the year ended 29 May 2011, he took on the responsibility of managing the Group's service centres globally. To reflect this, his title was changed to chief operating officer from chief financial officer. He became chief executive on 1 January 2015. He qualified as a chartered management accountant in 2001. Prior to joining Games Workshop, Kevin was the management accountant at J Barbour & Sons Limited and trained at Price Waterhouse.

R F Tongue (age 50), chief financial officer. Rachel joined Games Workshop in September 1996 as group tax manager. She then had various accounting roles within Games Workshop and was appointed company secretary in October 2008. She has also managed the legal and compliance functions within Games Workshop since November 2012. She was appointed group finance director in January 2015 and assumed the role of chief financial officer in November 2020. Rachel qualified as a chartered accountant in 1995 and as a chartered tax adviser in 1996 having trained with Arthur Andersen.

Information on non-executive directors

E O'Donnell (age 50). Elaine O'Donnell was appointed to the board on 28 November 2013 and became non-executive chair on 1 January 2021. A chartered accountant by profession, Elaine was previously a corporate finance partner with EY. She is also a non-executive director of Studio Retail Group plc and On the Beach Group plc.

J R A Brewis (age 54). John Brewis was appointed to the board on 20 June 2018. John has over 30 years' experience in high volume manufacturing businesses and had various roles within Reach Plc, formerly Trinity Mirror Plc, including managing director of the Group's manufacturing division.

K E Marsh (age 59). Kate Marsh was appointed to the board on 24 July 2020. Kate has over 30 years' experience in digital and media businesses. She is currently non-executive director at Independent Mediahuis Ireland Limited, Elstree Film Studios Limited and is heading up international development for MGM Studios' digital networks. Kate has built and managed significant media businesses across Europe holding senior roles with Sky, GroupM, the BBC, and Sony Pictures Television.

Information on non-executive directors continued

S Matthews (age 44). Sally Matthews was appointed to the board on 1 November 2020. Sally has 20 years' experience in consumer and ecommerce business including Gousto, Tesco.com, Unilever and The Automobile Association. She is currently a director at SCA Investments Limited (trading as Gousto) where she has worked since 2016. Sally qualified as a chartered accountant in 2003 having trained with Arthur Andersen.

N J Donaldson retired from the board of Games Workshop at the end of the financial year after more than 19 years as a non-executive director and more recently non-executive chairman.

Independent auditors

As at 26 July 2021, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Share capital, share rights and other information

As at 26 July 2021, the Company's authorised share capital was £2,100,000 divided into 42,000,000 ordinary shares of 5p each nominal value ('ordinary shares'). On 26 July 2021 there were 32,776,471 (2020: 32,677,031) ordinary shares in issue. These ordinary shares are listed on the London Stock Exchange. All ordinary shares rank equally with respect to voting rights and the right to receive dividends. Shares acquired through the Company's share schemes rank *pari passu* with the shares in issue and have no special rights. The holders of ordinary shares are entitled to receive the Company's annual report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of share and no requirements for prior approval of any transfers. The directors may refuse to register a transfer of shares if there is a failure to comply with certain requirements of the Company's articles of association. None of the shares carry any special rights with regard to control of the Company.

In accordance with the Company's articles of association, each share (other than those held in treasury) entitles the holder to one vote at general meetings of the Company on votes taken on a poll. On a show of hands at a meeting, every member present in person or by one or more proxies and entitled to vote has one vote. Unless the directors decide otherwise, if a shareholder is given notice that he has failed to provide information required in relation to any shares pursuant to a notice under section 793 of the Companies Act 2006, that member will be unable to vote on those shares both in a general meeting and at a meeting of the shareholders of that class. If such shareholder holds more than 0.25% of the issued shares of a class (excluding treasury shares) and is in default of a section 793 notice, the directors may also state in the notice that: (i) the payment of any dividend shall be withheld; and (ii) that there can be no transfer of the shares held by such shareholder.

Subject to the provision of law, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interest, but no dividend may exceed the amount recommended by the directors. The directors may also declare and pay interim dividends. Subject to shareholder approval, the directors may pay dividends by issuing shares credited as fully paid up in lieu of cash dividends. If dividends remain unclaimed for 12 years they are forfeited and revert to the Company.

The rules about the appointment and replacement of directors are contained in the Company's articles of association. The Company's articles of association state that a director may be appointed by an ordinary resolution of the shareholders or by the directors, either to fill a vacancy or as an addition to the existing board but so that the total number of directors does not exceed the maximum number of directors allowed pursuant to the Company's articles of association. The Company's articles of association do not currently specify a maximum number of directors. The Company may by ordinary resolution remove a director from the board of directors.

The Company's articles of association also state that the board of directors is responsible for the management of the business of the Company and in doing so may exercise all the powers of the Company subject to the provision of relevant legislation and the Company's constitutional documentation. The powers of the directors set out in the Company's articles of association include those in relation to the issue and buy-back of shares. As at 30 May 2021, the Company had an unexpired authority to repurchase shares up to a maximum of 3,267,703 shares. During the year no shares were purchased in the market for cancellation.

Changes to the articles of association must be approved by the shareholders in accordance with the legislation in force from time to time.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that the provisions of the Company's sharesave scheme may cause options to be exercised in a takeover.

Constructive use of the AGM

The chairs of the audit and risk, remuneration and nomination committees will be available to answer questions at the AGM. Separate resolutions are proposed for substantially separate issues at the meeting and the chair of the Company will declare the number of proxy votes received both for and against each resolution.

Corporate governance

The Company's statement on corporate governance is included in the corporate governance report on page 27.

DIRECTORS' REPORT continued

Environment and social

This year we have established an environment, social and governance (ESG) steering group consisting of senior managers to drive our strategy and performance in this area. This group meets on a monthly basis to set goals and keep score. E O'Donnell is acting as our board sponsor on ESG matters and the steering group provides a quarterly briefing in order to update the board on progress.

Environment

We have detailed below our progress in relation to environmental sustainability.

Renewable energy

Our primary manufacturing, warehousing and head office sites in Nottingham continue to be powered using renewable energy and we are contracted to use renewable energy at these sites until October 2021. The solar panels installed in 2017 at our HQ site in Nottingham operated at 106% of expected renewable energy generation in the year, producing over 356 mWh, which equates to 7% of the annual electricity required to power that site.

Since 1 May 2020 our UK retail chain has also been powered by renewable energy, and we are contracted to using renewable energy throughout our UK retail stores until May 2022.

Greenhouse gases

We recognise that our global operations have an environmental impact and we are committed to monitoring and reducing our greenhouse gas (GHG) emissions. Our reporting below meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) legislation, but it also helps to increase the transparency with which we communicate about our environmental impact to our stakeholders.

We report on all material global emissions in scopes 1 and 2, plus selected scope 3 emissions, using an operational control approach. The methodology used to compile our GHG emissions inventory is in accordance with the requirements of the following standards: the WRI GHG Protocol Corporate Standard (revised version) and DEFRA's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019). Our energy and carbon disclosures for the period 1 May 2020 to 30 April 2021 are set out below:

Scope	Emissions source	2021		2020 (restated)**	
		UK emissions	Non-UK emissions	Total emissions	Total emissions
Scope 1	Natural gas	325	326	651	250
	Company cars	16	-	16	49
	Other fuels	4	-	4	4
	Refrigerants	1,169	59	1,228	1,619
	Total scope 1	1,514	385	1,899	1,922
Scope 2	Electricity (location based)	2,065	1,243	3,308	4,678
	Total scope 2 *	2,065	1,243	3,308	4,678
Scope 3	Air transport	5,158	1,219	6,377	6,394
	Sea transport	848	879	1,727	1,571
	Road transport	946	2,666	3,612	2,279
	Purchase of goods and services	31,418	2,999	34,417	28,148
	Business travel - flights	1	4	5	1,708
	Business travel - other	19	15	34	100
	Waste	22	135	157	144
	Water	76	7	83	21
	Total scope 3	38,488	7,924	46,412	40,365
Total – all scopes		42,067	9,552	51,619	46,965
Total energy usage (mWh)				16,597	15,877
				2021	2020
Carbon intensity (tCO ₂ e/£000) scope 1 and 2				0.015	0.019
Carbon intensity (tCO ₂ e/sq. ft.) scope 1 and 2				0.005	0.005

* This work is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, OECD/IEA 2019, but the resulting work has been prepared by Games Workshop and does not necessarily reflect the views of the International Energy Agency.

** In 2019/20, (i) refrigerant emissions has been restated due to better data quality and our total scope 1 has been revised to reflect this, and (ii) sea freight emissions has been restated to 1,571 tCO₂e due to the improvement in data quality and our total scope 3 has been revised to reflect this.

Environment continued

Greenhouse gases continued

This year our total GHG emissions for Scope 1, Scope 2 and Scope 3 are 51,619 tCO₂e. Together, our total Scope 1 and Scope 2 emissions have decreased to 5,207 tCO₂e in 2020/21, which is a decrease of 21%. Our carbon intensity based on revenue per tonne equivalent of Scope 1 and Scope 2 emissions has also decreased from 0.019 to 0.015 (tCO₂e/£000). We have reported on the same Scope 3 emissions categories as the previous year including upstream transportation and distribution of our goods, purchased goods and services, business travel, waste, and water consumption.

This year we have used actual consumption data for our operations wherever possible. However, where actual data is not yet available for all locations or emissions sources, we have created estimates based on extrapolations and reasonable assumptions. Further details on our reporting and notable trends are as follows:

- Scope 1 - Our direct Scope 1 emissions have decreased by 1% from 2019/20, which covers our operational emissions from all current sites. The only category within our Scope 1 emissions sources which showed an increase was natural gas emissions, at an increase of 160%. This is due to the inclusion of more actual consumption data (rather than estimates) for more countries than the previous year.
- Scope 2 - This year, our Scope 2 emissions saw a 29% reduction primarily due to improvement in the data collection from sites for electricity consumption and updated IEA emission factors for our non-UK stores. While our estimates for non-UK sites still rely on consumption data from one example store per country, the quality of data has improved to represent actual data. Our UK sites provided full electricity consumption data the same as in the prior year. Due to the improved data accuracy for our reported stores, this makes year on year comparison less straightforward and we therefore cannot identify the exact variable which may have had the most considerable impact on the reduction in Scope 2 emissions overall. We will continue to work with our retail stores outside the UK to improve reporting in future by obtaining more actual data for all global stores (where possible) and applying country-specific electricity emissions factors.
- Scope 3 - This makes up 90% of our total emissions and is primarily driven by upstream transport of our products and the purchasing of goods and services in production. This year, air freight contributes 54% of total transport emissions while sea freight contributes 15%.

We welcome the Taskforce for Climate-related Financial Disclosures (TCFD) and its recommendations as an effective global framework for disclosing climate-related risks and opportunities. We also support the steps taken by the UK Government in adopting mandatory TCFD reporting requirements.

We intend to disclose against the TCFD in its entirety in 2022 and over the coming year we shall be conducting both a TCFD gap analysis and climate scenario analysis in respect of our key risks and opportunities to allow us to disclose against the TCFD as comprehensively as possible.

Energy consumption

We work hard to reduce our energy consumption and associated carbon emissions through the course of each year. The majority of our Scope 1 and 2 emissions (as detailed above) are from our manufacturing operations at our Nottingham site and across our retail stores. In line with the Energy Savings Opportunity Scheme (ESOS), Games Workshop has previously conducted a full assessment of its energy use, carried out by an ESOS lead assessor and identified opportunities to reduce our energy consumption further. Our energy and carbon reduction activities are focussed on energy efficiency measures and staff engagement. During the last 12 months we have worked in the following areas to reduce emissions:

- Ongoing switching to LED lighting across sites - Across our HQ site we continue to install replacement and updated LED lighting systems to increase the electricity efficiency of our buildings. Although production has increased (and thus energy consumption has also increased overall), the energy efficiency of our site has also increased this year.
- Replacement of air conditioning units - We continue to replace old air conditioning units at our Nottingham facility with significantly more energy efficient systems.
- On-site energy campaign (on hold due to COVID-19) - We planned to undertake energy campaigns across our UK sites and stores, with the aim of improving our energy efficiency. However, this action has remained on temporary hold due to the ongoing impacts of the COVID-19 pandemic, with employees working from home and many retail store closures. We plan to launch this campaign in the year ahead.

Waste and recycling

Our dedicated recycling facility at our new warehouse near Nottingham is due to become operational later this year. This facility will allow for streamlined sorting and recycling of plastic and cardboard waste. We are in the process of establishing simple and accurate waste metrics to allow us to better understand, track and improve our waste and recycling performance at Nottingham, Memphis and Sydney.

Packaging

We are now implementing the sustainable packaging solutions identified during our product packaging review. The changes are being introduced on a priority basis. Initial product packaging priorities include exclusive use of sustainably sourced card certified under the FSC system and replacement of oil based inks, across our core product packaging material. Initial shipping packaging priorities include the replacement of plastic tape, void fill and bags with sustainable paper alternatives.

DIRECTORS' REPORT continued

Social

We have detailed below our work in managing the social impact of the Group.

Customers

Details of how we engage with customers can be found in our corporate governance report on page 30. The effect of this is detailed in our section 172 statement on page 18.

Product safety

Our product safety and integrity team work closely with our design, manufacturing and sourcing teams to ensure that all products sold by Games Workshop are developed, produced and purchased with safety in mind, so that they are safe for use by the intended customer. Over the past 12 months, we have increased the frequency of product checks and auditing. This programme is in the process of being expanded, to ensure checks are taking place at the earliest possible stage and minimising potential disruption to the business. In the past year, we have had no product recalls.

Health and safety

Our stores are where many of our customers first come to learn about the Warhammer hobby, or chat with fellow hobbyists - it is essential that they are safe places to visit. Our store managers know that the health and safety of their customers is paramount. Over the past year our stores have operated in line with closely controlled social distancing plans to ensure that our in-store COVID-19 control measures meet or exceed local requirements at all times. We have monitored local guidance throughout the last year to ensure we remain up to date with these requirements.

Employees

Development and training

Our employees are constantly looking for ways to improve. We strive to create a culture and environment that encourages everyone to achieve their potential.

This year we launched a learning management system (LMS), to add to our ongoing training and development offer. We have added to the LMS a range of digital learning content which will allow us to support managers with their ongoing development and offer all employees a chance to enhance their personal and professional development. We strive to make sure that everyone feels supported at Games Workshop and encouraged to grow and the LMS will provide us with an opportunity to do this consistently on a global scale.

We continue to rely on our strong partnerships with trusted apprenticeship schemes in the UK. These support, complement and enhance our staff recruitment, retention and development, providing us with 'home-grown' employees with the right fit, knowledge and skills for our business. We currently have apprentices working in positions across our manufacturing and engineering teams.

People plan

We continue to carry out a group-wide people plan review on a six monthly basis. This plan is used to identify the jobs which are critical to the ongoing success of Games Workshop and allow us to proactively plan for the future resource needs of the business, mitigate against any resourcing risks, and identify the development needs of our staff. The plan is critical to making sure that we have the right people, in the right jobs, at the right time, both now and in the future.

Staff communications

Our global communications forum continues to support clear and open communication between the board, senior management and staff, with representatives from all departments, in all territories around the world. The forum has the aim of motivating employees to give their best for Games Workshop, whilst contributing towards their own sense of personal wellbeing and achievement. Further details of how we engage with staff, and the effect of this is detailed in our section 172 statement on page 18.

Living wage

The Group maintains the UK national living wage for all UK employees, regardless of age.

Sharesave

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

Diversity

The board believes that business can benefit from a wide range of perspectives and backgrounds. The Company's aim as regards composition of the board is that it should have a balance of attitudes and knowledge to enable each director and the board as a whole to discharge their duties effectively. A new senior role will be recruited in the coming months to implement and manage the ESG priority list across the Group. The board and senior management will be undertaking unconscious bias training in the next few months to help ensure no bias in respect of gender or ethnic background is allowed to impact doing the right thing and finding the best individual for every job. The Company does not, however, consider that diversity can be best achieved by establishing specific quotas and targets.

Employees continued

Diversity continued

As at the end of the financial year:

	Female	2021 Male	Total	Female	2020 Male	Total
The board	4	3	7	3	3	6
Senior management	-	9	9	1	8	9
Total workforce	543	1,893	2,436	458	1,733	2,191

Disability

The Group's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All reasonable adjustments will be made for disabled workers, and all necessary assistance with training is provided. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Health, safety and wellbeing

Protecting the health and safety of all our employees is a principle we hold dearly.

During 2020/21, health and safety has of course been dominated by the COVID-19 pandemic. Protecting our employees, their families and the wider communities in which we operate is a principle that we will not compromise on - and one which we have maintained throughout.

As the situation, in terms of both risk and regulation, has evolved; so have our safety measures - with us always meeting, and often exceeding, local guidance and expectations. Regular strategic reviews, audits and inspections of their implementation, and feedback from team members have allowed us to operate our manufacturing and warehousing facilities throughout the last year in a safe and secure manner.

The coming year will see the reintroduction of our Institution of Occupational Safety & Health (IOSH) accredited safety training programme which we have been unable to deliver in-person over the past year. A key focus of this training is the importance of reporting incidents before harm is done (we call them undesired circumstances and near misses), and a key metric to assess the effectiveness of this training will be seeing an increase, as a ratio, of these types of reports.

During the year, there were two injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 in the UK (2019/20: none) and five reportable cases reported to the US Occupational Safety and Health Administration (2019/20: eight).

This year our health and safety and wellbeing teams have been combined. We continue to support the wellbeing needs of our employees, including their physical and mental welfare. We are reviewing our global occupational health and employee assistance support across the business to ensure that we always support our staff wherever they are, whatever language they speak, whenever they need it. This year we have also partnered with a national chain of fitness centres to offer all UK based staff heavily subsidised gym memberships to support their physical and mental wellbeing.

We are targeting the launch of a new group wide wellbeing programme later in the year, to include initiatives in respect of healthy living, mental health, engagement, and personal and professional development.

Suppliers

Details of how we engage with suppliers can be found in our corporate governance report on page 30. The effect of this is detailed in our section 172 statement on pages 18.

Ethical sourcing

We are committed to implementing effective controls to ensure good ethical sourcing standards throughout our supply chain. This commitment is driven by the board throughout the entire Group and a commitment is expected of all who work for, or who supply into, Games Workshop.

Games Workshop is a buyer member of an ethical sourcing audit programme. This programme requires suppliers to uphold ethical sourcing standards to support the rights and wellbeing of workers. The programme covers workplace safety, wage payments, working hours, underage labour, freedom of association and the right to collective bargaining, non-discrimination, disciplinary practices, forced labour and environment and chemical safety.

All suppliers of (i) products for resale by Games Workshop, and (ii) components and materials used within products being sold by Games Workshop, are required to become supplier members of this ethical sourcing programme and to be audited and maintain valid certification in order to receive orders from Games Workshop. Our suppliers are subject to an annual audit programme to ensure that ethical sourcing standards throughout the Games Workshop supply chain are maintained.

DIRECTORS' REPORT continued

Suppliers continued

Anti-slavery

Modern slavery is a crime and a violation of fundamental human rights. Games Workshop has a zero-tolerance approach to modern slavery and is committed to acting ethically to implement and enforce effective systems and controls to ensure modern slavery is not taking place within Games Workshop or its supply chains. This commitment is driven by the CEO and the board throughout the entire Group and a commitment is expected of all who work for, or who supply into, Games Workshop.

Donations

Games Workshop does not make any donations to charities or political parties. Notwithstanding this, our employees continue to carry out fundraising events for their chosen charities, and we are fully supportive of the work our employees do.

Research and development

The Group does not undertake research activities. Development activities relate to the development of new product lines. The charge to the income statement for the year in respect of development activities is detailed in note 9 to the financial statements.

Future developments

The future developments for the Group are discussed in the strategic report on pages 3 to 19.

Financial risks

The financial risks facing the Group are set out in note 22 to these financial statements.

Going concern and viability statement

Assessment of prospects

The Group operates a strategic planning process which includes monthly reviews of business and financial performance, regular financial projections and an annual planning review for the next financial year. Medium term projections (for periods ending two years and three years hence) are reviewed taking into account known strategy changes in that time frame. The three year plan considers the Group's growth potential, cash flows and key financial ratios. This strategic planning process is managed centrally, led by the chief financial officer.

Assessment of viability

The strategic plan reflects the directors' cautious view of possible outcomes. It is not used to set targets for performance. The directors have considered a base case going concern model which takes account of the continued impact of COVID-19, reflecting the ability of our customers to access both our own retail stores and independent outlets. We modelled the scenarios set out below, both individually and in combination. Under these scenarios no additional funding is required and there would be no breach of banking covenants as we currently have no funding facilities in place:

- two self-imposed two-week periods of warehouse and factory closures over the next 12 months due to COVID-19 outbreaks, resulting in a loss of sales in the trade and physical online channels and some ongoing disruption in all channels due to supply constraints.
- potential further disruption to our supply chain, including additional freight and shipping costs and delays, this would result in disruption to sales in all channels.

The viability assessment has been conducted for a period of three years which is in line with the Group's strategic planning period as discussed above. The board believes that this time frame is the most appropriate as it is difficult to make meaningful projections beyond three years. This assessment of viability has been made with reference to the Group's current position and future prospects, its strategy and its principal risks and the mitigation in place to manage them. In making the viability assessment the principal risks facing the business have been considered and a number of severe but plausible scenarios assessed for the impact of these on the medium term projections. The scenarios tested include those tested as part of our going concern review, as well as a significant interruption to our manufacturing operations due to supplier issues or issues on site. Stress testing has been performed on the cash projections to determine the extent to which sales can decline before the Group's cash reserves become depleted to the point additional funding and cost reductions would be needed.

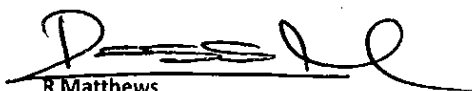
Viability statement

Based on the board's assessment as described above and the Group's strong balance sheet, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 2 June 2024, and that there are no material uncertainties regarding the ability of the Group to operate as a going concern.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

On behalf of the board



R Matthews

Company secretary

26 July 2021

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CORPORATE GOVERNANCE REPORT

An introduction from our non-executive chair

I have pleasure in introducing the corporate governance report. In this section of our annual report we have set out our approach to governance and provided further information on how the board and its committees operate. We recognise that applying sound governance principles is essential to the successful running of the Group.

As you will see below, we have three principal committees: audit and risk, remuneration and nomination. Their composition and their areas of focus are described below.

Regarding board composition, we are delighted to welcome Sally Matthews to the board as our newest non-executive director and chair of the audit and risk committee. John Brewis was appointed senior independent director when I stepped up to become chair of the board on 1 January 2021. Nick Donaldson retired from the board on 31 May 2021 as planned and outlined in our annual report in 2020.

We also set out below details of our board effectiveness review, which was conducted this year by internal review. Overall we concluded that our board functions very well. We will reflect on the detailed feedback for any areas of development in line with our ethos of continuous improvement. Board and committee effectiveness continue to be important considerations for us and next year we will conduct an external review of this.

Alongside enabling more general board and colleague engagement, in its second year the Games Workshop global communication forum (GWGCF) has focused on our culture and values over the last 12 months, with members from the senior operational team and board invited to participate and share their thoughts on what this means to them. We believe that this is a really effective platform for staff engagement and communication with the board.

The 2018 UK Corporate Governance Code (the 'Code') has been adopted as required and this did not require any significant changes to how we operate from a corporate governance perspective.

At our AGM this year, as usual, all of our continuing directors will be seeking reappointment.

Best regards,



Elaine O'Donnell

Non-executive chair

The Listing Rules of the Financial Conduct Authority require listed companies to disclose, in relation to the Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting period. The UK Corporate Governance Code can be found at www.frc.org.uk.

This statement, together with the remuneration report on pages 34 to 47, and further statements as referenced below, explains how the Company has applied the principles and complied with the provisions set out in the Code.

Reporting requirement	Where this is referenced in this annual report	
Assessment of value over the long-term	Strategy and objectives	Page 4
Understanding the views of other key stakeholders, as set out in section 172	Section 172 statement	Page 18
Provision of means of the workforce to raise concerns in confidence	Whistleblowing	Page 33
Details of meetings of the audit and risk committee	Significant issues considered by the audit and risk committee	Page 31
Assessment of principal risks	Risks and uncertainties	Page 17
Monitoring of risk management and internal control	Internal control	Page 32
	Risk management	Page 33
Statement of going concern	Going concern and viability statement	Page 26
Assessment of the prospects of the Group		

The board operates through monthly meetings which senior executives attend on a regular basis. The board is responsible for leading and controlling the Group and monitoring executive management. It considers all issues relating to strategy, management and future direction of the Company. The board is also responsible for assessing and monitoring culture within the Group. This is achieved through regular involvement of the non-executive directors with a variety of employees across the Group as well as attendance at the GWGCF meetings. The board has a schedule of matters reserved to it for decision that is regularly updated; these include decisions on the Group's strategy, financial plans, major capital expenditure and dividend policy. The board is updated about operational decisions through the monthly meetings. It meets at least nine times a year. In 2020/21 the board had 11 scheduled meetings, each of which was attended by all members of the board. Terms of reference for the board committees (as set out below) are available on the Company's website.

The Company maintains an appropriate level of director and officer liability insurance cover and has agreed to indemnify the directors against certain liabilities as discussed in the directors' report on page 20.

CORPORATE GOVERNANCE REPORT continued

A review of the performance of the Group's main business activities is included in the strategic review. The board presents this review, together with the directors' report on pages 20 to 26, to give a fair, balanced and understandable assessment of the Group's position and prospects.

The board

The board comprises the non-executive chair, the CEO, the CFO, and three further non-executive directors. It is chaired by Elaine O'Donnell.

The senior independent director is John Brewis. The principal responsibilities of this role include:

- to be a sounding board for the chair;
- to be available to shareholders if they have concerns which contact through the normal channels of the chair, the CEO or the CFO has failed to resolve, or for which such contact is not appropriate; and
- to ensure that the performance evaluation of the chair is conducted effectively.

The four non-executive directors have a breadth of successful commercial and professional experience and are considered by the board to be independent of the Group.

Nick Donaldson retired from the board of Games Workshop at the end of the financial year after more than 19 years as a non-executive director and more recently non-executive chairman.

All directors bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. The board considers that it has been supplied with sufficient timely and accurate information to enable it to discharge its duties.

All members of the board have access to the services and advice of the company secretary. There is a procedure for directors to take independent professional advice at the Company's expense where relevant to the execution of their duties. The executive directors attach great importance to ensuring that the non-executive directors are provided with accurate, timely and clear information on the Group. In addition, the non-executive directors are actively encouraged to update continually their knowledge of and familiarity with the Group and the issues affecting it, so as to enable them to fulfil effectively their roles on both the board and its committees.

In 2020/21 the board undertook an internally facilitated review of its performance, in addition to the board's already established process for the ongoing assessment of its own performance and that of its committees. A questionnaire was used covering topics including board composition, dynamics, strategic focus, oversight of risk management, meeting arrangements, board papers and the committees. This was completed by all board directors. The overall conclusion was that this is an effective board. The board is engaged and committed and works on a basis of trust and openness. Board papers are well structured to enable quality discussions and informed decision making. There is a universal commitment from the board to doing what is right for Games Workshop in the long term but there is a recognition that communication of this to wider stakeholders could be improved upon. There is a good balance of tenure, particularly in the executive team but there is a recognition that it will take time for the newer members to become more fully embedded in Games Workshop's culture. Significant progress has been made in identifying and defining strategic risk appetite but this is continually evolving and there is always more work to be done in this area. The non-executive chair and the CEO are co-developing a plan within the board agenda going forward to ensure that feedback from this review is considered and appropriately addressed. The next externally facilitated review will take place in 2021/22.

Board committees

The board has three principal committees, all with written terms of reference which are published on the Company's website and which are available on application to the company secretary at the Company's registered office. The company secretary serves as secretary to all three committees. The chairs of the audit and risk committee, the remuneration committee and the nomination committee will be available at the AGM to answer any questions.

Audit and risk committee

The audit and risk committee currently comprises the non-executive directors and is chaired by Sally Matthews who is a chartered accountant and has significant relevant financial and accounting knowledge and experience. Elaine O'Donnell is not a member of this committee. The audit and risk committee's terms of reference include monitoring the integrity of the financial statements and other announcements relating to the Company's financial performance including reviewing significant financial reporting judgements, internal control and risk assessment and keeping under review the scope, results and effectiveness of the external and internal audits and the independence of the Company's external auditors.

Audit and risk committee report

A more detailed description of the activities of the audit and risk committee and the internal control and risk management systems that are in place are discussed in the audit and risk committee report on pages 31 to 33.

Remuneration committee

The remuneration committee comprises the non-executive directors and is chaired by John Brewis. Elaine O'Donnell is not a member of the committee. The remuneration committee normally meets at least three times a year and is responsible for making recommendations to the board on remuneration policy for all executive directors and senior management (including determining specific remuneration packages, terms of employment and performance incentive arrangements). The procedures and guidelines used by the remuneration committee in determining remuneration are outlined in the separate remuneration report. The remuneration committee held six scheduled meetings in the year, which were attended by all members of the committee. The committee meets without the executive directors at least annually to appraise the executive directors' performance.

Remuneration report

The Company's policy on executive remuneration and details of the executive directors' salaries, profit share and pensions, and fees for the non-executive directors are set out in the board report on remuneration on pages 34 to 47.

Nomination committee

The nomination committee comprises the non-executive directors and is chaired by Elaine O'Donnell. It is responsible for nominating, for approval by the board, candidates for appointment to the board. The committee regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the board and gives consideration to succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the board in the future. As CEO, Kevin Rountree was invited to attend a meeting of the committee and present his current executive team structure and succession plan. The committee reviewed this plan and satisfied itself that appropriate consideration had been given to identifying any potential gaps and ensuring that a robust plan was in place to address these. The committee held four scheduled meetings in the year which were attended by all members of the committee.

Appointments to the board

After announcing the planned retirement of Nick Donaldson in the 2020 annual report and in continuation of the board's ongoing succession planning, the nomination committee ran a process to select a new chair of the board. The candidates were limited to the current pool of non-executive directors who were asked to apply for the job. This was because knowledge and understanding of Games Workshop was considered to be of utmost importance in the selection process. Elaine O'Donnell applied for the job and was selected by the committee, as announced in September 2020. She was appointed non-executive chair of the board in January 2021. Nick Donaldson continued as a non-executive director from January 2021 for a handover period and stepped down from the board in May 2021.

Alongside widely advertising the role, the nomination committee worked with Nurole, the digital recruitment platform, to conduct a search for a new non-executive director and chair of the audit and risk committee. After interviewing a number of high quality candidates, Sally Matthews was offered the job and joined the board in November 2020.

Newly appointed directors are given training appropriate to the level of their previous experience. Non-executive directors meet regularly with members of the executive and other staff within the Group. In addition, site visits ensure that the non-executive directors gain first-hand experience of developments within the Group.

Any director appointed during the year is required, under the provisions of the Company's articles of association, to retire and seek election by the shareholders at the next AGM.

Stakeholder engagement

The Company understands the importance of engaging with our stakeholders. The board seeks to understand the views and interests of the stakeholder groups detailed below to ensure that these are always considered as part of any decision making.

Shareholders

We maintain an open dialogue with our shareholders. On a continuing basis the Company encourages two way communication with its institutional and private shareholders and responds promptly to queries received verbally, in writing or directly through its investor relations website, investor.games-workshop.com. In addition to the annual report and half yearly report, the non-executive chair, committee chairs and the CEO and CFO are available to meet and do meet with shareholders and potential shareholders to discuss any questions they may have and ensure that the board has a clear understanding of the views of shareholders. Any issues arising at such meetings are reported to and considered by the board. In 2020/21 matters discussed were in relation to remuneration policy changes (as discussed in the remuneration report) and performance of the Group throughout the year. We try to ensure our shareholders have a good understanding of our strategy, business model and culture.

Our people

We rely on the hard work and creativity of employees to make sure we drive the creation of value in the long term. We engage with our employees through formal and informal meetings, including the GWGCF as well as local newsletters and works councils. The matters discussed at the GWGCF in particular are circulated to the board and discussed at board meetings to ensure we understand the views and concerns of employees. Throughout the year, members of the board have attended the GWGCF meetings to help increase board engagement with employees.

Customers

We engage with our customers through our retail stores, our social media sites, and through warhammer-community.com. This allows two way communication with our customers. Any recurring topics or points of note are shared with and considered by the board. Senior management also visits retail stores as well as independent retailers to help understand customer views.

CORPORATE GOVERNANCE REPORT continued

Stakeholder engagement continued

Suppliers

The integrity of our supply chain is an essential part of ensuring we design and make great products. Although as a vertically integrated group we are in control of large parts of the design and manufacturing process, it is important that our suppliers share the same standards and ethics as we do. We have strong partnerships with our key suppliers that have been built up over a number of years to ensure we get the best materials through a stable and reliable supply chain.

Culture

Companies are run by people. Games Workshop is run by people. How our people get on with the task of running Games Workshop and how they get on with one another is vital.

How we behave does matter. Therefore what we are like does matter.

This is why we make such efforts to recruit people who are likely to have the right qualities to be successful at their job. Everything we do is for the good of Games Workshop, and thereby our customers and colleagues and shareholders. No one's personality is bigger than that; none of us is more important than this ultimate goal. This is a huge challenge and it requires lots of humility, honesty and courage.

That is, humility in recognising we must put Games Workshop's needs first, honesty to identify truly those occasions when we are being driven by our ego or our selfishness, and courage to do something about it.

It is always better to work amongst nice people and to have fun. We love that too. But here, what we ultimately mean by 'good behaviour' is:

- an absolute belief that it is better to do what is right rather than what is easy;
- an ego-free environment, this leads to people who put the business first and don't have private agendas; and
- an absolute commitment to the niche market business model and the quality of our products and services.

Conflicts of interests

The Company's articles of association take account of certain provisions of the Companies Act 2006 relating to directors' conflicts of interests. These provisions permit the board to consider, and if thought fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The board has adopted procedures for the approval of such conflicts. The board's powers to authorise conflicts are operating effectively and the procedures are being followed.

Substantial shareholdings

The following interests in 3% or more of the issued share capital of the Company as at 30 May 2021 have been disclosed to the Company:

	No. of shares	%
Baillie Gifford	2,381,304	7.3
BlackRock	2,270,650	6.9
Schroders plc	2,140,767	6.5
Aberdeen Standard Investments	1,708,631	5.2
JP Morgan Asset Management (UK) Limited	1,545,096	4.7
Vanguard	1,358,556	4.1
Sanford Deland Asset Management	1,252,250	3.8

The Company has not been notified of any changes in these interests since the year end. The Company has not been notified of any other substantial shareholdings.

Statement of compliance with the UK Corporate Governance Code

The Company has complied with all of the provisions set out in the Code, with the exception of compliance with the requirement to adopt a post employment holding requirement for the executive directors as described in the remuneration report on page 38.

On behalf of the board



E O'Donnell
Non-executive chair
26 July 2021

AUDIT AND RISK COMMITTEE REPORT

The report details the role of the audit and risk committee and the work it has undertaken during the year as well as its meeting in July 2021 when this annual report and financial statements were approved.

Committee membership

The audit and risk committee comprises the three non-executive directors and is chaired by Sally Matthews who is a chartered accountant. Sally Matthews replaced Elaine O'Donnell as chair following her appointment as non-executive chair of the board in January 2021. Elaine O'Donnell is not a member of this committee but is invited to attend as an observer. The board considers that as serving chairs during the year, both Sally Matthews and Elaine O'Donnell have recent relevant financial experience by virtue of their professional qualifications and their previous executive roles. Members of the committee can also demonstrate a breadth of experience across the manufacturing, retail, e-commerce and media sectors through their current and previous roles.

Significant issues considered by the audit and risk committee

The committee had four scheduled meetings during the year which were attended by all members of the committee. It has an agenda linked to the events in the Group's financial calendar. The external auditors met with the committee without management being present and the chair and members of the committee have direct contact with the audit partner as required. During the year the committee:

- reviewed the half-year and full-year results;
- received and considered, as part of the review of the annual financial statements, reports from the external auditors in respect of the auditors' audit plan for the year and the results of the annual audit. These reports included the scope of the annual audit, the approach adopted by the auditors to address and conclude upon key estimates and other key audit areas, the basis on which the auditors assess materiality, the terms of engagement for the auditors and an ongoing assessment of the impact of future accounting developments on the Group;
- considered whether the annual report is fair, balanced and understandable. In doing so, the committee reviewed and discussed with management the content and appropriateness of the information included within the 2021 annual report. This provided the committee with the supporting detail to ensure that it was in a position to report to the board that the 2021 annual report taken as a whole was fair, balanced and understandable. This was on the basis that the business description, business model and strategy agreed with its own understanding of the Group, and the balance in the reporting of performance reflected both positive and negative issues and reflected the Group's activities during the year;
- considered the effectiveness and independence of the external auditors. The auditors specifically demonstrated professional scepticism and challenged management assumptions with regards to the future plans and performance of the retail store portfolio and the going concern scenarios modelled.
- made a recommendation to the board to appoint new external auditors;
- ran a formal tender process and made a recommendation to the board to appoint KPMG as external auditors (further details below);
- reviewed the Company's policy on non-audit fees and ensured appropriate safeguards are in place;
- considered and agreed the internal audit work programme and received regular reports on the key issues arising from its implementation during the year; and
- reviewed reports on the key business risks, including a review of the internal control processes used to identify, monitor and mitigate the principal and emerging risks and uncertainties.

The committee received, reviewed and challenged reports from management and the external auditors setting out the significant issues in relation to the 2021 annual report and made their own assessment. These issues were discussed and challenged with management during the year. They were also discussed with the auditors at the time the committee reviewed and agreed the auditors' Group audit plan and at the conclusion of the audit of the financial statements. The issues that were discussed were:

- the impact of COVID-19 on cash liquidity within the business, going concern and viability statement: in the light of significant uncertainties caused by COVID-19, the committee challenged whether the business could withstand various downside sensitivities to three year forecasts and examined the extent of contingency planning and mitigating factors that could be applied including the review of whether any store asset impairment would be required. The committee was satisfied with the responses to its challenges; and
- accounting for right-of-use assets and lease liabilities under IFRS 16: in light of the magnitude of the right-of-use assets and lease liabilities and the manual nature of some of the processes used to account for this, the committee reviewed the accounting and concluded it was appropriate.

The committee calls upon the external auditors, the internal auditor and the executive directors to attend formal meetings as required. These meetings are held at least three times a year. The external and internal auditors are given the opportunity to raise any matters or concerns they may have in the absence of the executive directors at separate meetings with the audit and risk committee or its chair.

AUDIT AND RISK COMMITTEE REPORT continued

Auditors' independence

The committee reviews the independence of the external auditors by assessing the arrangements for the day to day management of the audit relationship as well as reviewing the auditors' report which describes their procedures for identifying and reporting conflicts of interest. To maintain the auditors' independence, the committee has also established the policy that the primary role of the external auditors is to perform services directly related to their audit responsibilities. Any non-audit services are approved by the committee. Non-audit fees paid to the auditors amounted to £6,000 in the year (2% of the total amount paid to the auditors in the year); this relates to the verification of retail turnover certificates for certain stores. The Group uses other advisers for taxation advice and other services. The audit fees are disclosed in note 9.

The audit and risk committee considers the re-appointment of the external auditors each year, as well as remuneration and other terms of engagement. PricewaterhouseCoopers LLP have acted as external auditors of the Group since the 2005 year end. The audit was last put out to a competitive tender in 2014/15 and the committee agreed it was now an appropriate time to run a competitive tender process.

The committee ran a competitive tender process which was completed in March 2021. Prior to the commencement of the formal tender process, the CFO met with relevant individuals from the other 'Big 4' and certain 'mid-tier' audit firms to assess the suitability of the various potential service providers. At the end of this process the audit committee concluded that KPMG, EY and RSM should be invited to formally tender. The current auditors, PricewaterhouseCoopers LLP, were excluded from the process due to the length of their tenure.

Each of the firms received a formal invitation to tender and were offered access to relevant data as well as sessions with all members of the audit committee and the CFO. Written tender submissions were submitted in advance and then followed up by a presentation from each of the three firms to a panel. The panel comprised the full audit committee, the CFO, the group reporting manager and the company secretary.

The panel assessed the written tender document and presentations based on a set of key criteria that had been circulated at the start of the process to all participating parties. The criteria covered effectiveness and efficiency, business understanding, transition arrangements, independence and governance and fees. On this basis the committee recommend the appointment of KPMG at the 2021 AGM.

There are currently no contractual obligations which restrict the choice of external auditors. We can confirm that the Company has complied with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of the Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year.

Internal control

The directors recognise that they have overall responsibility for ensuring that the Group maintains a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system is designed to manage risks that may prevent the Group from achieving its business objectives, rather than to eliminate these risks. However, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place from the start of the year until the date of approval of this report. This process is regularly reviewed by the committee and the board throughout the year.

The effectiveness of the Group's system of internal control is regularly reviewed by the committee and the board. The review covers all material controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the CFO and the company secretary, reporting to the committee and to the board. This review process considers whether significant risks have been identified, evaluated and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. Regular reporting by senior management ensures that, as far as possible, the controls and safeguards are being operated appropriately. This process is considered by the audit and risk committee, alongside the adequacy of the risk management and internal control systems, the external auditors' and internal auditors' reports. The internal control and risk management systems are considered to be appropriate.

The Group has continued its programme of internal audit reviews during the year. The audit and risk committee agrees an annual internal audit plan, focusing on business specific issues. Actions agreed by management, in response to recommendations made, are followed up.

The board, with advice from the audit and risk committee, has completed its annual review of the system of internal control and is satisfied that it has acted appropriately and in accordance with that guidance. During the course of its review of the system of internal control, the board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions is not considered appropriate.

Internal audit

The internal audit team follows a programme of activities that are closely aligned with principal operational risks. Activities are conducted either by a dedicated internal auditor, an internal team that is independent of the area under review or by an external party, decided on a case by case basis. In all cases the review is conducted on behalf of the committee and reports back to them. Reports were discussed with the committee and a remediation plan agreed by management to improve controls where appropriate. The committee can confirm that the quality, experience and expertise of the function is appropriate.

Risk management

The committee is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

Throughout 2020/21 work has been ongoing to measure the impact of each operational risk so as to better understand the mitigating actions necessary alongside progress against each of these actions. This work will continue into 2021/22.

The continued management of the global COVID-19 pandemic was an excellent test of management's responsiveness to significant risk and uncertainty. With the leading principle that the health and wellbeing of our people and our customers come first, the business again closed the majority of retail shops, only reopening when management were completely confident that it was entirely safe to do so, with a comprehensive risk assessment and action plan for each area of the business and always in line with local government guidelines.

Process for preparing consolidated financial statements

The Group has established internal control and risk management systems in relation to the process for preparing the consolidated financial statements. The key features of these systems are:

- Management regularly monitors and considers developments in accounting standards and best practice in financial reporting and reflects developments in the financial statements where appropriate. The external auditor also keeps the committee apprised of these developments.
- The committee and the board review the draft financial statements. The committee receives reports from management and the external auditor on significant judgements, changes in accounting policies, changes in accounting estimates and any other appropriate changes to the financial statements.
- The full year financial statements are subject to external audit.

Bribery and corruption

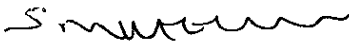
Bribery and corrupt practices are never tolerated in the pursuit of Games Workshop's business objectives or goals, or within business relationships, or the actions of its employees and associated parties. This commitment is driven from the chief executive and the board throughout the entire Group and a commitment is expected of all who work with the Group and who act on our behalf or are employed or engaged in any capacity by us. The Games Workshop anti-bribery policy reflects Games Workshop's zero tolerance approach to acts of bribery.

Suppliers are also required to follow an ethical sourcing audit programme, detailed on page 25, of which Games Workshop is a buyer member.

Whistleblowing

The board is responsible for the review of the Company's procedures for responding to the allegations of whistleblowers alongside input from the audit and risk committee. Whistleblowing arrangements are in place to ensure staff may, in confidence, raise concerns about possible financial reporting irregularities. If an employee does not feel comfortable reporting any potential, suspected, attempted or actual breaches of company policy, they can report such activity to Games Workshop's chair of the audit and risk committee using a dedicated whistleblowing email address. Staff can report any concerns by email without disclosing their identity should they wish to. This whistleblowing procedure is communicated to staff within relevant employee policies. Games Workshop endeavours to protect those who make disclosures of wrongdoing. Any reports made in good faith will be dealt with in confidence (to the extent possible), and the reporting employee shall not be discriminated against as a result of their actions.

On behalf of the board



S Matthews

Audit and risk committee chair

26 July 2021

REMUNERATION REPORT

Introduction

The remuneration report for the year ended 30 May 2021 has been prepared on behalf of the board by the remuneration committee in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, and meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and the UK Corporate Governance Code.

This remuneration report consists of two parts:

- The directors' remuneration policy, which sets out the Company's policy on directors' remuneration along with the key factors taken into account in setting that policy. This directors' remuneration policy was approved by over 90% of shareholders who submitted a proxy vote at the 2018 AGM at which date it became effective. As the remuneration policy is subject to a periodic binding shareholder vote, with the next vote to take place at the 2021 AGM, the remuneration committee has undertaken a review to ensure that our directors' remuneration policy remains valid and aligned to the Company's strategy and culture. The outcomes and changes associated with the review are identified in this report.
- The annual report on remuneration, which sets out payments made to executive directors and non-executive directors and details the relationship between company performance and remuneration for the 2020/21 financial year. The 2020/21 report is subject to an advisory vote at the 2021 AGM.

2020/21 overview

Remuneration in a COVID-19 year

While the global pandemic presented many challenges during the financial year, it should be noted that:

- No government financial support or subsidies were utilised during the year. In line with our earlier announcement regarding repayment of furlough support and other government subsidies, we also cancelled the UK expanded business rates retail discount scheme for 2020/21.
- No temporary pay cuts were implemented in response to the pandemic. In line with the rest of the workforce, the executive directors' base salaries also remained at 100%, throughout the year.
- The previously signalled pay freeze for the wider workforce was reversed and a 3% pay increase was applied to all staff with the exception of the two executive directors. The increase was backdated to the Group's normal pay review date of 1 June 2020.
- No significant redundancy programmes were carried out during the year.
- Dividends continued to be paid - at record levels.

Company performance

The Company entered 2020/21 after delivering record sales performance of £221 million in 2017/18, £257 million in 2018/19 and £270 million in 2019/20.

Despite restrictions to operations and the requirement to implement many additional controls to protect the health of staff, their families and customers, the Company again delivered growth, delivering record sales of £353 million and profit before tax of £151 million. We do not take this spectacular performance for granted, it is the result of a great deal of effort and skill, delivered throughout the organisation.

Group-wide remuneration

Group Profit Share scheme

Under the existing remuneration policy, all eligible employees (including the executive directors) are included within the Group Profit Share scheme. Targets are set annually, and any pay-out is determined by the remuneration committee, based on those targets. The 2018 policy describes a maximum potential value of £1,000 per person per year, paid equally to all eligible employees. Awards are payable in cash. In line with this and previous years, we paid £1,000 each to all staff - in total £2.6 million (2020: £2.4 million) in December 2020 and May 2021. To further reward exceptional performance in helping to increase profitability in the first half of the year, we also paid all employees a discretionary bonus of £2,000 each in December 2020 (with the exception of the two executive directors) - a total of £5.3 million (2020: £nil). A final discretionary payment of a further £2,000 was paid in May 2021 to each employee (with the exception of the two executive directors) - a total of £5.3 million (2020: £nil).

In summary, for 2020/21, the two executive directors were each awarded £500 as eligible members of the Group Profit Share scheme. All other eligible employees were paid £1,000 plus £4,000 additional discretionary payments, which amounted to a combined figure across the workforce of £13.2 million over the course of the year.

Group-wide remuneration

Group Profit Share scheme continued

During the year, the remuneration committee undertook a review of the executive director remuneration policy, referencing the experience of the wider workforce and including consideration of the Group Profit Share scheme. This review stimulated the committee to agree changes to the Group Profit Share scheme under the existing 2018 AGM approved policy, as follows:

- To implement changes to the terms of the Group Profit Share scheme, to apply from June 2021 onwards. The revised scheme replaces the maximum potential value of cash payments from £1,000 per person per year to a share of up to 10% of group operating profit before royalties receivable.
- The proportion of operating profit before royalties receivable paid out continues to be subject to the discretionary approval of the remuneration committee.
- Payments will continue to be made in cash and paid equally to eligible employees.
- All other existing Group-wide bonus schemes including those relating to retail performance have been suspended.
- From June 2021, the two executive directors are excluded from the Group Profit Share scheme.

Senior management bonus

As a result of discussions between Kevin Rountree and the committee, the committee agreed to support a discretionary bonus payable in cash, to a number of individual managers who contributed to the Company's outstanding performance. The committee was delighted to support this proposal in recognition of the extraordinary effort and skill required to deliver these results in an unusually challenging environment.

Exceptional Bonus Award

In 2018, in consultation with shareholders, the committee undertook to articulate exceptional performance and to appropriately exercise its discretion in making any Exceptional Bonus Award in future years. The 2018 AGM approved policy allows the committee to award an exceptional bonus, with a maximum award of 100% of base salary to each of our two executive directors. This bonus is payable in cash with a requirement that 50% of any bonus (net of tax) will be invested in Company shares, which are expected to be held for a period of not less than two years.

For the financial and operational performance reasons outlined above, particularly the growth in sales from £270 million in 2019/20 to £353 million in 2020/21 and growth in profit before taxation from £89 million in 2019/20 to a profit before taxation of £151 million in 2020/21 during the COVID-19 pandemic, the committee agreed that the threshold for 'exceptional performance' had been reached in 2020/21. Therefore, the committee deemed it appropriate to exercise the discretion granted at the 2018 AGM to award each of the executive directors an Exceptional Bonus Award of 100% of 2020/21 salary. In accordance with the approved policy, the executive directors are required to invest 50% of this bonus award (net of tax) into Company shares, which are expected to be held for a minimum of two years.

Review of executive director remuneration

In 2020, the committee also undertook an assessment of executive director total remuneration under the 2018 AGM approved policy, stimulated by the judgement to restore the pay review to the wider workforce, which had initially been frozen as a response to the pandemic. This review, which included a benchmarking exercise carried out by independent remuneration consultants Alvarez & Marsal, identified that our executive directors' remuneration had fallen 'significantly below market positioning'. The review was subjected to open and independent debate within the committee to ensure that the judgements made were ours, not those of consultants.

To begin to address this situation and in line with current remuneration policy, Kevin Rountree's salary was increased from £525,000 to £675,000. Further to this review and in reflection of her promotion to the role of CFO, Rachel Tongue's base salary was increased from £300,000 to £450,000. These new rates were applied on 1 November 2020. As stated above, the two executives also each received £500 as members of the Group Profit Share scheme, but not the additional discretionary payments made to all other eligible employees. Going forward, the executive directors will no longer be part of the Group Profit Share scheme.

The committee now proposes to revise the terms of the Exceptional Bonus Award, applicable to the two executive directors, from June 2021 onwards, subject to approval of the updated policy at the 2021 AGM.

Under the revised policy proposal, the maximum annual Exceptional Bonus Award opportunity will increase from 100% to 150% of base salary for each of our executive directors. Bonus will be payable in cash with a requirement that 67% (previously 50%) of any bonus (net of tax) will be invested in Company shares, expected to be held for an increased period of not less than three years (previously two years).

There are no proposed changes to the mechanics of the award, which continues to be at the independent discretion of the remuneration committee. The remuneration committee will retain the discretion to assess 'exceptional' going forward and reaffirms its promise to exercise its discretion appropriately and to explain the circumstances where an Exceptional Bonus Award is paid.

The committee does not propose to make any other changes to the policy, previously approved at the 2018 AGM.

REMUNERATION REPORT continued

2020/21 Executive director remuneration proposal context

As described above, the remuneration committee made decisions during the year - under the 2018 AGM approved policy - to change the base salaries of our executive directors and to alter the terms of the Group Profit Share scheme.

The committee also undertook a thorough review of the overall remuneration policy, as this is subject to approval, on a three year cycle, at the 2021 AGM. As described above, the committee proposes to make only one change to the policy, relating to the terms of the annual Exceptional Bonus Award applicable to the two executive directors.

Overall, the aim of the remuneration committee is to operate a remuneration policy designed to;

- attract, retain and motivate high quality management and to reward them fairly and consistently;
- balance the interests of our stakeholders, particularly shareholders and the experience of the wider workforce;
- support the Company's strategic statement, particularly the phrases 'we intend to do this forever' and 'our decisions are focused on long term success, not short-term gains'; and
- reflect the Company's culture. This is of great significance as we believe that Games Workshop's culture is fundamental to the company's success.

Total remuneration

As an initial response to the pandemic, a group-wide pay freeze was announced for 2020/21. This was subsequently reviewed in the light of the Group's financial performance and a pay review of 3% was implemented and back-paid to all staff (with the exception of the executive directors) on the standard pay review date of 1 June 2020.

The reinstatement of the pay review for the wider workforce stimulated the remuneration committee to review executive pay. This coincided with the promotion of Rachel Tongue to the role of CFO, a role with additional scope compared to her previous position as group finance director.

Our existing policy, approved at the 2018 AGM states: 'Increases out of line with the workforce are carefully considered but may be awarded taking all relevant factors into account, for example, increases in scope and responsibility or salary falling significantly below market positioning'.

In line with this policy, the remuneration committee;

- reviewed CEO Kevin Rountree's remuneration to consider its market position, taking into account changes to the scale and valuation of the Company; and
- reviewed FD Rachel Tongue's remuneration to consider its market position, taking into account changes to the scale and valuation of the Company and also to reflect the increased scope of her role following her promotion to CFO.

After considering the service offering of a number of remuneration consultants, the committee commissioned Alvarez & Marsal to conduct a benchmarking exercise, which included companies based on turnover, market capitalisation and bespoke characteristics. The outcome of this exercise was considered independently by the remuneration committee, with additional references to specific individual companies, which we deemed to be relevant comparators.

The committee considered the relative position of our executive directors' pay. In conducting the review, we considered the various elements of executive benefits - base salary, fixed pay, variable pay and total remuneration.

Base salary and fixed pay

The committee noted that the executive directors' remuneration packages include a pension contribution percentage of base salary equivalent to that available to the wider workforce. At 7.5%, this is half the median pension contribution percentage paid to FTSE 250 directors identified in the benchmarking exercise, reviewed by the committee. This is important when considering total fixed remuneration rather than base salary alone. Moreover, the potential impact of an increase to base salary has a lower multiplier effect than that typical for other FTSE 250 directors.

The committee took note that Games Workshop's directors' remuneration does not include Long Term Incentive Plans (LTIPs), so the potential impact of an increase to base salary has a lower multiplier effect than that typical for other FTSE 250 directors.

The benchmarking exercise established that the total remuneration of our executive directors was less than half that of the peer group set and therefore 'significantly below market positioning'. This stimulated the committee to consider how to address this issue in the short and long term, in line with our culture and how to establish a new rate to retain and motivate our executive directors going forwards.

Base salary and fixed pay continued

We concluded that we should alter base salary during 2020 under the existing policy and use the process for the tri-annual policy review, which is to be approved at the 2021 AGM, to consult with shareholders and seek approval for further modifications to directors' remuneration.

Having considered a fixed remuneration market rate that might be required to recruit successors, the committee concluded it was unfair not to award this market rate immediately to an established executive team who have delivered amazing results.

As a result, we increased Kevin Rountree's base salary from £525,000 to £675,000 and Rachel Tongue's base salary from £300,000 to £450,000. These increases were applied on 1 November 2020, the date of Rachel's promotion to CFO.

Variable pay

The remuneration policy is also intended to 'motivate' our management to deliver a high level of performance.

The committee noted that our remuneration policy differs from that in many other companies within the FTSE. This is a reflection of our belief that, culturally, our managers and colleagues want to deliver a high level of performance and the use of complex and formulaic incentive programmes might have unintended consequences and do more harm than good.

Having reviewed our position, the committee confirmed its opinion that the remuneration package for our executive directors should not include LTIPs. We believe that LTIPs could have the potential to unbalance the organisation with people being incentivised to behave selfishly to achieve their personal goal, at the expense of the wider organisation.

The committee confirmed its belief that the recognition of exceptional performance has a potential motivational impact on teams and on individuals and agreed that the structure of the existing Exceptional Bonus Award, designed to recognise and reward exceptional performance of our executive directors, remained fit for purpose.

In order to reflect our aim of addressing the total remuneration package of our executive directors, we propose to increase the quantum of the maximum award from 100% of base salary to 150% of base salary.

In order to reflect alignment with shareholder interests, the committee proposes to increase the proportion of the award required to be invested by our executive directors (post tax) in Company shares from 50% to 67% and to increase the minimum period that these shares are to be held from two to three years.

The committee noted that there may be more tax efficient mechanisms to achieve this share purchase, but the executives choose not to employ these alternatives, believing it inappropriate to use the Company's tax resources for the benefit of two individuals.

In order to further promote alignment with the experience of the wider workforce, the committee's judgements around the proposed changes to the Exceptional Bonus Award were made in tandem with the changes to the terms of the Group Profit Share scheme described earlier.

In applying discretion to both the Exceptional Bonus Award and the Group Profit Share scheme, the committee is preventing formulaic outcomes and strengthening the alignment of experience between awards to the executive directors, shareholders and the wider workforce.

When considering the potential payment of an exceptional bonus, the committee applies discretion to a suite of financial indicators including growth, margin, Group profit, earnings per share, cash generation and dividend payments made. If performance against this basket of criteria is exceptional, the Group will have generated sufficient profit and cash to have paid dividends to shareholders and appropriate cash payments to all staff under the Group Profit Share scheme. Each of these stakeholders are considered by the committee before making bonus payments to our executive directors.

There are no elements of executive variable pay that are assigned to the achievement of specific non-financial goals. The committee's view is that progress with the implementation of strategic objectives, completion of particular projects or progress with ESG elements are fundamental to our executive directors' roles and the isolation of particular elements to attract specific reward might distract from the performance of the business in the round or inadvertently emphasise the priorities of a particular stakeholder.

The exceptional bonus does not contain a mechanism to pay out for 'on target' performance. This may amplify complexity when comparing with other FTSE companies where threshold payments are applied, but our position is that performance that is in line with expectations is covered by the base salary element of the remuneration package.

The committee notes the recent initiatives of other companies to use ESG targets as a mechanism to trigger bonus awards. Our decision not to do this should not be interpreted as a lack of commitment to ESG. In fact, Games Workshop's long-established strategic statement emphasises our intention 'to do this forever'. This is such an entrenched part of Games Workshop's ethos that there we do not believe that we should introduce specific targets which might distract from or emphasise particular elements of this intent. Our expectation is that ESG progress is covered by the base salary element of the remuneration package.

REMUNERATION REPORT continued

We are aware that the Code states that remuneration schemes should promote long-term shareholdings by executive directors to support alignment with shareholder interests.

Our position remains that the benefits of granting LTIP share awards for this purpose are outweighed by the potential negative impact of LTIPs on the unique culture of Games Workshop and the potential to widen the multiple of CEO and CFO remuneration, when compared to the wider workforce.

In association with the remuneration committee's judgement to retain a policy without LTIP share awards, we have also decided to maintain our position where the executive directors are not subject to in-employment nor post-cessation minimum shareholding requirements.

We have chosen not to impose these conditions as, on the basis of their conduct, long service and consistent outstanding performance, the committee is satisfied that our executive directors' behaviour is focussed on the long term and is aligned with shareholder interests.

The established Exceptional Bonus Award enables the committee to reward and recognise the executive director's effectiveness in a way that promotes overall shareholding and the alignment of interests with shareholders. Going forward, the committee will require the executive directors to invest 67% (previously 50%) of any bonus awards (net of tax) into Company shares at market price, which are expected to be held for a minimum of three years (previously two years).

At the time of writing, both executive directors have significant shareholdings, all of which have been purchased from their personal post-tax resources.

Conclusion

The board takes seriously its responsibilities in applying the principles of UK corporate governance - properly incentivising executive directors and senior management forms part of this responsibility.

The committee and the board's philosophy to pay and reward remains the same, believing that the main focus of the remuneration policy should be on the fixed elements of pay. The committee has discussed and is very mindful of the risks of incentive plans and complex bonus schemes driving short-term and/or individual behaviour which are not in the interests of the Company and its shareholders. As such, the committee has no intention of introducing any form of long-term incentives at this time. However, the committee undertakes to seek to be appropriately informed on market dynamics and to listen to the Company's key stakeholders, in order to ensure that the executive directors are appropriately rewarded, retained and motivated.

As a board we have high performance expectations and the executive directors are even more demanding of themselves and of their teams. Consequently, due to the stretching nature of underlying performance criteria for the Exceptional Bonus Award that the policy allows, the committee does not necessarily anticipate that awards will be made under the Exceptional Bonus Award each and every year.

The remuneration committee notes that our policy will never fully address the shortfall in total remuneration compared to the majority of FTSE peers because neither the committee nor the executives themselves believe that LTIPs are in line with Games Workshop's culture and values.

Looking to the future, the committee will continue to monitor the consistency of the remuneration policy across the Group with a view to ensuring that an appropriate reward structure exists to recognise and retain our key executives. As part of this process the committee will continue to keep under review and discuss regularly the effectiveness of the company's approach to remuneration and its component parts.

The committee will continue to engage key stakeholders during the years ahead in order to consider any modifications which should be made beyond the recent changes to base pay and Group Profit Share scheme and the proposed changes to the Exceptional Bonus Award described within this report, which we submit to shareholders for approval at the 2021 AGM.



John Brewis
Chair
Remuneration committee

Annual report on remuneration

This part of the report sets out the directors' remuneration policy, subject to approval by shareholders at the 2021 AGM.

The aim of the Group's remuneration policy is to reward fairly and to attract, motivate and retain high quality management. The total size of the remuneration package for executive directors is judged by and compared with the remuneration packages of similar companies, having regard to:

- the size of the company, its turnover, profits and number of people employed
- the diversity and complexity of the business
- the geographical spread of the business
- the growth and expansion profile

The remuneration committee is able to employ remuneration consultants to provide reference and advice, which is subject to independent evaluation by the committee. During 2020, the committee commissioned Alvarez & Marsal to conduct an exercise to benchmark the remuneration packages of our two executive directors. This consultancy has no other connection with the company nor any of its directors. Fees of £10,000 were paid on a fixed fee basis to Alvarez & Marsal for the benchmarking exercise.

The Company's non-executive directors are remunerated with fees in line with market rates. They do not receive any pension or other benefits, other than the reimbursement of reasonable expenses, and they do not participate in any bonus or share schemes.

Remuneration policy table

The table below summarises each of the components of the remuneration package for directors of the Company which comprise the policy proposed for approval at the 2021 AGM. The committee may make minor changes to the policy, which do not have a material advantage to the directors, to aid its operation or implementation, taking account of the interests of shareholders but without the need to seek shareholder approval.

Component	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Salary	Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the business.	Reviewed annually and usually fixed for 12 months from 1 June. There is no entitlement to an annual increase. Takes into consideration the director's role and attitudes. Takes into account prevailing market conditions and is aligned with staff pay reviews. Externally benchmarked by independent remuneration consultants from time to time against companies of a similar size and complexity.	There is no prescribed maximum annual increase in salary. Salaries are reviewed taking into consideration salary increases across the Group. Increases out of line with the workforce are carefully considered but may be awarded taking all relevant factors into account, for example, increases in scope and responsibility or salary falling significantly below market positioning.	Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.
Benefits	Ensures the overall package is competitive. Purpose is to recruit and retain directors of the calibre required for the business. Participation in the Sharesave scheme creates staff alignment with the Group and promotes a sense of ownership.	The executive directors each receive life assurance cover. The Sharesave scheme is a HMRC approved monthly savings scheme facilitating the purchase of shares at a discount. Where appropriate other benefits may be offered including allowances for relocation and other expatriate benefits.	Set at a level which the committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances. Sharesave contributions are as permitted in accordance with the relevant tax legislation.	Not applicable.
Pension	To provide cost effective retirement benefits.	Participation in a group personal pension scheme.	Up to 7.5% of salary up to a maximum of £4,000 per annum. Subject to changes in pension tapering by HMRC, any excess between 7.5% of salary and £4,000 is paid as additional salary (net of employers' national insurance).	Not applicable.

REMUNERATION REPORT continued

Component	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Group Profit share	Rewards performance against annual targets linked to core business operating profit.	Targets are set annually, and any pay-out is determined by the committee, based on performance against those targets. All eligible staff participate equally in the scheme – with the exception of the two executive directors who are excluded. Awards are payable in cash.	Maximum potential value is an equal share of up to 10% of operating profit before royalties receivable.	Pay-out is subject to the independent discretion of the remuneration committee taking into account a basket of financial indicators. Payments to eligible employees range from nil to an equal share of up to 10% of operating profit before royalties receivable. The two executive directors will no longer be eligible to receive payments under the Group Profit Share scheme from June 2021 onwards.
Exceptional Bonus Award	Rewards exceptional performance.	Any pay-out is determined by the committee after the year end, based on performance. Awards are payable in cash with 67% of the net amount required to be invested in the Company's shares, with an expectation that these are held for at least three years.	Maximum potential value is 150% of base salary.	The payment is at the discretion of the committee based on exceptional financial and operational performance being achieved during the year.
Non-executive directors' fees	Sole element of non-executive director remuneration is set at a level that reflects market conditions.	Fees are reviewed annually taking into account time commitment, responsibilities and fees paid by comparable companies. Additional fees are paid to the senior independent director to reflect additional responsibilities. Non-executive directors are entitled to claim reasonable out of pocket expenses in connection with the performance of their duties.	Fees are based on the level of fees paid to non-executive directors serving on boards of listed companies of a similar size and complexity.	Not applicable.

Changes to the remuneration policy

As described in the first section of this remuneration report, under the policy approved at the 2018 AGM the remuneration committee revised the terms of the Group Profit Share scheme, applicable from June 2021 and the base pay of the executive directors from 1 November 2020.

Going forward, the committee seeks approval for the sole change from the remuneration policy approved in 2018, which is to increase the maximum bonus opportunity for the Exceptional Bonus Award for our two executive directors from 100% to 150%, with an associated increase in the requirement to invest any cash payment, net of tax, from 50% to 67% and for the extension of expectation that these shares will be held from two to three years.

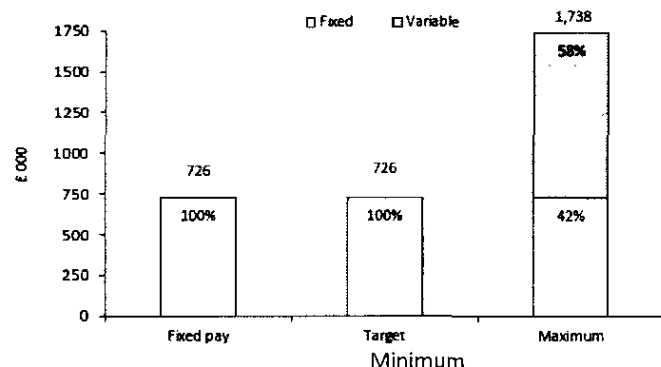
Explanation of the performance metrics chosen

The performance measures selected are aligned with the Company's strategy and business objectives. The remuneration committee considers a basket of financial measures when applying discretion to any payments under the terms of this policy.

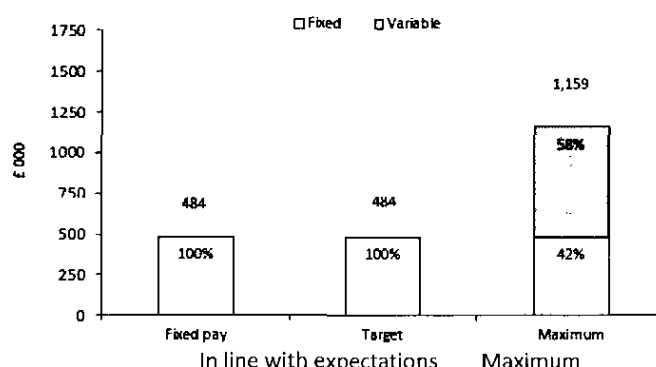
Illustration of application of the policy

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

K D Rountree



R F Tongue



Fixed pay	Fixed elements of salary, benefits and pension. Salary is at 30 May 2021 and the value of benefits has been assumed to be equivalent to that included in the single figure remuneration table on pages 42 and 43.	As per minimum	As per minimum
Exceptional Bonus Award	Nil	Nil	150% of salary

Differences in policy from the wider employee population

The Company aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the Group operates the same core principles for the wider employee population as it does for the executive directors, namely:

- to remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth
- to seek to remunerate fairly and consistently for each role with due regard to the market-place and internal consistency
- to apply the profit share equally to all employees (excluding the executive directors)
- to encourage employees to own shares through the operation of the sharesave scheme.

As is common practice, the Company has introduced elements of variable pay through an Exceptional Bonus Award which is focused on the executive directors to ensure that the overall remuneration policy remains market competitive.

Remuneration policy for new directors

When setting the remuneration package for a new executive director, the committee would seek to apply the same principles and implement the policy framework as set out above. Base salary will be set at a level appropriate for the role and the experience of the director being appointed. Benefits, pension, profit share and the Exceptional Bonus Award will be in line with the stated policy. Any buy-out award, should one be required, would be limited to the amount of salary that would be forgone.

Non-executive director fees will be set at a competitive market level, reflecting the skills, knowledge, experience, responsibilities and time commitment.

Directors' service contracts and letters of appointment

Executive	Date of contract	Unexpired term of contract	Notice period
K D Rountree	25 February 2009	Rolling contract	12 months
R F Tongue	25 March 2015	Rolling contract	12 months
Non-executive	Date of appointment	Date of last re-election at an AGM	Notice period
N J Donaldson*	18 April 2002	18 September 2020	6 months
E O'Donnell	28 November 2013	18 September 2020	6 months
J R A Brewis	20 June 2018	18 September 2020	6 months
K E Marsh	24 July 2019	18 September 2020	6 months
S Matthews	1 November 2020	-	6 months

*retired on 31 May 2021

REMUNERATION REPORT continued

Directors' service contracts and letters of appointment continued

In accordance with best practice and as set out in the Code, notice periods in new service contracts for executive directors are set at one year. Non-executive director appointments are made through letters of appointment for a one-year term, subject to election and re-election by the Company's shareholders in accordance with the Company's articles and the Code. The letters of appointment may be inspected at the Company's registered office.

Policy on payment for loss of office

If an executive director's employment is to be terminated, the committee's policy in respect of the service agreement (in the absence of a breach of the service agreement by the director) is to agree a termination payment based on the value of base salary and contractual pension and other benefits that would have accrued to the director during the contractual notice period. Depending on the particular circumstances, a director may work the notice period, be placed on garden leave for some or all of the notice period or receive a payment in lieu of notice in accordance with the service agreement. The committee will consider mitigation to reduce the termination payment to a leaving director when appropriate to do so, having regard to the specific circumstances.

Non-executive directors' appointments may be terminated without compensation but with six months' notice.

External appointments

The executive directors may each accept one external appointment with the prior approval of the board, from which any fees may be retained. At present, neither of the executive directors hold any outside directorship.

No additional non-executive directorships have been accepted by any of the directors during the year.

Consideration of employment conditions elsewhere in the Group

The Group aims to provide a remuneration package to all employees that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the employee population, taking into account local employment market conditions.

The committee takes into account the general basic salary increase being offered to employees elsewhere in the Group when annually reviewing the salary increase and remuneration of the executive directors. Employees are not consulted in respect of board remuneration. The committee also reviews general workforce remuneration and the alignment of incentives with Games Workshop's culture to ensure it remains appropriate.

Engagement with the workforce in relation to explaining how executive remuneration policies align with the wider company pay policy took place through attendance by committee members at the Games Workshop Global Communications Forum meetings.

Consideration of shareholder views

The committee takes into account shareholder feedback received on remuneration matters, including comments in relation to the resolutions at the AGM in addition to any additional comments in correspondence direct with the Company. The committee would seek to engage directly with major shareholders should any material changes be made to the policy.

Annual report on remuneration (subject to audit)

The tables below set out in a single figure the total remuneration, including each element, for each person who served as a director of the Company during the financial years ended 31 May 2020 and 30 May 2021.

Year ended 30 May 2021

	Salary/fees £000	Pension related benefits £000	Total fixed pay £000	Sharesave option gain £000	Exceptional Bonus Award £000	Profit share £000	Total variable pay £000	Total £000
K D Rountree	649	4	653	122	613	-	735	1,388
R F Tongue	409	4	413	117	388	-	505	918
N J Donaldson*	103	-	103	-	-	-	-	103
E O'Donnell	93	-	93	-	-	-	-	93
J R A Brewis	55	-	55	-	-	-	-	55
K E Marsh	52	-	52	-	-	-	-	52
S Matthews**	30	-	30	-	-	-	-	30
Total	1,391	8	1,399	239	1,001	-	1,240	2,639

*N J Donaldson retired from the board on 31 May 2021

**S Matthews was appointed on 1 November 2020

Year ended 31 May 2020

	Salary/fees £000	Pension related benefits £000	Total fixed pay £000	Exceptional Bonus Award £000	Profit share £000	Total variable pay £000	Total £000
K D Rountree	552	9	561	105	1	106	667
R F Tongue	312	9	321	60	1	61	382
N J Donaldson	140	-	140	-	-	-	140
C J Myatt*	18	-	18	-	-	-	18
E O'Donnell	58	-	58	-	-	-	58
J R A Brewis	52	-	52	-	-	-	52
K E Marsh**	44	-	44	-	-	-	44
Total	1,176	18	1,194	165	2	167	1,361

*C J Myatt retired from the board at the 2019 AGM

** K E Marsh was appointed on 24 July 2019

The figures in the single figure tables above are derived as follows:

Salary/fees - the amount of salary/fees received in the year including any additional salary due in excess of the pension tapering limits.

Pension related benefits - the cash value of pension contributions received by the executive directors. This includes the Company's contribution into the group personal pension scheme.

Sharesave option gain - the difference between the share price on the date of exercise and the option price multiplied by the number of shares exercised.

Exceptional Bonus Award - 100% of salary was accrued in relation to performance in 2020/21 and 20% of salary was accrued in relation to performance in 2019/20.

Profit share - the amount of profit share earned in the year. A payment of £500 each was paid in 2020/21 and £1,000 each was paid in 2019/20 to K D Rountree and R F Tongue in line with the rules of the scheme.

No taxable benefits were paid.

During 2020/21 and 2019/20 there were no payments made for loss of office.

CEO remuneration

Year	CEO	Total remuneration £000	% of maximum exceptional bonus award paid	% of maximum profit share paid ***
2021	K D Rountree	1,388	100	50
2020	K D Rountree	667	20	100
2019	K D Rountree	1,077	20	100
2018	K D Rountree	438	100	100
2017	K D Rountree	401	n/a	100
2016	K D Rountree	402	n/a	-
2015	K D Rountree	168	n/a	-
2015	T H F Kirby*	291	n/a	-
2014	T H F Kirby	511	n/a	-
2013	T H F Kirby	132	n/a	54
2013	M N Wells**	774	n/a	-
2012	M N Wells	319	n/a	48

*T H F Kirby stepped down as CEO on 31 December 2014 and K D Rountree was appointed CEO with effect from 1 January 2015.

**M N Wells resigned on 31 January 2013 and so all of his remuneration for 2012/13, including the payment for compensation for loss of office, is included in this table.

***Maximum profit share paid was between £1,000 and £250.

REMUNERATION REPORT continued

Percentage change in directors' remuneration

The table below shows how the percentage change in the directors' salary/fees in 2020/21 compares with the percentage change in the average remuneration and profit share of all employees within the Group. The committee has selected the Group's entire staff population (excluding the directors) as these represent the most appropriate comparator.

	Salary/fees	Exceptional Bonus Award	Profit share/discretionary payment
K D Rountree	+17.7%	+483.8%	-50%
R F Tongue	+31.2%	+546.7%	-50%
N J Donaldson (i)	-26.2%	n/a	n/a
E O'Donnell (ii)	+62.0%	n/a	n/a
J R A Brewis (iii)	+6.4%	n/a	n/a
K E Marsh (iv)	+16.9%	n/a	n/a
S Matthews (v)	-	n/a	n/a
Wider workforce	+7.2%	+78.2%	+400%

(i) N J Donaldson retired from the board on 31 May 2021

(ii) E O'Donnell was appointed as non-executive chair on 1 January 2021

(iii) J R A Brewis was appointed senior independent director on 1 January 2021

(iv) K E Marsh was appointed on 24 July 2019

(v) S Matthews was appointed on 1 November 2020

The profit share payment to the CEO was £1,000 in 2019/20 and £500 in 2020/21 in accordance with the remuneration policy. The wider workforce was paid a profit share payment of £1,000 in both years. An additional £4,000 discretionary payment per employee was paid to the wider workforce in 2020/21 only.

Remuneration cost and profit share/discretionary bonus for the wider workforce have been calculated using the average exchange rates for the year ended 31 May 2020 for both periods.

CEO pay ratio

We publish our CEO pay ratio in accordance with the Companies (Miscellaneous Reporting) Regulations 2018. In order to calculate our CEO pay ratios for 2020/21, we opted for Option A as this is the most statistically accurate method. For Option A, the total FTE remuneration for all the Group's UK employees for the relevant financial year is determined and those employees are ranked from low to high, based on their total FTE remuneration. The employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points are then identified.

2020/21

	CEO	25 th percentile	50 th percentile	75 th percentile
Pay ratio		61:1	49:1	34:1
Pay data (£000)	1,388	23	28	41

2019/20

	CEO	25 th percentile	50 th percentile	75 th percentile
Pay ratio		34:1	26:1	19:1
Pay data (£000)	667	20	25	34

To calculate these ratios, we determined the full time equivalent pay and benefits for all UK employees in the financial year 2020/21 based on actual earnings reports as at 30 May 2021. The pay and benefits used to calculate the ratios include basic salary, pension, bonus payments, profit share, sharesave option gain and additional payments in relation to their role. Where an employee joined part way through the year, the monthly FTE pay was calculated and applied to the months before they joined.

In the year, the CEO was awarded an Exceptional Bonus Award of £613,000 compared to £105,000 in the prior year. In addition, the CEO also received an increase in salary during the year from £525,000 to £675,000. The workforce received a discretionary payment of £4,000 each in 2020/21 (2020: nil).

CEO pay ratio continued

The multiple of the CEO's remuneration, compared to percentiles within the workforce was considered by the committee when making judgements around executive reward. The committee accepts that the result of the proposed remuneration policy will lead to the executive directors' remuneration being a considerable multiple, compared to other elements of the organisation. In reviewing executive remuneration and the CEO multiple, the committee has taken a number of themes into account:

- One of the guiding principles of our policy is that in order to 'attract and retain' talented staff we need to have remuneration, which is in line with what Games Workshop employees could earn in a broadly similar role in a broadly similar organisation. As this is true throughout the organisation it must also apply to our executive directors. The amount our executive directors could earn in other organisations is available for all to read in the publicly available report and accounts published by other companies in the FTSE. In fact, the absence of LTIPs means that the potential total remuneration available to our executive directors is significantly lower when compared to other companies within the FTSE 250.
- Games Workshop has an established track record of internal promotion, blended with external recruits who fit with the organisation and bring additional expertise. While the remuneration packages of our two executive directors are significant, the fact that they have both achieved these positions after more than twenty years' service with the Company is evidence that others could do too.
- This multiple is clearly largest when compared to employees at the lower end of the pay spectrum, but this is moderated to some extent by the Company's decision to:
 - pay the minimum living wage, regardless of age
 - ensure that Exceptional Bonus Awards are not made to executive directors unless the Group Profit Share Scheme is also paid
 - award the Group Profit Share equally, to all staff, which represents a higher percentage payment to lower paid staff

We are satisfied that the ratios accurately reflect our approach to pay and benefits.

Share price changes

The directors' remuneration does not vary depending on share price appreciation or depreciation.

Relative importance of spend on pay

The following table sets out the percentage change in dividends, profit attributable to owners and employee remuneration for the year ended 30 May 2021, compared to the year ended 31 May 2020:

	2021 £m	2020 £m	% change
Total staff costs	99.9	81.6	+22.4%
Profit attributable to owners	122.0	71.3	+71.1%
Dividends declared and paid	60.5	47.3	+27.9%

Statement of voting at the last AGM

At the last AGM, significant votes on remuneration and nomination related resolutions were cast as follows:

	Votes for	% of vote	Votes against	% of vote	Votes withheld	% of vote
To re-appoint N J Donaldson	14,030,878	65.9	5,140,662	24.2	2,112,821	9.9
To approve the remuneration report	20,434,999	96.0	785,639	3.7	63,723	0.3

N J Donaldson retired from the board on 31 May 2021. The board of Games Workshop remains fully committed to shareholder engagement and welcomes ongoing dialogue with all investors

Implementation statement

A summary of the remuneration arrangements in 2020/21 and how the policy will be applied during 2021/22 is set out below:

The structure of the remuneration policy is clear:

The remuneration committee has an open and robust dialogue with our executives, who clearly understand the policy. The chair of the remuneration committee has directly communicated and consulted with all shareholders who hold 2% or more of the Company's shares. For those shareholders who agreed to an online meeting, he was joined by Elaine O'Donnell, to demonstrate the full engagement of the board with matters of remuneration. Separately, John attended the Games Workshop Communications Forum to discuss the operation of the remuneration policy and answer any questions from employee representatives.

The structure of the remuneration policy is simple:

The fixed element of our executive's remuneration is made up of a fixed base salary with a defined percentage pension contribution, which is equal to the percentage contribution available to the wider workforce. Our policy avoids the use of additional benefits or allowances. The variable element of executive remuneration is made up of a single Exceptional Bonus Award, which is awarded at the independent discretion of the remuneration committee in the event that proven, exceptional performance has been delivered.

The structure of the remuneration policy avoids risks:

Our remuneration policy avoids the potential for reputational risks from excessive rewards and the behavioural risks that might arise from target-based incentive plans simply and effectively - by not including any target-based incentives.

The remuneration policy has predictable outcomes:

The outcomes of the potential rewards are subject to clear limits and caps. The Exceptional Bonus Award is directly related to base salary alone, with a maximum potential bonus payment of 100% (going forward 150%) annually to each of our two executive directors.

REMUNERATION REPORT continued

Implementation statement continued

The remuneration policy reflects a focus on delivery of our strategy and is aligned to company purpose, values and culture:

A focus on the long-term is deeply embedded in the strategy of the company and the behaviours and values of our two executive directors. Our mission is to 'make the best fantasy miniatures in the world, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever'. 'Forever' is a very important word to us and all of our decisions are focussed on the long term success and not short term gains.

As such, the main focus of our remuneration policy continues to be on the fixed elements of pay. The Exceptional Bonus award is just that - a reward for delivering proven, audited, performance that is viewed as 'exceptional' by the independent judgement of the non-executives on the remuneration committee. There is no potential for formulaic outcomes, which might reward poor performance.

In order to align with the experience of shareholders, the executive directors are required to invest 50% (going forward 67%) of these bonus payments (post tax) in the Company's shares on the open market, after the results have been published. There is no dilution of shares, no compensation for taxation issues and Exceptional Bonus Award payments to the executive directors are subject to clawback.

The Group Profit Share Scheme allows up to 10% of Group Operating Profit, before royalties receivable, to be paid, equally, to all staff (other than the two executive directors). These payments are also subject to the independent discretion of the remuneration committee, ensuring the variable elements of the executive directors' remuneration are completely aligned with the experience of the wider workforce.

Salary and fees

In 2020, the committee undertook a benchmarking exercise performed by external remuneration advisers. This reviewed the salaries of the executive and non-executive directors in order to assess how they compared with prevailing market levels of remuneration. Changes to salary were therefore made in 2020.

The remuneration policy for the non-executive directors is determined by the board and is reviewed every year. Fees were externally benchmarked, taking account of the duties and responsibilities placed on the non-executive directors. The non-executive directors do not participate in the Group's Sharesave scheme or profit share scheme nor do they receive any benefits or pension contributions.

An increase to the non-executive director base fees of 3%, in line with pay rise applicable to the wider employee population, is proposed from 1 June 2021.

Profit share

Pay-out is subject to the independent discretion of the remuneration committee taking into account a basket of financial indicators.

Payments to eligible employees range from nil to an equal share of up to 10% of operating profit before royalties receivable. The executive directors do not participate in this scheme.

Exceptional Bonus Award

The maximum Exceptional Bonus Award is up to 150% of base salary for the two executive directors, per year. The performance criteria are at the discretion of the remuneration committee. The committee is of the opinion that disclosing detailed performance criteria in advance would not be in shareholder interests. A discussion of performance attributable to any future awards will be included in the annual report on remuneration for that year, so that shareholders can fully assess the basis for any payouts.

Sharesave

A further award of options will be made under the new sharesave scheme during the year which is on the same basis as previous years.

Pension

Executive directors will continue to receive up to 7.5% of salary subject to a maximum of £4,000 per annum and the tapering restrictions set out in the remuneration policy. Any excess between 7.5% of salary and £4,000 is paid as additional salary (net of employer's national Insurance).

Remuneration and nomination committees

The remuneration committee is appointed by the board and comprises John Brewis (chair), Kate Marsh and Sally Matthews. The remuneration committee is responsible for setting the remuneration packages of the executive directors as well as approving their service contracts. The nomination committee comprises Elaine O'Donnell, John Brewis, Kate Marsh and Sally Matthews. The nomination committee is responsible for the composition of the board. The terms of reference for both committees are available on the Company's investor relations website.

Advisers

In 2020 the committee was assisted in its work by Alvarez & Marsal who were appointed by the Company in consultation with the committee. The committee assessed whether Alvarez & Marsal was independent and objective in the provision of its remuneration advice and concluded that it was independent and objective.

Directors' interests in shares of the Company

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

	As at 30 May 2021		As at 31 May 2020	
	Ordinary shares of 5p each		Ordinary shares of 5p each	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K D Rountree	7,689	-	5,899	-
R F Tongue	6,860	-	5,314	-
N J Donaldson*	6,700	2,000	13,400	3,300
E O'Donnell	2,500	2,593	3,300	1,793
J R A Brewis	214	-	-	-
K E Marsh	-	-	-	-
S Matthews	-	-	-	-

*N J Donaldson retired from the board on 31 May 2021

Share options

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

	At 1 June 2020	Exercised	Granted	Number as at 30 May 2021	Exercise dates		Exercise price
					Commencement	Expiry	
K D Rountree	1,376	1,376	-	-	Nov 2020	Apr 2021	£13.0774
K D Rountree	-	-	252	252	Nov 2023	Apr 2024	£71.4267
R F Tongue	1,376	1,376	-	-	Nov 2020	Apr 2021	£13.0774
R F Tongue	-	-	252	252	Nov 2023	Apr 2024	£71.4267

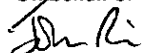
The options above were granted under the Games Workshop Group PLC 2015 Sharesave Scheme which grants options at a 20% discount on the market price at grant. Participants save a fixed amount monthly for three years in order to fund the exercise of the option. At exercise an individual may choose to exercise their option or have their savings repaid to them. This scheme is open to all eligible employees and directors who satisfy a service qualification of at least three months. There are no performance targets associated with these options. No other directors have been granted share options in the shares of the Company.

There were no movements in directors' interests in shares of the Company between 30 May 2021 and the date of this report with the exception of K D Rountree who acquired 32 shares from the dividend reinvestment plan on 5 July 2021.

Performance graph

The graph below represents the comparative total shareholder return performance of the Company against that of the index of the FTSE 250 companies during the previous ten years. The index of the FTSE 250 companies has been used because the constituents of this index most appropriately reflect the Company's size when compared to alternative indices.

On behalf of the board



J R A Brewis

Chair

Remuneration committee

26 July 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group and Company financial statements in accordance with the international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) no 1606/2002 as it applies in European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the directors' report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board



R F Tongue

CFO

26 July 2021

COMPANY DIRECTORS AND ADVISERS

Directors

E O'Donnell, non-executive chair
K D Rountree, chief executive officer
R F Tongue, chief financial officer
J R A Brewis, senior non-executive director
N J Donaldson, non-executive director (retired 31 May 2021)
K E Marsh, non-executive director
S Matthews, non-executive director (appointed 1 November 2020)

Company secretary

R Matthews

Registered office

Willow Road, Lenton, Nottingham, NG7 2WS

Registered number

2670969

Financial advisers and stockbrokers

Peel Hunt LLP, 100 Liverpool Street, London, EC2M 2AT

Chartered accountants and independent statutory auditors

PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington, DE74 2UZ

Registrars

Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA

Solicitors

Browne Jacobson, Victoria Square House, Victoria Square, Birmingham, B2 4BU

INDEPENDENT AUDITORS' REPORT

To the members of Games Workshop Group PLC

Report on the audit of the financial statements

Opinion

In our opinion, Games Workshop Group PLC's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 May 2021 and of the Group's and Company's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report (the 'annual report'), which comprise: balance sheets as at 30 May 2021; the consolidated income statement, the statements of comprehensive income, the consolidated and Company cash flow statements, the consolidated statement of changes in total equity and the Company statement of changes in total equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit and risk committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group and Company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group and Company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. Other than those disclosed in the audit and risk committee report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Sales volumes of the Group have continued to increase year on year which has resulted in an increase in profit before tax. This increase is despite the COVID-19 pandemic which affected retail sales volumes during the current year, partially offsetting the sales growth in trade and online sales volumes. The Group's performance in the year has resulted in an increase in the levels of materiality used to audit the Group financial statements.

Overview

Materiality	• Overall Group materiality: £7.5 million (2020: £4.5 million), based on 5% of consolidated profit before tax. • Overall Company materiality: £0.6 million (2020: £0.4 million), based on 1% of total assets. • Performance materiality: £5.6 million (Group) and £0.45 million (Company).
Audit scope	• Full scope audits were performed on five separate reporting units and were all conducted by the Group engagement team. The reporting units audited included the four largest trading units in the Group and the Company. • Specified procedures were performed by the Group engagement team over certain balances in a further 2 reporting units • The audited reporting units accounted for 82% of consolidated revenues and 90% of consolidated profit before tax.
Key audit matters	• Accounting for IFRS 16 (Group) • Impact of COVID-19 (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Capitalisation of product development costs, which was a key audit matter last year, is no longer included because of the value of internally generated development costs capitalised in the current year is not significant in relation to the current year materiality. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for IFRS 16 (Group) Refer to page 31 (audit and risk committee report). Total right of use assets of £46m and total lease liabilities of £47m were recognised as at the year end date. These values are significant in magnitude in relation to materiality. Management calculated the value of the right of use assets and lease liabilities using a spreadsheet model. Given the manual nature of the spreadsheet used by management, there is an inherently heightened risk of error. This has the potential to result in material misstatement given the magnitude of the right of use assets and lease liabilities recognised under IFRS 16 at the year end. Management's model does not contain significant levels of judgement or estimation.	We have assessed the appropriateness of management's model in determining the values of the right of use assets and lease liabilities. We found the model methodology to be consistent with IFRS 16. We have recalculated the accounting entries and confirmed the mathematical accuracy of the calculations within management's model. We tested a sample of lease data in management's model to the prior year audited model or our testing of new and modified leases, and confirmed there have been no inappropriate changes made to the lease data in management's model.
Impact of COVID-19 (Group and Company) Refer to page 31 (audit and risk committee report). During the financial year, the COVID-19 pandemic has had a significant impact on the Group. Lockdown measures resulted in a large number of retail stores closing globally for a period of time during the year which had a significant impact on the revenue and profit results of the retail segment for the year. Management have considered implications for the Group's going concern assessment, potential impairment of certain assets and appropriate disclosure in the financial statements, by developing downside scenarios to model potential impacts. The results of these scenarios did not indicate a material uncertainty over going concern or any potential material impairment indicators. Management have provided disclosure in the financial statements relating to the risks and impact associated with COVID-19. There was no significant impact on the systems or controls of the Group.	In respect of going concern: - We evaluated management's base case and severe but plausible downside scenarios including challenging the key assumptions included in the forecast cash flows. We further sensitised management's forecasts to understand the impact of more prudent assumptions and whether this would impact the conclusion drawn by management. - We assessed the integrity and mathematical accuracy of management's model, as well as agreeing underlying data inputs to supporting documents. - We assessed whether management's mitigating actions are reasonable and within their control based on our understanding of the business, including the nature of its cost base. - We obtained evidence to support disclosures within the financial statements and checked that the disclosures within the annual report are consistent with the financial statements, management's base case and downside scenarios and the knowledge gained during the audit. - We found the scenarios, assumptions and mitigating actions to be reasonable and in line with our knowledge of the Games Workshop business and current COVID-19 situation. Our conclusion in respect of going concern is included in the "Conclusions relating to going concern" section below. In respect of asset impairment: - We considered management's assessment of indicators of impairment, specifically in relation to the impairment of inventory, property, plant and equipment, right of use assets, trade and other receivables and intangible assets, and validated that management's assessment is consistent with other forecasts, for example the base case scenario for the going concern assessment. - We further sensitised management's assessment for indicators of impairment to understand the impact of more prudent assumptions and whether this would impact the conclusion drawn by management. - We assessed the integrity and mathematical accuracy of management's assessment, as well as agreeing underlying data inputs to supporting documents. - We found management's assessment for indicators of impairment to be reasonable and do not consider there to be any indicators of material impairment as at the balance sheet date or subsequently (for disclosure only).

INDEPENDENT AUDITORS' REPORT continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Our Group scoping is based on the Group's consolidation structure. We define a component as a single reporting unit which feeds into the Group consolidation. We identified five reporting units which, in our view, required an audit of the complete financial information both due to size or risk characteristics. The audits of the five reporting units in full scope were all conducted by the Group engagement team. The reporting units audited included the four largest trading units in the Group and the Company.

We identified a further 2 reporting units with certain balances to be targeted for audit due to size. Specified procedures were performed by the Group engagement team over these balances. This approach ensures that appropriate audit coverage has been obtained over all financial statement line items.

The audited reporting units and balances accounted for 82% of consolidated revenues and 90% of consolidated profit before tax. The Company is comprised of one reporting unit which was subject to a full scope audit for the purposes of the Company financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	<i>Group financial statements</i>	<i>Company financial statements</i>
Overall materiality	£7.5 million (2020: £4.5 million).	£0.6 million (2020: £0.4 million).
How we determined it	5% of consolidated profit before tax.	1% of total assets.
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	The Company does not trade and therefore total assets is considered to be the most appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £600,000 and £6,750,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,600,000 for the Group financial statements and £450,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above £375,000 (Group audit) (2020: £160,000) and £30,000 (Company audit) (2020: £19,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Assessment of forecast profit and cash flows for a period of at least 12 months from the signing of the financial statements, including consideration of severe but plausible downside scenarios and the procedures as described in our Impact of COVID-19 key audit matter above.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Conclusions relating to going concern continued

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report, directors' report and corporate governance report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and Directors' report for the year ended 30 May 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report.

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the corporate governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the annual report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITORS' REPORT continued

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the annual report describing the work of the audit and risk committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and overseas tax legislation, employment laws, environmental regulations and unethical or prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Challenging assumptions and judgements made by management in their accounting estimates and judgements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Auditors' responsibilities for the audit of the financial statements continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting***Companies Act 2006 exception reporting***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit and risk committee, we were appointed by the members on 17 January 2005 to audit the financial statements for the year ended 29 May 2005 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ended 29 May 2005 to 30 May 2021.



Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
26 July 2021

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Revenue	4	353.2	269.7
Cost of sales		(96.3)	(89.1)
Gross profit		256.9	180.6
Operating expenses	4,5	(121.5)	(107.4)
Other operating income – royalties receivable		16.3	16.8
Operating profit	4	151.7	90.0
Finance income	7	0.2	0.1
Finance costs	8	(1.0)	(0.7)
Profit before taxation	9	150.9	89.4
Income tax expense	10	(28.9)	(18.1)
Profit attributable to owners of the parent		122.0	71.3

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

	Notes	Year ended 30 May 2021	Year ended 31 May 2020
Basic earnings per ordinary share	11	372.7p	218.7p
Diluted earnings per ordinary share	11	370.5p	217.8p

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group Year ended 30 May 2021 £m	Year ended 31 May 2020 £m	Company Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Profit attributable to owners of the parent		122.0	71.3	78.7	46.4
Other comprehensive (expense)/income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	28	(3.1)	0.5	-	-
Other comprehensive (expense)/income for the year		(3.1)	0.5	-	-
Total comprehensive income attributable to owners of the parent		118.9	71.8	78.7	46.4

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

The notes on pages 60 to 81 are an integral part of these financial statements.

BALANCE SHEETS

	Notes	Group		Company	
		30 May 2021	Restated 31 May 2020	30 May 2021	31 May 2020
		£m	£m	£m	£m
Non-current assets					
Goodwill	13	1.4	1.4	-	-
Other intangible assets	14	23.7	17.6	-	-
Property, plant and equipment	15	49.8	42.0	-	-
Right-of-use assets	16	46.0	36.8	-	-
Investments in subsidiaries	17	-	-	30.6	30.6
Deferred tax assets	18	10.1	8.9	-	-
Trade and other receivables	20	6.3	7.5	3.9	3.9
		137.3	114.2	34.5	34.5
Current assets					
Inventories	19	27.5	20.7	-	-
Trade and other receivables	20	30.6	19.6	5.9	3.9
Current tax assets		1.1	0.2	-	-
Cash and cash equivalents	21	85.2	52.9	20.2	0.2
		144.4	93.4	26.1	4.1
Total assets		281.7	207.6	60.6	38.6
Current liabilities					
Lease liabilities	23	(8.6)	(8.5)	-	-
Trade and other payables	24	(35.4)	(30.3)	(1.9)	(0.8)
Current tax liabilities		(0.1)	(2.8)	-	-
Provisions for other liabilities and charges	26	(0.6)	(1.7)	-	-
		(44.7)	(43.3)	(1.9)	(0.8)
Net current assets		99.7	50.1	24.2	3.3
Non-current liabilities					
Lease liabilities	23	(38.4)	(28.5)	-	-
Other non-current liabilities	25	(0.6)	(0.5)	(0.2)	(0.1)
Provisions for other liabilities and charges	26	(1.7)	(1.6)	(0.1)	(0.1)
		(40.7)	(30.6)	(0.3)	(0.2)
Net assets		196.3	133.7	58.4	37.6
Capital and reserves					
Called up share capital	27	1.6	1.6	1.6	1.6
Share premium account	27	14.5	13.1	14.5	13.1
Other reserves	28	2.1	5.2	0.1	0.1
Retained earnings		178.1	113.8	42.2	22.8
Total equity		196.3	133.7	58.4	37.6

The Company's profit after taxation for the year ended 30 May 2021 is £78.7m (2020: £46.4m).

Comparative financial information for right-of-use assets, non-current lease liabilities and current lease liabilities has been restated. See note 16 for further information.

The notes on pages 60 to 81 are an integral part of these financial statements.

The financial statements on pages 56 to 81 were approved by the board of directors on 26 July 2021 and were signed on its behalf by:



K D Rountree, Director



R F Tongue, Director

Registered number 2670969

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £m	Share premium account £m	Other reserves (note 28) £m	Retained earnings £m	Total equity £m
At 2 June 2019 and 3 June 2019	1.6	12.3	4.7	87.9	106.5
Profit for the year to 31 May 2020	-	-	-	71.3	71.3
Exchange differences on translation of foreign operations	-	-	0.5	-	0.5
Total comprehensive income for the year	-	-	0.5	71.3	71.8
Transactions with owners:					
Share-based payments	-	-	-	0.5	0.5
Shares issued under employee sharesave scheme (note 27)	-	0.8	-	-	0.8
Deferred tax credit relating to share options	-	-	-	0.1	0.1
Current tax credit relating to exercised share options	-	-	-	1.3	1.3
Dividends declared and paid to Company shareholders	-	-	-	(47.3)	(47.3)
Total transactions with owners	-	0.8	-	(45.4)	(44.6)
At 31 May 2020 and 1 June 2020	1.6	13.1	5.2	113.8	133.7
Profit for the year to 30 May 2021	-	-	-	122.0	122.0
Exchange differences on translation of foreign operations	-	-	(3.1)	-	(3.1)
Total comprehensive income for the year	-	-	(3.1)	122.0	118.9
Transactions with owners:					
Share-based payments	-	-	-	1.2	1.2
Shares issued under employee sharesave scheme (note 27)	-	1.4	-	-	1.4
Deferred tax credit relating to share options	-	-	-	0.1	0.1
Current tax credit relating to exercised share options	-	-	-	1.5	1.5
Dividends declared and paid to Company shareholders	-	-	-	(60.5)	(60.5)
Total transactions with owners	-	1.4	-	(57.7)	(56.3)
At 30 May 2021	1.6	14.5	2.1	178.1	196.3

COMPANY STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £m	Share premium account £m	Other reserves (note 28) £m	Retained earnings £m	Total equity £m
At 2 June 2019 and 3 June 2019	1.6	12.3	0.1	23.2	37.2
Profit for the year to 31 May 2020	-	-	-	46.4	46.4
Total comprehensive income for the year	-	-	-	46.4	46.4
Transactions with owners:					
Share-based payments	-	-	-	0.5	0.5
Shares issued under employee sharesave scheme (note 27)	-	0.8	-	-	0.8
Dividends declared and paid to Company shareholders	-	-	-	(47.3)	(47.3)
Total transactions with owners	-	0.8	-	(46.8)	(46.0)
At 31 May 2020 and 1 June 2020	1.6	13.1	0.1	22.8	37.6
Profit for the year to 30 May 2021	-	-	-	78.7	78.7
Total comprehensive income for the year	-	-	-	78.7	78.7
Transactions with owners:					
Share-based payments	-	-	-	1.2	1.2
Shares issued under employee sharesave scheme (note 27)	-	1.4	-	-	1.4
Dividends declared and paid to Company shareholders	-	-	-	(60.5)	(60.5)
Total transactions with owners	-	1.4	-	(59.3)	(57.9)
At 30 May 2021	1.6	14.5	0.1	42.2	58.4

The notes on pages 60 to 81 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Notes	Group		Company	
		Year ended 30 May 2021 £m	Year ended 31 May 2020 £m	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Cash flows from operating activities					
Cash generated from operations	29	164.8	127.2	79.1	46.2
UK corporation tax paid		(28.8)	(20.8)	-	-
Overseas tax paid		(3.3)	(1.9)	-	-
Net cash generated from operating activities		132.7	104.5	79.1	46.2
Cash flows from investing activities					
Purchases of property, plant and equipment		(17.4)	(16.3)	-	-
Purchases of other intangible assets		(2.9)	(2.3)	-	-
Expenditure on product development	14	(9.7)	(6.0)	-	-
Interest received		0.2	0.1	-	-
Net cash used in investing activities		(29.8)	(24.5)	-	-
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	27	1.4	0.8	1.4	0.8
Repayment of principal under leases	23	(10.9)	(10.3)	-	-
Dividends declared and paid to Company shareholders	12	(60.5)	(47.3)	(60.5)	(47.3)
Net cash used in financing activities		(70.0)	(56.8)	(59.1)	(46.5)
Net increase/(decrease) in cash and cash equivalents		32.9	23.2	20.0	(0.3)
Opening cash and cash equivalents		52.9	29.4	0.2	0.5
Effects of foreign exchange rates on cash and cash equivalents		(0.6)	0.3	-	-
Closing cash and cash equivalents	21	85.2	52.9	20.2	0.2

The notes on pages 60 to 81 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Games Workshop Group PLC (the 'Company') and its subsidiaries (together the 'Group') designs and manufactures miniature figures and games and distributes these through its own network of retail stores, independent retailers and online via the global web stores. The Group has manufacturing activities in the UK and sells mainly in the UK, Continental Europe, North America, Australia, New Zealand and Asia.

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

The Company's ordinary share capital is listed on the London Stock Exchange.

2. Summary of significant accounting policies

The principal accounting policies applied in these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared under the going concern basis and in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group and the Company have presented these financial statements rounded to the nearest £0.1m.

The consolidated and Company financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the Company and its subsidiary undertakings drawn up for the year ended 30 May 2021 and the year ended 31 May 2020. The year end date is defined as the nearest Sunday to 31 May each year. Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Special purpose reporting information prepared under IFRS from all subsidiaries to 30 May 2021 and 31 May 2020 has been used for consolidation purposes.

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or when an indicator of impairment arises, and is carried at cost less accumulated impairment losses. Provision is made for any impairment by comparing the value in use to the net carrying value. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Other intangible assets

Development costs

Costs incurred in respect of product design and development activities are recognised as intangible assets when they meet the criteria of IAS 38 'Intangible Assets' and are wholly attributable to specific projects. Product development costs recognised as intangible assets are amortised on a reducing balance basis with rates ranging from 50% to 80% to match the expenditure incurred to the expected revenue generated from the subsequent product release. However, there are some design costs which do not meet the recognition criteria and are therefore not capitalised and are shown in note 9.

Computer software

Acquired computer software licences and related development expenditure are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software licences are held at cost and amortised on a straight line basis over the expected useful lives of the assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when they meet the criteria of IAS 38 'Intangible Assets'.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The principal annual amortisation rates are:

	% of cost
Core business systems computer software	10-33
Web store computer software	20
Other computer software	33-50

2. Summary of significant accounting policies continued

Property, plant and equipment⁴

Property, plant and equipment are stated at cost, net of accumulated depreciation and any provision for impairment. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated over the expected useful economic lives of the assets concerned to write down to the asset's residual value and commences from the date the asset is available for use. The principal annual depreciation rates are:

	Straight line % of cost	Reducing balance % of net book value
Freehold buildings	2-4	-
Plant and equipment and vehicles	15-33	-
Fixtures and fittings	20-25	-
Moulding tools – product specific	-	50
Moulding tools – non-product specific	25	-

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the period of the lease. These assets are included within fixtures and fittings. Freehold land is not depreciated.

Impairment of non-financial assets

Assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Trade receivables

Trade receivables are recognised initially at fair value, which is typically the original invoice amount, and carried at amortised cost using the effective interest method less loss allowance. The Group applies the IFRS 9 'Financial instruments' simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for trade receivables based on historical credit losses by the Group.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Leases

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist under IAS 36 'Impairment of Assets'.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset on the balance sheet, or income statement if the right-of-use asset is already reduced to zero.

The Group has calculated and applied the incremental borrowing rate ('IBR') to its future cash flows to determine the lease liability. The incremental borrowing rate has been defined by the standard as 'the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar environment'. The Group has no external borrowing, therefore a credit risk spread approach has been used to calculate the IBR, which combines the risk-free security rate and a corporate security rate in each economic environment in which the Group has a lease, linked to the life of the underlying lease agreement.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The lease payments associated with these leases are recognised as expenses on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using a standard costing method taking into account variances. In respect of finished goods, cost includes raw materials, direct labour, other direct costs and related production overheads based on a normal level of production. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency. Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date. The financial statements of overseas subsidiary companies prepared in functional currencies other than sterling are translated into sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance
- Income and expenses are translated at the average rate for the year;
- All resulting exchange differences are recognised as a separate component of equity.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of overdrafts where there is a legally enforceable right of offset.

Trade payables

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities (deferred income) are recognised as revenue when the Group performs under the contract.

Other employment benefits

Pension costs

The Group operates defined contribution schemes and a group personal pension plan. Pension contributions are charged to the income statement as they accrue. There are no further obligations to the Group once payment has been made.

Long service benefits

The Group operates a long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years' service (Veterans scheme). 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.

Share-based payments

The Group operates a number of equity-settled employee share schemes. The fair value of the employee services received under such schemes is recognised as an expense in the income statement with a corresponding increase in equity over the vesting period. The fair value of the employee services received, measured at grant date in exchange for the grant of the awards, is recognised as an expense, with the corresponding credit being recorded in retained earnings within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted. At each balance sheet date, the Group revises its estimates of the number of awards that are expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity, in periods in which the estimates are revised. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Investments

Shares and loans in subsidiary undertakings are stated at cost less provision for impairment.

Revenue

Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods supplied (net of trade discounts for sales to independent retailers). Revenue is recognised on dispatch of goods to the customer for sales via the global web store and for sales to independent retailers. This represents fulfilment of the performance obligation of the contract with the customer. For revenue earned through the Group's retail stores and for digital products, revenue is recognised at the point of sale. Payment of the transaction price is due in line with agreed customer credit terms. Revenue for magazine subscriptions is recognised on a straight line basis over the subscription period.

Revenue on goods sold to customers on a sale or return basis (which includes book sales) is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. Revenue on a sale or return basis represents no more than 3% of consolidated revenue (2020: no more than 3%).

Royalty income

Royalty income represents amounts invoiced to licensees for use of the Group's intellectual property. This includes both minimum royalty guarantees charged on granting use of the intellectual property to licensees, and additional royalty income earned as a share of the licensee's sales of games and products which include use of the Group's IP. Minimum royalty guarantee income is recognised in full at inception of the contract. This represents the point at which the performance obligation of the contract is met in granting use of the Group's intellectual property. Additional royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance as notified to the Group by the licensee and following validation of the amounts receivable by the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors.

2. Summary of significant accounting policies continued

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except where it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends

Dividend distributions are recognised in the financial statements in the period in which they are paid.

Provision for liabilities and charges

Provisions are recognised in accordance with IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'. Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made. The estimated employee benefit liability arising from the Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10, 20 or 30 years' service in more than one year are classified as non-current. Provisions are made for redundancy costs once the employees affected have a valid expectation that their roles will become redundant.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

All financial assets are classified as 'financial assets at amortised cost' and financial liabilities as 'financial liabilities at amortised cost' in accordance with IFRS 9. Management determines the classification of its financial assets and liabilities at initial recognition.

Critical accounting estimates and judgements

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

Management do not consider there to be any critical accounting estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Change in accounting policy

The Group has applied amendments to IAS 1 and IAS 8 ('Definition of Material') for the first time in the financial statements. The application of these new standards and amendments did not have a material impact on the financial statements. The Group considers that there are no new accounting standards, amendments or interpretations issued by the IASB, but not yet applicable, which have had, or are expected to have a significant effect on the financial statements. The Group have considered the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement and the application of this agenda decision did not have a material impact on the financial statements.

4. Segment information

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. At 30 May 2021, the Group is organised as follows:

- Sales channels: these channels sell product to external customers, through the Group's network of retail stores, independent retailers and online via the global web stores. The sales channels have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods, and if they are affected by similar economic factors. The segments are as follows:
 - Trade: this sales channel sells globally to independent retailers, agents and distributors. It also includes the Group's magazine newsstand business and the distributor sales from the Group's publishing business (Black Library).
 - Retail: this includes sales through the Group's retail stores, the Group's visitor centre in Nottingham and global exhibitions.
 - Online: this includes sales through the Group's global web stores and digital sales through external affiliates.
- Design to manufacture: this includes manufacture of the products and incorporates the production facility and the design studios. This includes adjustments for the profit in stock arising from inter-segment sales.
- Merchandising and logistics: this includes the warehouses, logistics costs and charges for inventory provisions.
- Group: this includes the Company overheads.
- Operations and support: this provides support services (marketing, IT, accounting, payroll, personnel, procurement, legal, health and safety, customer services and credit control) to activities across the Group and undertakes strategic projects, including animation costs for brand marketing.
- Licensing: this is royalty income earned from third party licensees after deducting associated licensing costs, including the development of digital content for animation and TV.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information continued

The chief operating decision-maker assesses the performance of each segment based on operating profit, excluding share option charges recognised under IFRS 2, 'Share-based payment', charges in respect of the Group's profit share scheme and the discretionary payment to employees. This has been reconciled to the Group's total profit before taxation below.

The segment information reported to the executive directors for the years included in this financial information is as follows:

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Trade	194.8	140.0
Retail	70.7	78.0
Online	87.7	51.7
Total external revenue	353.2	269.7

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

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Trade		
UK and Continental Europe	82.3	61.9
North America	85.4	59.4
Australia and New Zealand	10.2	5.7
Asia	9.0	6.5
Rest of world	5.6	4.1
Black Library	2.3	2.4
Total Trade	194.8	140.0
Retail		
UK	13.3	23.0
Continental Europe	16.4	19.5
North America	28.2	25.2
Australia and New Zealand	10.3	7.6
Asia	2.5	2.7
Total Retail	70.7	78.0
Online		
UK	22.2	12.4
Continental Europe	18.0	11.2
North America	30.6	16.7
Australia and New Zealand	5.5	2.6
Asia	0.5	0.5
Rest of world	1.3	0.9
Digital	9.6	7.4
Total Online	87.7	51.7
Total external revenue	353.2	269.7

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

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Trade	9.1	9.3
Retail	50.2	55.6
Online	7.5	5.5
Design to manufacture	1.8	1.7
Merchandising and logistics	2.2	2.1
Operations and support	31.5	26.5
Group	3.5	2.7
Licensing	1.3	1.1
Total segment operating expenses	107.1	104.5
Share-based payment charge	1.2	0.5
Profit share scheme charge	2.6	2.4
Discretionary payment to employees	10.6	-
Total group operating expenses	121.5	107.4

4. Segment information continued

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

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade	6.4	4.6
Retail	2.8	2.9
Online	2.6	1.7
Design to manufacture	222.6	134.3
Merchandising and logistics	(47.3)	(36.2)
Operations and support	(32.5)	(27.4)
Group	(3.5)	(2.7)
Licensing	15.0	15.7
Total segment operating profit	166.1	92.9
Share-based payment charge	(1.2)	(0.5)
Profit share scheme charge	(2.6)	(2.4)
Discretionary payment to employees	(10.6)	-
Total group operating profit	151.7	90.0
Finance income	0.2	0.1
Finance costs	(1.0)	(0.7)
Profit before taxation	150.9	89.4

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

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Retail	10.8	11.5
Online	0.2	0.4
Design to manufacture	10.9	10.8
Merchandising and logistics	2.1	0.9
Operations and support	2.6	2.0
Total group charges for impairment, depreciation and amortisation	26.6	25.6

External revenue analysed by customer geographical location is as follows:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
UK	80.5	68.8
Continental Europe	82.1	65.0
North America	145.5	104.8
Australia and New Zealand	26.1	16.1
Asia	12.1	9.9
Rest of world	6.9	5.1
External revenue	353.2	269.7

The Group is not reliant on any one individual customer.

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

	Year ended 30 May 2021 £m	Restated Year ended 31 May 2020 £m
UK	100.0	73.9
All other countries	27.2	31.4
Total non-current assets (excluding deferred tax and non-current financial instruments)	127.2	105.3

Tangible, intangible and right-of-use asset additions included within the UK were £45.2m (2020: £35.5m) and all other countries were £8.1m (2020: £35.1m, restated for prior period adjustment as per note 16).

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

	Charge to inventory provisions		Redundancy costs and compensation for loss of office	
	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Trade	-	-	(0.1)	-
Retail	-	-	(0.1)	(0.1)
Online	-	-	(0.2)	-
Design to manufacture	(0.9)	(6.4)	-	-
Merchandising and logistics	-	-	(0.1)	-
Operations and support	-	-	(0.7)	(0.1)
Total group charge	(0.9)	(6.4)	(1.2)	(0.2)

NOTES TO THE FINANCIAL STATEMENTS continued

5. Operating expenses

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Selling costs	63.9	60.5
Administrative expenses	57.6	46.9
	121.5	107.4

6. Directors and employees

	Group		Company	
	Year ended 30 May 2021	Year ended 31 May 2020	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m	£m	£m
Total directors' and employees' costs:				
Wages and salaries	86.8	70.7	2.5	1.6
Social security costs	8.2	7.1	0.3	0.2
Other pension costs	3.7	3.3	-	-
Share-based payment	1.2	0.5	-	-
	99.9	81.6	2.8	1.8

Details of capitalised salary costs, included in the above, are provided in note 14. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 9.

Total directors' and employees' costs above include the impact of foreign currency movements in the year. Total directors' and employees' costs for the Group for the year ended 30 May 2021 calculated using the average exchange rates for the year ended 31 May 2020 are £100.6m. This includes performance related elements of salary costs, payments under the Group's profit share scheme and the discretionary payment to employees of £16.1m (2020: £4.5m).

Highest paid director

The above includes remuneration of £1.4m (2020: £0.7m) in respect of the highest paid director. Total remuneration of the highest paid director is detailed in the remuneration report (page 42).

Key management compensation

The directors of the Group are considered to be the key management personnel of the Group. The remuneration of the directors of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Short-term employee benefits	2.6	1.4
	2.6	1.4

Further information relating to directors' emoluments, shareholdings and share options is disclosed in the remuneration report on pages 34 to 47.

Employee numbers

	Year ended 30 May 2021	Year ended 31 May 2020
	No.	No.
Group		
Monthly average number of employees (including directors) by activity:		
Design and development	308	286
Production and warehousing	565	513
Selling:		
- Full time	932	944
- Part time	65	81
Administration	413	364
	2,283	2,188

The monthly average number of employees for the Company was 9 (2020: 8).

7. Finance income

	Year ended 30 May 2021	Year ended 31 May 2020
	£m	£m
Interest income:		
- On cash and cash equivalents	0.2	0.1
	0.2	0.1

8. Finance costs

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Interest expense:		
- Interest expense on lease liabilities	0.9	0.7
- Other	0.1	-
	1.0	0.7

9. Profit before taxation

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	9.2	8.8
- Right-of-use assets	11.0	10.1
Impairment of property, plant and equipment	-	0.1
Impairment of right-of-use assets	-	0.2
Amortisation:		
- Owned computer software	1.2	1.2
- Development costs	4.8	4.9
Impairment of computer software	0.4	0.3
Non-capitalised development costs	7.7	9.9
Net foreign exchange (losses)/gains	(4.3)	1.6
Staff costs (excluding capitalised salary costs shown in note 14 and non-capitalised development staff costs)	93.9	69.6
Cost of inventories included in cost of sales	55.8	39.2
Inventory provision creation (note 19)	0.9	6.4
Loss on disposal of intangible assets	0.1	0.3
Redundancy costs and compensation for loss of office	1.2	0.2
Net credit to property provisions	-	(0.3)

Auditors' remuneration and services provided

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

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Audit services		
Audit of the Group and Company's financial statements	0.1	0.1
Other services		
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
Total services provided	0.3	0.3

Non-audit fees paid to the auditors amounted to £6,000 (2020: £6,000) in the year for the verification of retail turnover certificates.

10. Income tax expense

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Current UK taxation:		
UK corporation tax on profits for the year	28.1	15.3
Adjustments to tax charge in respect of prior years	(0.6)	0.3
	27.5	15.6
Current overseas taxation:		
Overseas corporation tax on profits for the year	2.9	2.5
Adjustments to tax charge in respect of prior years	(0.3)	0.2
Total current taxation	30.1	18.3
Deferred taxation:		
Origination and reversal of timing differences	(2.0)	0.1
Adjustments to tax charge in respect of prior years	0.8	(0.3)
Tax expense recognised in the income statement	28.9	18.1
Current tax credit relating to sharesave scheme	(1.5)	(1.3)
Deferred tax credit relating to sharesave scheme	(0.1)	(0.1)
Credit taken directly to equity	(1.6)	(1.4)

NOTES TO THE FINANCIAL STATEMENTS continued

10. Income tax expense continued

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

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Profit before taxation	150.9	89.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	28.7	17.0
Effects of:		
Items not assessable for tax purposes	(0.3)	(0.1)
Higher tax rates on overseas earnings	0.5	0.9
Tax rate changes	0.1	0.1
Adjustments to tax charge in respect of prior years	(0.1)	0.2
Total tax charge for the year	28.9	18.1

On 3 March 2021, the Chancellor announced that the main UK corporation tax rate will be increased from 19% to 25% from April 2023. This change had been substantively enacted at the balance sheet date and its impact has therefore been included in these financial statements.

Items not assessable for tax purposes include the release of provisions no longer considered a risk to the Group as well as tax relief for other taxes paid.

11. Earnings per share

Basic earnings per share

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

	Year ended 30 May 2021	Year ended 31 May 2020
Profit attributable to owners of the parent (£m)	122.0	71.3
Weighted average number of ordinary shares in issue (thousands)	32,733	32,602
Basic earnings per share (pence per share)	372.7	218.7

Diluted earnings per share

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

	Year ended 30 May 2021	Year ended 31 May 2020
Profit attributable to owners of the parent (£m)	122.0	71.3
Weighted average number of ordinary shares in issue (thousands)	32,733	32,602
Adjustment for share options (thousands)	194	134
Weighted average number of ordinary shares for diluted earnings per share (thousands)	32,927	32,736
Diluted earnings per share (pence per share)	370.5	217.8

12. Dividends per share

Dividends of £9.8m (30 pence per share), £16.3m (50 pence per share), £19.7m (60 pence per share) and £14.7m (45 pence per share) were declared and paid during the current year. A dividend of £16.4m (50 pence per share) was declared during the year and paid after the year end.

Dividends of £9.8m (30 pence per share), £11.4m (35 pence per share), £11.4m (35 pence per share) and £14.7m (45 pence per share) were declared and paid during the prior year.

For the purpose of demonstrating that there were sufficient distributable reserves for dividend payments, interim financial statements for the Company were prepared and filed at Companies House relating to October 2020 and February 2021.

13. Goodwill

	2021 £m	2020 £m
Group		
Cost		
At the beginning of the year	2.4	2.4
At the end of the year	2.4	2.4
Accumulated amortisation		
At beginning of year	(1.0)	(1.0)
At the end of the year	(1.0)	(1.0)
Net book value at beginning of year and end of year	1.4	1.4

The Company had no goodwill at either year end.

13. Goodwill continued

Impairment tests for goodwill

In accordance with the requirements of IAS 36 'Impairment of Assets' the Group completed a review of the carrying value of goodwill as at each year end. The impairment review was performed to ensure that the carrying value of the Group's assets are stated at no more than their recoverable amount, being the higher of fair value less costs to sell and value in use. The key assumptions for the recoverable amount of the goodwill are the long term growth rate and the discount rate. The long term growth rate used is purely for the impairment testing of goodwill under IAS 36 'Impairment of Assets' and does not reflect the long term planning assumptions used by the Group for any other assessments. In determining the value in use, the calculations use cash flow projections for a period no greater than three years based on plans approved by management and, for the Group's cash-generating unit concerned, assumes a long term growth rate no higher than 2% (2020: 0%). The estimated future cash flows expected to arise from the continuing use of the assets were calculated using a risk adjusted pre-tax discount rate of 1.29% (2020: 0.51%).

Management reviewed the planned sales growth and gross margin on the investment in future product releases and initiatives currently being undertaken, to deliver the expected future performance. Goodwill is allocated to the Group's cash-generating units (CGUs) for impairment testing. All of the current goodwill arises in the product and supply segment. Sensitivity analysis has not been disclosed in these financial statements since management consider that there is no reasonably possible change in the key assumptions that would cause the carrying value of goodwill to fall below its recoverable amount.

14. Other intangible assets

Group	Computer software £m	Development costs £m	Total £m
Cost			
At 2 June 2019 and 3 June 2019	18.6	40.8	59.4
Additions	2.3	6.0	8.3
Disposals	(0.1)	(1.7)	(1.8)
At 31 May 2020 and 1 June 2020	20.8	45.1	65.9
Additions	2.9	9.7	12.6
Exchange differences	(0.2)	-	(0.2)
Disposals	(1.1)	(7.1)	(8.2)
At 30 May 2021	22.4	47.7	70.1
Accumulated amortisation			
At 2 June 2019 and 3 June 2019	(12.3)	(31.1)	(43.4)
Amortisation charge	(1.2)	(4.9)	(6.1)
Impairment	(0.3)	-	(0.3)
Disposals	0.1	1.4	1.5
At 31 May 2020 and 1 June 2020	(13.7)	(34.6)	(48.3)
Amortisation charge	(1.2)	(4.8)	(6.0)
Exchange differences	0.2	-	0.2
Impairment	(0.4)	-	(0.4)
Disposals	1.1	7.0	8.1
At 30 May 2021	(14.0)	(32.4)	(46.4)
Net book amount			
31 May 2020	7.1	10.5	17.6
30 May 2021	8.4	15.3	23.7

Amortisation of £5.1m (2020: £5.1m) has been charged in cost of sales and £0.9m (2020: £1.0m) in operating expenses.

The net book amount of internally generated intangible assets is £21.0m (2020: £15.9m) and acquired intangible assets is £2.7m (2020: £1.7m). The net book amount of internally generated development costs is £13.3m (2020: £8.7m) and £12.1m (2020: £7.9m) is capitalised salary costs.

Salary costs of £6.0m (2020: £4.5m) were capitalised as part of development costs and £0.1m (2020: £0.3m) were capitalised as part of computer software during the year.

Assets in the course of development, and not amortised, amount to £0.1m (2020: £0.2m) with current and prior year amounts both being included within computer software.

An impairment loss of £0.4m (2020: £0.3m) has been recognised in relation to alterations required to previously capitalised elements of the ERP software. This has been charged to operating expenses.

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

NOTES TO THE FINANCIAL STATEMENTS continued

15. Property, plant and equipment

Group	Freehold land and buildings £m	Plant and equipment and vehicles £m	Fixtures and fittings £m	Moulding tools £m	Total £m
Cost					
At 2 June 2019 and 3 June 2019	21.6	30.7	25.5	34.8	112.6
Additions	3.7	3.7	4.1	4.0	15.5
Exchange differences	-	0.1	0.3	-	0.4
Disposals	-	(1.4)	(0.7)	(1.3)	(3.4)
At 31 May 2020 and 1 June 2020	25.3	33.1	29.2	37.5	125.1
Additions	4.1	7.2	1.7	4.7	17.7
Exchange differences	-	(0.5)	(1.5)	-	(2.0)
Disposals	-	(3.9)	(2.1)	-	(6.0)
At 30 May 2021	29.4	35.9	27.3	42.2	134.8
Accumulated depreciation					
At 2 June 2019 and 3 June 2019	(7.1)	(19.8)	(20.4)	(30.0)	(77.3)
Charge for the year	(0.4)	(3.3)	(1.7)	(3.4)	(8.8)
Exchange differences	-	(0.1)	(0.2)	-	(0.3)
Impairment charge	(0.1)	-	-	-	(0.1)
Disposals	-	1.3	0.8	1.3	3.4
At 31 May 2020 and 1 June 2020	(7.6)	(21.9)	(21.5)	(32.1)	(83.1)
Charge for the year	(0.5)	(3.3)	(2.0)	(3.4)	(9.2)
Exchange differences	-	0.4	1.0	-	1.4
Disposals	-	3.8	2.1	-	5.9
At 30 May 2021	(8.1)	(21.0)	(20.4)	(35.5)	(85.0)
Net book amount					
31 May 2020	17.7	11.2	7.7	5.4	42.0
30 May 2021	21.3	14.9	6.9	6.7	49.8

Depreciation expense of £6.2m (2020: £6.2m) has been charged in cost of sales, £1.5m (2020: £1.4m) in selling costs and £1.5m (2020: £1.2m) in administrative expenses.

Freehold land amounting to £8.3m (2020: £5.6m) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £10.0m (2020: £9.7m). £2.4m (2020: £1.3m) of these are included in moulding tools, £5.5m (2020: £3.3m) is included in plant and equipment and vehicles, £nil (2020: £2.7m) is included in freehold land and buildings, and £2.1m (2020: £2.6m) is included in fixtures and fittings above.

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

16. Right-of-use assets

Group	2021 £m	Restated 2020 £m
Buildings	45.6	36.7
Plant and equipment and vehicles	0.4	0.1
	46.0	36.8

Additions to the right-of-use assets during the financial year were £23.0m (2020: £46.8m including £33.6m of assets recognised on transition to IFRS 16, restated from prior year as described below).

The comparative right-of-use assets and corresponding lease liabilities have been restated to reflect the extension of the lease on our warehouse in Memphis, US. The lease renewal was signed in the year ending 31 May 2020 but was not recognised as an addition under IFRS 16. Accordingly, a prior year adjustment has been made to restate the 2020 balances to their correct amounts. The impact of the adjustment was to increase right-of-use assets by £4.9m and increase current lease liabilities by £0.2m and non-current lease liabilities by £4.7m. The impact to the income statement and cash flow statement is below £0.1m and has therefore not been adjusted. There was no impact on any period prior to 2020.

The Company held no right-of-use assets at either year end.

Depreciation charged on right-of use assets during the year was as follows:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Buildings	10.9	10.0
Plant and equipment and vehicles	0.1	0.1
	11.0	10.1

17. Investments in subsidiaries

	2021	2020
Company	£m	£m
Shares in group undertakings – cost		
At beginning of year	30.6	30.6
Additions	-	-
At end of year	30.6	30.6

Investments in group undertakings are stated at cost less any provision for impairment.

A list of subsidiary undertakings is given below.

Interests in group undertakings

Name of undertaking	Registered address of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal business activity
			Company	Subsidiary company	
Games Workshop Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Manufacturer, distributor and retailer of games and miniatures
Games Workshop Retail Inc.	6721 Baymeadow Drive, Glen Burnie, MD 2101, USA	\$1 common stock		100%	Distributor and retailer of games and miniatures
Games Workshop (Queen Street) Limited	3251 Yonge Street, Toronto, Ontario, M4N 2L5, Canada	Can \$1		100%	Retailer of games and miniatures
EURL Games Workshop	10, Rue Joseph Serlin, Lyon, 69001, France	euro 1		100%	Retailer of games and miniatures
Games Workshop SL	Aragón 208-210, planta 4 puerta 1 08011 Barcelona, España	euro 1		100%	Retailer of games and miniatures
Games Workshop Oz Pty Limited	23 Liverpool Street, Ingleburn, New South Wales 2565, Australia	Aus \$1		100%	Distributor and retailer of games and miniatures
Games Workshop Deutschland GmbH	Am Wehrhahn 32, 40211 Düsseldorf, Deutschland	euro 1		100%	Retailer of games and miniatures
Games Workshop Limited	80 Queen Street, Auckland, 1010, New Zealand	NZ \$1		100%	Retailer of games and miniatures
Games Workshop Italia SRL	Viale Castro Pretorio 122, 00185 Roma, Italia	euro 1		100%	Retailer of games and miniatures
Games Workshop International Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Holding company for overseas subsidiary companies
Games Workshop US Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Holding company for US subsidiary companies
Games Workshop US (Holdings) Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Intermediary holding company for US subsidiary companies
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	153-155 Xujiahui Road, Huangpu Area, Shanghai, 200021, China	Owners capital		100%	Distributor and retailer of games and miniatures
Games Workshop Trustee Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Trustee
Games Workshop Stockholm AB	Master Samuelsgatan 67, Stockholm 11121, Sweden	SEK 100		100%	Retailer of games and miniatures
Games Workshop Hong Kong Limited	3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	HK \$1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Hobby Pte. Limited	Red House, #01-04, 63 East Coast Road, 428776, Singapore	SG \$1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Malaysia Sdn. Bhd.	Level 10 Menara LGB, 1 Jalan Wan Kadir, Taman Tun Dr Ismail, 60000 Kuala Lumpur, Malaysia	MYR 1 ordinary		100%	Distributor and retailer of games and miniatures
Games Workshop Interactive Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Dormant
Warhammer Online Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary		100%	Dormant
Citadel Miniatures Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Dormant
Games Workshop Step One Limited	Willow Road, Lenton, Nottingham, NG7 2WS, UK	£1 ordinary	100%		Not yet in use

All of the above entities are included in the consolidated financial statements for the Group and 100% of the voting rights of all entities is held.

All of the above companies operate principally in their country of incorporation or registration.

The directors consider the value of the investments is supported by the underlying assets of the relevant subsidiary.

NOTES TO THE FINANCIAL STATEMENTS continued

18. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts are as follows:

	Group	
	2021 £m	2020 £m
Deferred tax assets:		
- deferred tax asset to be recovered after more than 12 months	2.3	2.6
- deferred tax asset to be recovered within 12 months	7.8	6.3
	10.1	8.9

The gross movement on the deferred tax account is as follows:

	Group	
	2021 £m	2020 £m
Beginning of year	8.9	8.6
Credited to the income statement	1.2	0.2
Credited directly to equity	0.1	0.1
Exchange differences	(0.1)	-
End of year	10.1	8.9

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

	Accelerated depreciation £m	Profit in stock £m	Losses available for offset £m	Other £m	Total £m
Group					
At 2 June 2019 and 3 June 2019	1.5	4.0	0.3	2.8	8.6
Credited/(charged) to the income statement	0.3	(0.7)	-	0.6	0.2
Credited directly to equity	-	-	-	0.1	0.1
Exchange differences	-	-	-	-	-
At 31 May 2020 and 1 June 2020	1.8	3.3	0.3	3.5	8.9
(Charged)/credited to the income statement	(0.3)	1.4	(0.1)	0.2	1.2
Credited directly to equity	-	-	-	0.1	0.1
Exchange differences	-	-	-	(0.1)	(0.1)
At 30 May 2021	1.5	4.7	0.2	3.7	10.1

Other deferred tax assets include deferred tax on adjustments for inventory provisions of £0.4m (2020: £0.7m), tax relief on exercise of share options of £2.0m (2020: £1.8m), tax relief on intangible assets of £0.1m (2020: £0.1m) and tax relief on the long service incentive scheme of £0.4m (2020: £0.4m).

Deferred tax assets are recognised in respect of tax losses and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. This is based on a review of the track record of profitability in the country concerned. There was no unrecognised deferred tax at 30 May 2021 or 31 May 2020 in either the Group or the Company.

The Group did not obtain a current tax benefit from previously unrecognised tax losses in either of the years presented.

Company

Deferred tax assets of the Company in respect of accelerated depreciation and other temporary differences were less than £0.1m throughout the years from 2 June 2019 to 30 May 2021.

19. Inventories

	2021 £m	2020 £m
Group		
Raw materials	0.3	0.6
Work in progress	2.0	1.2
Finished goods and goods for resale	25.2	18.9
	27.5	20.7

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

During the year, the Group utilised an inventory provision of £2.9m (2020: £4.6m) and £0.9m (2020: £6.4m) has been charged to the income statement.

The Company held no inventories at either year end.

20. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Trade receivables	8.1	8.0	-	-
Less allowance for expected credit losses	(0.3)	(0.5)	-	-
Trade receivables – net	7.8	7.5	-	-
Prepayments and accrued income	9.9	6.7	-	-
Other receivables	19.2	12.9	0.1	0.1
Receivables from group companies	-	-	5.8	3.8
Loans to group companies	-	-	3.9	3.9
Total trade and other receivables	36.9	27.1	9.8	7.8
Non-current receivables:				
Other receivables	6.3	7.5	-	-
Loans to group companies	-	-	3.9	3.9
Non-current portion	6.3	7.5	3.9	3.9
Current portion	30.6	19.6	5.9	3.9

Included within prepayments and accrued income are contract assets relating to uninvoiced royalty income amounting to £1.2m (2020: £0.8m).

Trade receivables are recorded at amortised cost, less allowance for expected credit losses. The fair value of trade and other receivables does not differ materially from the book value. There is no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers which are internationally dispersed. The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of asset above. The Group does not hold any collateral over these balances.

Included within other receivables is invoiced royalty income of £11.5m (2020: £9.8m) of which £5.4m (2020: £6.3m) is non-current, being in respect of guarantee instalments due in over one year. Royalties receivable have been assessed for impairment and are recognised less allowance for expected credit losses.

Receivables due from group companies to the Company are interest free and immediately repayable on demand. Receivables from group companies have been assessed based on lifetime expected credit losses. As all balances are repayable on demand, and the Company expects to be able to recover the outstanding intercompany balances if demanded, no provision has been recognised in the year ended 30 May 2021 (2020: £nil).

Loans due to the Company from subsidiary undertakings are interest free and have no fixed repayment date.

Loss allowances are established using the IFRS 9 simplified approach to expected credit losses. A lifetime loss allowance is calculated based on historical credit losses and is applied to trade receivables held across the Group. The ageing analysis of the Group's past due trade receivables is as follows:

Group	2021			2020		
	Gross value	Loss allowance	Net	Gross value	Loss allowance	Net
	£m	£m	£m	£m	£m	£m
Up to 3 months past due	0.2	-	0.2	0.3	(0.1)	0.2
3 to 12 months past due	0.2	(0.1)	0.1	0.4	(0.2)	0.2
Over 12 months past due	0.2	(0.1)	0.1	-	-	-
	0.6	(0.2)	0.4	0.7	(0.3)	0.4

In addition to the above there is a loss allowance of £0.1m against current debt (2020: £0.2m).

Loss allowance against trade receivables

Movements on the loss allowance against trade receivables are as follows:

Group	£m
At 2 June 2019 and 3 June 2019	0.2
Charge for the year	0.4
Receivables written off during the year as uncollectible	(0.1)
At 31 May 2020 and 1 June 2020	0.5
Charge for the year	-
Receivables written off during the year as uncollectible	(0.2)
At 30 May 2021	0.3

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

	2021	2020
	£m	£m
Sterling	13.4	8.7
Euro	7.2	3.9
US dollar	13.2	11.6
Other currencies	3.1	2.9
Total trade and other receivables	36.9	27.1

NOTES TO THE FINANCIAL STATEMENTS continued

21. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Cash at bank and in hand	85.2	52.9	20.2	0.2
Cash and cash equivalents	85.2	52.9	20.2	0.2

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

There were no utilised borrowing facilities at 30 May 2021 or 31 May 2020.

22. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to understand the nature and impact of the financial risks and exposures facing the business.

Foreign currency risk

The majority of the Group's business is transacted in sterling, euros and US dollars. The principal currency of the Group is sterling.

The Group is exposed to foreign exchange risk principally via:

- transactional exposure arising from the future sales and purchases that are denominated in a currency other than the functional currency of the transacting company.
- translation exposure arising on investments in foreign operations, where the net assets are denominated in a currency other than sterling.
- loans to non-UK subsidiaries.

The Group does not use foreign currency borrowings or forward foreign currency contracts to hedge foreign currency risk. The level of the Group's exposure to foreign currency risk is regularly reviewed by the Group's finance director and the Group's treasury policies, including hedging policies, are reviewed to ensure they remain appropriate.

Foreign exchange sensitivity

The impact on the Group's financial assets and liabilities from foreign currency volatility is shown in the sensitivity analysis below.

The sensitivity analysis has been prepared based on all material financial assets and liabilities held at the balance sheet date and does not reflect all the changes in revenue or expenses that may result from changing exchange rates. The analysis is prepared for the euro and US dollar given that these represent the major foreign currencies in which financial assets and liabilities are denominated. The sensitivities shown act as a reasonable benchmark considering the movements in currencies over the last two financial years.

The following assumptions were made in calculating the sensitivity analysis:

- financial assets and liabilities (including financial instruments) are only considered sensitive to movements in foreign currency exchange rates where they are not in the functional currency of the entity that holds them.
- translation of results of overseas subsidiaries is excluded.

Using the above assumptions, the following table shows the sensitivity of the Group's income statement to movements in foreign exchange rates on US dollar and euro financial assets and liabilities:

	2021	2020
	Income gain	Income gain/(loss)
	£m	£m
15% appreciation of the US dollar (2020: 15%)	3.2	2.2
15% appreciation of the euro (2020: 15%)	-	(1.2)

A depreciation of the stated currencies would have an equal and opposite effect.

There is no impact on equity gains or losses.

Interest rate risk

The Group has no significant exposure to interest rate risk and hence no interest rate sensitivity has been shown.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to independent retailers.

The Group controls credit risk from a treasury perspective by only entering into transactions involving financial instruments with authorised counter-parties with a credit rating of at least 'A', and by ensuring that such positions are monitored regularly. Credit risk on cash and short term deposits is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate provision made for bad and doubtful debts (note 20). Provision requirements are determined with reference to ageing of invoices, credit history and other available information. Trade receivables are written off when there is no reasonable expectation of recovery, such as when the customer has been declared insolvent.

Sales made through our own retail stores or our global web stores are made in cash or with major credit cards.

22. Financial risk factors continued

Capital risk

The capital structure of the Group consists of net funds (see note 30) and owners' equity (see notes 27 to 28). The Group manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Group's objective is not to use long term debt to finance the business. Overdraft facilities will be used to finance the working capital cycle if required.

The Group manages its capital structure and adjusts it in light of changes to economic conditions and its strategic objectives. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, buy back shares and cancel them or issue new shares. The Group uses return on capital employed to assess capital asset performance.

Liquidity risk

Liquidity is managed by maintaining sufficient cash balances to meet working capital needs. Cash flow requirements are monitored by short and long term rolling forecasts both within the local operating units and for the overall group. In addition, the Group's liquidity management policy involves projecting cash flows in the major currencies and considers the level of liquid assets necessary to meet these, monitoring working capital levels and liquidity ratios.

The undiscounted contractual cash flows of the Group's financial liabilities, including interest charges where applicable, are shown below. All trade payables are contractually due within 12 months and therefore the fair values do not differ from their carrying values.

	2021				Restated 2020			
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Group	£m	£m	£m	£m	£m	£m	£m	£m
Trade and other payables	24.6	-	-	-	17.6	-	-	-
Lease liabilities	9.3	8.7	15.7	16.5	9.2	8.3	14.1	7.8
	33.9	8.7	15.7	16.5	26.8	8.3	14.1	7.8

	Within 1 year 2021	Within 1 year 2020
Company	£m	£m
Trade and other payables	1.9	0.8

Financial instruments by category

	Group Financial assets at amortised cost		Company Financial assets at amortised cost	
	2021	2020	2021	2020
	£m	£m	£m	£m
Financial assets as per balance sheet				
Trade receivables	7.8	7.5	-	-
Accrued income	1.2	0.8	-	-
Other receivables	13.8	12.9	0.1	-
Receivables from group companies	-	-	5.8	3.8
Loans to group companies	-	-	3.9	3.9
Cash and cash equivalents	85.2	52.9	20.2	0.2
Total	108.0	74.1	30.0	7.9

	Group Financial liabilities at amortised cost		Company Financial liabilities at amortised cost	
	2021	Restated 2020	2021	2020
	£m	£m	£m	£m
Financial liabilities as per balance sheet				
Trade payables	12.1	6.3	0.1	-
Other payables	4.4	6.8	0.1	0.2
Accruals	8.1	4.5	1.3	0.4
Payables to group companies	-	-	0.4	0.1
Lease liabilities	47.0	37.0	-	-
Total	71.6	54.6	1.9	0.7

Prepayments, deferred income balances and other taxes and social security payables have been excluded from the above as they are not financial assets or liabilities.

Payables due to group companies by the Company are interest free and immediately repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

22. Financial risk factors continued

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the financial year:

	2021 £m	2020 £m
Floating rate		
- Expiring within one year (bank overdraft facility)	-	25.0

23. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2021 £m	Restated 2020 £m
Group		
Current	8.6	8.5
Non-current	38.4	28.5
	47.0	37.0

The comparative lease liabilities and corresponding right-of-use assets have been restated to reflect the extension of the lease on our warehouse in Memphis, US. The impact of the adjustment was to increase right-of-use assets by £4.9m and increase current lease liabilities by £0.2m and non-current lease liabilities by £4.7m. See note 16 for more information.

The Group's leasing activity consists of leases on property, production equipment, IT equipment and motor vehicles. The majority of these leases relate to retail stores. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments to be made under reasonably certain extension options.

Variable lease payments not dependent on an index or a rate (such as turnover rent) are excluded from the measurement of the lease liability and asset.

Leases of retail property generally have a lease term ranging from 1 year to 10 years with a break option after no more than 5 years. Leases of other property, which includes warehouses and offices, generally have a lease term ranging from 2 years to 10 years. Leases of production equipment generally have a lease term ranging from 1 year to 5 years. Leases of vehicles and IT equipment are generally limited to a lease term of 1 to 3 years.

Amounts recognised in the income statement relating to leases:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Interest on lease liabilities	0.9	0.7
Expenses relating to short-term leases and low-value assets	0.7	0.6

Amounts recognised in the statement of cash flows relating to leases:

	Year ended 30 May 2021 £m	Year ended 31 May 2020 £m
Group		
Total cash outflow for leases	10.9	10.3

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at the balance sheet date were due as follows:

	2021				Restated 2020			
	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m	Within 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	More than 5 years £m
Group								
Lease payments	9.3	8.7	15.7	16.5	9.2	8.3	14.1	7.8
Finance charges	(0.7)	(0.6)	(1.1)	(0.8)	(0.7)	(0.5)	(0.9)	(0.3)
Net present value	8.6	8.1	14.6	15.7	8.5	7.8	13.2	7.5

The Company held no lease liabilities at either year end.

24. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current				
Trade payables	12.1	6.3	0.1	-
Other taxes and social security	1.9	2.8	-	0.2
Other payables	8.9	10.6	0.1	0.2
Accruals	10.5	7.0	1.3	0.3
Deferred income	2.0	3.6	-	-
Payables to group companies	-	-	0.4	0.1
	35.4	30.3	1.9	0.8

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

Payables due to group companies by the Company are interest free and immediately payable on demand.

25. Other non-current liabilities

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Accruals	0.6	0.5	0.2	0.1

The fair value of other non-current liabilities does not materially differ from the book value.

The carrying amounts of the Group's trade and other payables and other non-current liabilities are denominated in the following currencies:

	2021	2020
	£m	£m
Sterling	17.7	18.6
Euro	10.3	3.4
US dollar	5.5	5.6
Other currencies	2.5	3.2
Total trade and other payables and other non-current liabilities	36.0	30.8

26. Provisions for other liabilities and charges

Analysis of total provisions:

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current	0.6	1.7	-	-
Non-current	1.7	1.6	0.1	0.1
	2.3	3.3	0.1	0.1

	Employee benefits	Other	Total
	£m	£m	£m
Group			
At 1 June 2020	2.1	1.2	3.3
Charged/(credited) to the income statement:			
- Additional provisions	0.4	-	0.4
- Unused amounts reversed	(0.1)	(1.2)	(1.3)
Utilised	(0.1)	-	(0.1)
At 30 May 2021	2.3	-	2.3

The fair value of provisions does not differ from the book value.

Employee benefits

The Group operates a long service incentive scheme under which employees receive a one-off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years of employment (Veterans scheme). The cost of this benefit is accrued over the period of employment based on expected staff retention rates and the anticipated employment costs and are utilised once an employee reaches 10, 20 or 30 years of employment.

Other

In the previous year, there was an onerous contract provision in respect of inventory purchase commitments where the value of orders is in excess of the expected utilisation of those materials as a result of revised forecasts. This provision was released as a result of higher than forecast demand following the resumption of business after the COVID-19 lockdown.

NOTES TO THE FINANCIAL STATEMENTS continued

27. Share capital

	Number of shares (thousands)	Called up share capital £m	Share premium £m	Total called up share capital and share premium £m
At 2 June 2019	32,502	1.6	12.3	13.9
Shares issued under employee sharesave scheme	173	-	0.8	0.8
At 31 May 2020	32,675	1.6	13.1	14.7
Shares issued under employee sharesave scheme	101	-	1.4	1.4
At 30 May 2021	32,776	1.6	14.5	16.1

During the year 101,271 ordinary shares were issued (2020: 172,976). The total authorised number of shares is 42,000,000 shares (2020: 42,000,000 shares) with a par value of 5p per share (2020: 5p per share). All issued shares are fully paid.

28. Other reserves

	2021				2020			
	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Total £m	Capital redemption reserve £m	Translation reserve £m	Other reserve £m	Total £m
Group								
Beginning of year	0.1	6.1	(1.0)	5.2	0.1	5.6	(1.0)	4.7
Exchange differences on translation of foreign operations	-	(3.1)	-	(3.1)	-	0.5	-	0.5
End of year	0.1	3.0	(1.0)	2.1	0.1	6.1	(1.0)	5.2

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

As at 30 May 2021, the Company's capital redemption reserve was £0.1m (2020: £0.1m). The Company had no other reserves in addition to the capital redemption reserve at either year end.

29. Notes to the statement of cash flows

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

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Operating profit/(loss)	151.7	90.0	(3.3)	(2.5)
Depreciation of property, plant and equipment	9.2	8.8	-	-
Depreciation of right-of-use assets	11.0	10.1	-	-
Net impairment charge of property, plant and equipment	-	0.1	-	-
Net impairment charge of right-of-use assets	-	0.2	-	-
Net impairment charge of intangible assets	0.4	0.3	-	-
Loss on disposal of intangible assets (see below)	0.1	0.3	-	-
Amortisation of capitalised development costs	4.8	4.9	-	-
Amortisation of other intangibles	1.2	1.2	-	-
Share-based payments	1.2	0.5	-	-
Dividend income from investments in subsidiary undertakings	-	-	81.3	48.5
Changes in working capital:				
- (Increase)/decrease in inventories	(6.2)	3.7	-	-
- (Increase)/decrease in trade and other receivables	(10.8)	(5.1)	(0.2)	1.2
- Increase/(decrease) in trade and other payables	3.1	10.7	1.3	(1.0)
- (Decrease)/increase in provisions	(0.9)	1.5	-	-
Net cash from operating activities	164.8	127.2	79.1	46.2

The Company sold no property, plant and equipment during either year.

The Group disposed of intangible assets with net book amount of £0.1m (2020: £0.3m). There were no proceeds on disposal in either year and hence a loss on disposal equivalent to the net book value was recorded.

The Company sold no intangible assets during either year.

30. Analysis of net funds

Group	2021 £m	Restated 2020 £m
Cash at bank and in hand	85.2	52.9
Lease liabilities	(47.0)	(37.0)
Net funds	38.2	15.9

Company	2021 £m	2020 £m
Cash at bank and in hand	20.2	0.2
Net funds	20.2	0.2

Group	Restated Liabilities from financing activities £m	Cash at bank £m	Restated Total £m
Net funds as at 2 June 2019 and 3 June 2019	-	29.4	29.4
Recognised on adoption of IFRS 16	(32.9)	-	(32.9)
Cash flows	10.3	23.2	33.5
Acquisition - leases	(13.8)	-	(13.8)
Interest expense	(0.7)	-	(0.7)
Remeasurement adjustments	0.1	-	0.1
Foreign exchange movement	-	0.3	0.3
Net funds as at 31 May 2020 and 1 June 2020	(37.0)	52.9	15.9
Cash flows	10.9	32.9	43.8
Acquisition - leases	(22.4)	-	(22.4)
Interest expense	(0.9)	-	(0.9)
Remeasurement adjustments	0.1	-	0.1
Foreign exchange movement	2.3	(0.6)	1.7
At 30 May 2021	(47.0)	85.2	38.2

The Company holds no lease liabilities and had no cash flows arising from financing activities during either year.

31. Commitments

Capital commitments

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

Group	2021 £m	2020 £m
Property, plant and equipment	2.8	1.4
Intangible assets	0.7	0.4

Leases

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable lease arrangements. The liabilities for these leases are recorded on the Group's balance sheet when the Group obtains control of the underlying asset. The Group has additional commitments relating to leases where the Group has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Group is committed over the expected lease term, but not recorded on the Group's balance sheet are as follows:

Group	2021 £m	2020 £m
Within 1 year	-	0.1
Between 1 and 5 years inclusive	0.2	4.8
In over 5 years	-	6.1
	0.2	11.0

The Company had no capital commitments or commitments to leases at either year end.

Inventory purchase commitments

Group	2021 £m	2020 £m
Finished goods	2.9	2.5
Components	1.0	1.4
Raw materials	0.6	-

The Company had no inventory purchase commitments at either year end.

Pension arrangements

The Group and Company operate defined contribution schemes. Commitments in respect of pensions are included within prepayments and accruals.

NOTES TO THE FINANCIAL STATEMENTS continued

32. Contingencies

The Company provides indemnities to third parties in respect of contracts regarding their use of the Group's intellectual property, under commercial terms in the normal course of business.

The Company has also guaranteed the bank overdrafts of certain Group undertakings. There were no amounts outstanding under these arrangements at either year end.

For the year ended 30 May 2021, the subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Company guarantees all outstanding liabilities to which the subsidiary companies are subject.

Name of undertaking	Country of incorporation or registration	Company registration number
Games Workshop Limited	England and Wales	1467092
Games Workshop International Limited	England and Wales	2924330
Games Workshop US Limited	England and Wales	7462905
Games Workshop US (Holdings) Limited	England and Wales	4428814
Games Workshop Step One Limited	England and Wales	12448253

The Group has provided a guarantee of £0.1m (2020: £0.1m) to the Canada Revenue Agency in relation to the non-resident sales tax returns of Games Workshop Limited.

33. Related party transactions

During the year the Company provided management and similar services to Games Workshop Limited, a subsidiary undertaking.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2021 £m	2020 £m
Games Workshop Limited	Recharges	0.2	0.1
	Dividend received	78.0	48.5
Games Workshop International Limited	Dividend received	3.3	-

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

Subsidiary	Amount owed by subsidiaries		Amount owed to subsidiaries	
	2021 £m	2020 £m	2021 £m	2020 £m
Games Workshop Limited	5.7	3.7	(0.3)	-
Games Workshop Retail Inc.	0.1	0.1	-	-
Games Workshop Deutschland GmbH	-	-	(0.1)	(0.1)
	5.8	3.8	(0.4)	(0.1)

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

Subsidiary	Amount owed by subsidiaries	
	2021 £m	2020 £m
Games Workshop Interactive Limited	6.8	6.8
Less provision for impairment	(6.8)	(6.8)
Games Workshop Limited	3.9	3.9
	3.9	3.9

34. Share-based payments

Options to acquire share capital of the Group have been granted to eligible employees who enter into a Sharesave contract. Participation in the Sharesave scheme is offered to all employees of the Group who have been employed for a continuous period determined by the board. Under the sharesave contract, participating employees save a regular sum each month up to a maximum of £500 per month for three years, or for two years for the US. At the end of this period, employees are granted a share option, giving the future right to purchase shares in the Group at a 20% discount on the share price at the time of the invitation. On completion of the contract, employees immediately have six months to exercise their options.

Share options outstanding at the year end date have the following expiry date and exercise prices:

Scheme	Grant date	Expiry date	Exercise price	Share options outstanding	
				2021 No.	2020 No.
2016 Scheme - Rest of world	21 Sept 2016	1 May 2020	£4.19	-	859
2017 Scheme - Rest of world	27 Sept 2017	1 May 2021	£13.08	275	95,973
2017 Scheme - France	27 Sept 2017	1 May 2021	£14.85	-	334
2018 Scheme - Rest of world	26 Sept 2018	1 May 2022	£28.59	58,086	59,330
2018 Scheme - France	26 Sept 2018	1 May 2022	£31.77	529	529
2018 Scheme - USA	1 Oct 2018	1 Oct 2020	£33.22	-	4,369
2019 Scheme - Rest of world	25 Sept 2019	1 May 2023	£34.38	78,173	80,911
2019 Scheme - France	25 Sept 2019	1 May 2023	£35.87	612	612
2019 Scheme - USA	1 Oct 2019	1 Oct 2021	£39.87	3,859	4,249
2020 Scheme - Rest of world	23 Sept 2020	1 May 2024	£71.43	53,502	-
2020 Scheme - France	23 Sept 2020	1 May 2024	£76.99	570	-
2020 Scheme - USA	1 Oct 2020	1 Oct 2022	£85.65	2,415	-
				198,021	247,166

The following table summarises the movements in Sharesave options during the year:

	2021		2020	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
Outstanding at beginning of the year	247,166	£24.66	342,635	£11.88
Granted	58,661	£72.08	89,668	£34.69
Exercised	(101,271)	£14.00	(172,976)	£4.40
Forfeited	(6,535)	£40.85	(12,161)	£27.03
Outstanding at end of year	198,021	£43.51	247,166	£24.66
Exercisable at end of year	275	£13.08	859	£4.19

All options granted will be equity settled.

The weighted average market price of Games Workshop Group PLC shares at the date of exercise of Sharesave Scheme options during the year was £98.17 (2020: £45.76).

The assessed fair values at grant date of options granted during the year were as follows:

Scheme	
2020 Scheme - Rest of world	£34.72
2020 Scheme - France	£32.09
2020 Scheme - USA	£32.23

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

FIVE YEAR SUMMARY

	2021	2020	2019	2018	2017
	£m	£m	£m	£m	£m
Revenue	353.2	269.7	256.6	221.3	158.1
Operating profit – pre-exceptional items and royalties receivable	135.4	73.2	69.9	64.7	30.8
Royalties receivable	16.3	16.8	11.3	9.6	7.5
Operating profit	151.7	90.0	81.2	74.3	38.3
Finance income	0.2	0.1	0.1	0.1	0.1
Finance costs	(1.0)	(0.7)	-	(0.1)	-
Profit before taxation	150.9	89.4	81.3	74.3	38.4
Income tax expense	(28.9)	(18.1)	(15.5)	(14.8)	(7.9)
Profit attributable to owners of the parent	122.0	71.3	65.8	59.5	30.5
Basic earnings per ordinary share (pence per share)	372.7p	218.7p	202.9p	184.3p	95.1p

FINANCIAL CALENDAR

Annual general meeting
Announcement of half year results
Financial year end
Announcement of final results

15 September 2021
January 2022
29 May 2022
July 2022

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Games Workshop Group PLC (the 'Company') will be held at Trent Vineyard, Unit 1, Easter Park, Lenton Lane, Nottingham, NG7 2PX, at 10.00 am on 15 September 2021 for the following purposes:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions 1 to 11 as ordinary resolutions:

Resolution 1

To receive the Company's annual financial statements for the year ended 30 May 2021 together with the directors' report, the remuneration report and the independent auditors' report on those financial statements, the auditable part of the remuneration report and the directors' report.

Resolution 2

To re-elect K D Rountree as a director.

Resolution 3

To re-elect R F Tongue as a director.

Resolution 4

To re-elect E O'Donnell as a director.

Resolution 5

To re-elect J R A Brewis as a director.

Resolution 6

To re-elect K E Marsh as a director.

Resolution 7

To elect S Matthews as a director.

Resolution 8

To appoint KPMG LLP as independent auditors to hold office until the conclusion of the next general meeting at which financial statements are laid by the Company.

Resolution 9

To authorise the directors to fix the auditors' remuneration.

Resolution 10

To approve the remuneration report (excluding the directors' remuneration policy set out on pages 39 to 41) for the year ended 30 May 2021.

Resolution 11

To approve the directors' remuneration policy as set out on pages 39 to 41.

Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 12 will be proposed as an ordinary resolution and resolutions 13 and 14 will be proposed as special resolutions.

Resolution 12

That the directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot Relevant Securities (as defined below) up to an aggregate nominal amount of £540,812 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 14 December 2022 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Relevant Securities means: (i) shares in the Company other than shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act), a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; (ii) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the Act). References to the allotment of Relevant Securities in this resolution include the grant of such rights.

Resolution 13

That subject to the passing of resolution 12 above, the directors of the Company be given the general power pursuant to sections 570 to 573 of the Companies Act 2006 (the 'Act') to allot or make offers or agreements to allot equity securities for cash, either pursuant to the authority conferred by resolution 12 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue so that for this purpose 'rights issue' means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with rights attached thereto but subject to such exclusions or other arrangements as the directors consider necessary or expedient in relation to treasury shares, fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory; and
- (b) the allotment of equity securities up to an aggregate nominal amount of £81,941.

The power granted by this resolution will expire on 14 December 2022 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired. This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities. For the purposes of this resolution the expression 'equity securities' and references to 'allotment of equity securities' respectively have the meanings given to them in section 560 of the Act.

Resolution 14

That the Company be and is hereby granted general and unconditional authority for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ('ordinary shares') on such terms and in such manner as the directors may from time to time determine provided that:

- (a) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 14 December 2022 whichever is the earlier;
- (b) the maximum aggregate number of ordinary shares that may be purchased is 3,277,647;
- (c) the minimum price (excluding expenses) which may be paid for an ordinary share is 5p;
- (d) the maximum price (excluding expenses) which may be paid for an ordinary share is the higher of: (i) an amount equal to 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day on which the purchase is made; and (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of the Company's ordinary shares on the trading venue where the purchase is carried out; and
- (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.



By order of the board

R Matthews

Company secretary

26 July 2021

Registered office:

Willow Road, Lenton

Nottingham

NG7 2WS

Registered in England and Wales under number 2670969

Notes

We continue to monitor the COVID-19 situation and all associated guidance and restrictions. Our priority remains the health and safety of our staff, customers and shareholders, and, with this in mind, we recommend that shareholders do not attend the Annual General Meeting in person this year. Shareholder participation is important to Games Workshop, and we therefore:

- (i) encourage all shareholders to vote on all resolutions in advance of the AGM by registering their proxy votes;
- (ii) invite shareholders to submit any questions to our board of directors by email to investorrelations@gwplc.com by 10am on 13 September 2021 and we will publish questions received from, and responses provided to, shareholders as appropriate on our investor relations website at investor.games-workshop.com in advance of the AGM.

If you do wish to attend the AGM in person you will be able to do so, but you are asked to register your intention to attend in advance by sending an email to investorrelations@gwplc.com as soon as possible, and no later than 48 hours prior to the meeting. Any shareholders attending the meeting in person shall be required to adhere to all government guidance and restrictions and all site rules at the venue of the AGM.

All arrangements in respect of our AGM remain subject to all applicable COVID-19 guidance and restrictions. Should the situation change and we consider it no longer possible for shareholders to attend the meeting, we will notify shareholders on our Investor Relations website and by way of a regulatory announcement.

1. Only those members registered on the Company's register of members at 6.30 pm on 13 September 2021 or, if this meeting is adjourned, at 6.30pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this document. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chair of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chair) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.
5. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA so as to be received no later than 48 hours before the time fixed for holding the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 6DA no later than the time fixed for holding the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
10. Appointment of a proxy does not preclude you from attending the meeting and voting in person.
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
12. As at 26 July 2021 (being the last practical date prior to the publication of this notice), the Company's issued share capital comprised 32,776,471 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 26 July 2021 is 32,776,471. The website referred to in note 21 will include information on the number of shares and voting rights.
13. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') you may have a right under an agreement between you and the member of the Company who has nominated you (a 'Relevant Member') to have information rights to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
14. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

Notes continued

15. Under section 338 of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; (c) the request may be in hard copy form or in electronic form (see note 19 below), must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported, must be authenticated by the person or persons making it (see note 19 below); and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
16. Under section 338A of the Companies Act 2006, a member or members meeting the qualification criteria set out at note 18 below, may, subject to conditions, require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (a) the matter of business must not be defamatory of any person, frivolous or vexatious, (b) the request may be in hard copy form or in electronic form (see note 19 below), must identify the matter of business by setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the persons or person making it (see note 19 below) and must be received by the Company not later than 6 weeks before the meeting to which the request relates.
17. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by a member or members meeting the qualification criteria set out at note 18 below, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's financial statements (including the auditors' report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website, it may not require the members making the request to pay any expenses incurred by the Company in complying with the request, it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website, and the statement may be dealt with as part of the business of the meeting. The request may be in hard copy form or in electronic form (see note 19 below), either set out the statement in full, or if supporting a statement sent by another member, clearly identify the statement which is being supported, must be authenticated by the person or persons making it (see note 19 below), and be received by the Company at least one week before the meeting.
18. In order to be able to exercise the members' right to require circulation of a resolution to be proposed at the meeting (see note 15); a matter of business to be dealt with at the meeting (see note 16) or the Company to publish audit concerns (see note 17), the relevant request must be made by a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company, or at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 12 above and the website referred to in note 21.
19. Where a member or members wishes to request the Company to circulate a resolution to be proposed at the meeting (see note 15), include a matter of business to be dealt with at the meeting (see note 16) or publish audit concerns (see note 17) such request must be made in accordance with one of the following ways: (a) a hard copy request which is signed by you, which states your full name and address and is sent to Ross Matthews, Games Workshop Group PLC, Willow Road, Lenton, Nottingham NG7 2WS; or (b) a request which states your full name and address, and is sent to ross.matthews@gwplc.com. Please state 'AGM' in the subject line of the e-mail.
20. Under section 319A of the Companies Act 2006 the Company must answer any question you ask relating to the business being dealt with at the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, the answer has already been given on a website in the form of an answer to a question or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from <http://investor.games-workshop.com>.
22. The following documents will be available for inspection for at least 15 minutes prior to the meeting and during the meeting: (a) copies of the service contracts of executive directors of the Company and (b) copies of the service agreements of the independent directors of the Company.
23. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
24. As an alternative to completing a hard copy proxy form, a shareholder can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. Shareholders will need their voting ID, task ID and shareholder reference number (this is the series of numbers printed under their name on the proxy form). Alternatively, if a shareholder has already registered with Equiniti Limited's online portfolio service, Shareview, they can submit a proxy form at www.shareview.co.uk. Full instructions are given on both websites. To be valid, your proxy appointment(s) and instructions should reach Equiniti Limited no later than 48 hours before the time fixed to hold the meeting. Any electronic communication sent by a shareholder to the Company or the registrar that is found to contain a computer virus will not be accepted.

Explanatory notes to the notice of annual general meeting

Resolution 1 – Financial statements

This is a standard resolution common to all annual general meetings.

Resolutions 2 to 7 – Election and re-election of directors

The following directors will stand for election or re-election in accordance with the UK Corporate Governance Code and the Company's articles of association:

- K D Rountree
- R F Tongue
- E O'Donnell
- J R A Brewis
- K E Marsh
- S Matthews

Each of the above directors has indicated their willingness to offer themselves for re-election. The board, having considered the mix of skills, knowledge and experience of the directors confirms that each director continues to perform their duties effectively, showing integrity and high ethical standards whilst maintaining sound, independent judgement in respect of all decisions taken at board level.

Biographical details for each of the directors can be found on pages 20 and 21 of the 2021 annual report.

Resolutions 8 and 9 – Re-appointment of auditors and auditors' remuneration

The Company is required to appoint an auditor at each meeting at which financial statements are presented. The audit and risk committee ran a competitive tender process which was completed in March 2021 and as a result of this process hereby recommends the appointment of KPMG LLP as auditors at the 2021 AGM. Accordingly, resolutions 8 and 9, subject to the approval of the shareholders of the Company, appoints KPMG LLP as auditors of the Company and authorises the directors to determine the remuneration of the auditors.

Resolution 10 and 11 – Directors' remuneration

Shareholders will be requested to approve the directors' remuneration report (excluding the directors' remuneration policy) for the financial year ended 30 May 2021 and the amended remuneration policy as detailed on pages 39 to 41 of the 2021 annual report.

Resolution 12 – Directors' power to allot relevant securities

Generally, the directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

In line with guidance issued by the Investment Association, if passed, resolution 12 will authorise the directors to allot ordinary shares in the Company (and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company) in connection with a rights issue only up to an aggregate nominal amount of £540,812 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under resolution 12). This amount (before any reduction) represents approximately 33% of the issued ordinary share capital of the Company as at 26 July 2021, being the last practicable date before the publication of this document. The directors intend to follow emerging best practice as regards the use of this authority, including as to the requirement for directors to stand for re-election.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months from the passing of the resolution (whichever is earlier). It is the directors' intention to renew the allotment authority each year.

The directors have no current intention to exercise either of the authorities sought under resolution 12. However, the directors consider that it is in the best interests of the Company to have the authorities available so that they have the maximum flexibility permitted by institutional shareholder guidelines to allot shares or grant rights without the need for a general meeting should they determine that it is appropriate to do so to respond to market developments or to take advantage of business opportunities as they arise.

Resolution 13 – Disapplication of pre-emption rights on equity issues for cash

Resolution 13, if passed, would enable the directors to allot shares for cash on a non pre-emptive basis in limited circumstances. It is proposed to authorise the directors to issue shares for cash up to an aggregate nominal amount of £81,941 (which represents approximately 5% of the Company's issued share capital as at 26 July 2021), without having to first offer them to shareholders in proportion to their existing holdings. In addition, in accordance with normal practice, the resolution would enable the board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months from the passing of the resolution (whichever is earlier). It is the directors' intention to renew this authority each year.

There are no present plans to exercise this authority.

Resolution 14 - Market purchase of own shares

A company may only purchase its own shares by either an off-market purchase, in pursuance of a contract approved in advance in accordance with section 694 of the Act or by a market purchase, authorised in accordance with section 701 of the Act. A 'market purchase' is one made through a 'recognised investment exchange'. Although the Act only requires an ordinary resolution, LR 12.4.7 of the Listing Rules requires the resolution to be passed as a special resolution (the ABI also recommend that the resolution should be passed as a special resolution). This resolution 14 authorises market purchases of the Company's own shares to be made but only within the limitations specified. In accordance with Investment Association guidelines the maximum number of shares purchased under this authority must not exceed 3,277,647 ordinary shares. The resolution also states the maximum price which may be paid being 5p per ordinary shares and the maximum price being the higher of: (i) an amount equal to 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day on which the purchase is made; and (ii) the value of an ordinary share calculated on the basis of the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of the Company's ordinary shares on the trading venue where the purchase is carried out.

As recommended by the Investment Association the Company renews this authority on an annual basis at each annual general meeting.

The directors have no current intention of exercising this authority to purchase the Company's ordinary shares. The Company will only exercise this authority to make such a purchase in the market if the directors consider it is in the best interests of the shareholders generally to do so. The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the directors exercise this authority. The directors will have regard to investor group guidelines which may be in force at the time of any such purchase, holding or re-sale of shares held in treasury.

If given, this authority will expire at the conclusion of the Company's next annual general meeting or 15 months after the passing of the resolution (whichever is earlier). It is the directors' intention to renew this authority each year.