

## PRESS ANNOUNCEMENT

# GAMES WORKSHOP GROUP PLC

10 January 2017

## HALF-YEARLY REPORT

Games Workshop Group PLC (“Games Workshop” or the “Group”) announces its half-yearly results for the six months to 27 November 2016.

### Highlights:

	Six months to 27 November 2016	Six months to 29 November 2015
Revenue	<b>£70.9m</b>	£55.3m
Revenue at constant currency*	<b>£62.7m</b>	£55.3m
Operating profit pre-change in accounting estimates and royalties receivable	<b>£9.7m</b>	£4.7m
Impact of change in accounting estimates	<b>£0.8m</b>	-
Operating profit pre-royalties receivable	<b>£10.5m</b>	£4.7m
Royalties receivable	<b>£3.3m</b>	£1.5m
Operating profit	<b>£13.8m</b>	£6.2m
Pre-tax profit	<b>£13.8m</b>	£6.3m
Cash generated from operations	<b>£19.6m</b>	£8.6m
Basic earnings per share	<b>34.0p</b>	14.9p
Dividend per share declared in the period	<b>25p</b>	20p

Kevin Rountree, CEO of Games Workshop, said:

“Our business and our Hobby are in good shape.

We are pleased to report sales and profit growth in the period across all channels. This improvement was built on a considerable team effort across the business.”

...Ends...

### For further information, please contact:

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

**0115 900 4003**

Investor relations website  
General website

[investor.games-workshop.com](http://investor.games-workshop.com)  
[www.games-workshop.com](http://www.games-workshop.com)

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation.

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2015 and 2016, both converted at the average exchange rates for the six months ended 29 November 2015.

## FIRST HALF HIGHLIGHTS

	Six months to 27 November 2016	Six months to 29 November 2015
Revenue	<b>£70.9m</b>	£55.3m
Revenue at constant currency*	<b>£62.7m</b>	£55.3m
Operating profit pre-change in accounting estimates and royalties receivable	<b>£9.7m</b>	£4.7m
Impact of change in accounting estimates	<b>£0.8m</b>	-
Operating profit pre-royalties receivable	<b>£10.5m</b>	£4.7m
Royalties receivable	<b>£3.3m</b>	£1.5m
Operating profit	<b>£13.8m</b>	£6.2m
Pre-tax profit	<b>£13.8m</b>	£6.3m
Cash generated from operations	<b>£19.6m</b>	£8.6m
Basic earnings per share	<b>34.0p</b>	14.9p
Dividends per share declared in the period	<b>25p</b>	20p

### Revenue by segment

	Six months to 27 November 2016 Constant currency	Six months to 29 November 2015 Constant currency	Six months to 27 November 2016 Actual rates	Six months to 29 November 2015 Actual rates
Trade	<b>£24.9m</b>	£22.4m	<b>£29.3m</b>	£22.4m
Retail	<b>£25.8m</b>	£21.5m	<b>£29.2m</b>	£21.5m
Mail order	<b>£12.0m</b>	£11.4m	<b>£12.4m</b>	£11.4m

### Operating profit by segment

	Six months to 27 November 2016 Constant currency	Six months to 29 November 2015 Constant currency	Six months to 27 November 2016 Actual rates	Six months to 29 November 2015 Actual rates
Trade	<b>£6.6m</b>	£5.8m	<b>£8.8m</b>	£5.8m
Retail	<b>£(2.2)m</b>	£(3.1)m	<b>£(2.4)m</b>	£(3.1)m
Mail order	<b>£6.4m</b>	£6.2m	<b>£6.7m</b>	£6.2m
Product and supply	<b>£5.0m</b>	£4.7m	<b>£6.1m</b>	£4.7m
Royalties	<b>£2.6m</b>	£1.2m	<b>£3.0m</b>	£1.2m
Other costs	<b>£(8.1)m</b>	£(8.6)m	<b>£(8.4)m</b>	£(8.6)m

## INTERIM MANAGEMENT REPORT

Our business and our Hobby are in good shape.

We are pleased to report sales and profit growth in the period across all channels. This improvement was built on a considerable team effort across the business.

In the period we focused and delivered on our operational plan and are making good progress on our strategic initiatives. I'm delighted that our new approach to marketing and merchandising has been received well. It's early days, we're having fun, and the feedback we've had is that our customers are enjoying the changes too. I intend to build on these improvements in the second half.

One of our key measures of our performance is return on capital. During the period our return on capital grew from 36% at November 2015 to 40% at November 2016. This was driven by the increase in operating profit before royalties receivable, offset slightly by an increase in average capital employed\*\*.

## **Sales**

Reported sales grew by 28% to £70.9 million for the period. On a constant currency basis, sales were up by 13% from £55.3 million to £62.7 million; split by channel this comprised: retail £25.8 million (2015: £21.5 million), trade £24.9 million (2015: £22.4 million) and mail order £12.0 million (2015: £11.4 million).

### *Retail*

This channel showed growth in all territories. We opened, including relocations, 17 stores including our first stores for some time in Singapore, Malaysia and Hong Kong. After closing 8 stores, our net total number of stores at the end of the period is 460.

The key priority in the period reported has been to give our store managers the appropriate product and sales support to help them recruit new customers, retain our existing customers and re-recruit lapsed customers. Recruiting new store managers remains a key area of focus.

### *Trade*

All key territories achieved growth. In the period, our net number of trade outlets increased by 60 accounts.

### *Mail order*

Sales in our online shops were up 8%. Our 'Made to Order' and 'Last Chance to Buy' web store initiatives, aimed at ensuring our customers have access to our broader range, have performed well.

### *Non-core*

This includes licensing, digital, export, non-strategic trade accounts, book trade, magazine and mass-market opportunities. Non-core sales were up from £7.6 million to £9.8 million with sales growth reported across all areas. In the period, royalties receivable from licensing increased from £1.5 million to £3.3 million.

We launched in the period new editions of our White Dwarf magazine and Blood Bowl game, the first of many new products from our Specialist Design Studio. Both have sold through well.

## **Operating profit**

Operating profit before royalty income increased by £5.0 million to £9.7 million (2015: £4.7 million) before the change in accounting estimates described below. On a constant currency basis, operating profit before the change in accounting estimates increased by £2.0 million to £6.7 million.

With effect from 30 May 2016 the Group implemented a change in accounting estimates for the amortisation of development costs intangible assets and for the depreciation of moulding tools. The impact of the change for the six months to 27 November 2016 is an increase in operating profit of £0.8 million. The change in accounting estimates is described in note 2 to this half-yearly report.

On a constant currency basis, royalty income increased by £1.3 million to £2.8 million (2015: £1.5 million).

Total operating profit increased by £7.6 million to £13.8 million (2015: £6.2 million). The net impact in the six months to 27 November 2016 of exchange rate fluctuations was a gain of £3.5 million. It is not the Group's policy to hedge against foreign exchange rate exposure.

Operating expenses increased by £5.3 million due to an investment in sales facing activities relating to new retail store costs. Costs remain a key area of focus.

## **Capital employed**

Average capital employed\*\* increased by £2.7 million to £41.8 million. The book value of tangible and intangible assets increased by £2.4 million, mainly due to the ongoing investment in the implementation of a new ERP system and the change in accounting estimates for development costs and moulding tools whilst trade and other receivables increased by £0.8 million, inventory increased by £1.6 million due to the timing of product launches, provisions increased by £0.5 million and current liabilities increased by £1.6 million.

## **Cash generation**

During the period, the Group's core operating activities generated £14.5 million of cash after tax payments (2015: £6.6 million). The Group also received cash of £3.6 million in respect of royalties in the year (2015: £1.1 million). After purchases of tangible and intangible assets and product development costs of £6.8 million (2015: £6.3 million), dividends of £8.0 million (2015: £6.4 million) and foreign exchange gains of £0.8 million (2015: £nil) there were net funds at the end of the period £15.9 million (2015: £7.8 million).

## **Dividends**

In the period we paid a dividend of 25 pence per share (2015: 20 pence) amounting to £8.0 million (2015: £6.4 million).

## **Risks and uncertainties**

The board has overall responsibility for ensuring risk is appropriately managed across the Group. As discussed in the 2016 annual report, the top five risks to the Group are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Group has a disaster recovery plan to ensure ongoing operations are maintained in all circumstances. The principal risks for the balance of the year are the same as those identified in the 2016 annual report and are discussed below:

*ERP change.* This is a complicated project with the risk of widespread business disruption if it is not implemented well.

*Store manager recruitment.* This comprises both recruitment of managers for new stores as well as replacing poor performing managers. Retail is our primary method of recruiting new customers and so we need great managers in all our stores.

*Supply chain.* We are changing our mail order warehouse system. This is part of an ongoing programme of continuous improvement for these warehouse systems. As with any system change there are risks associated with the transition.

*Range management.* We constantly review our range to ensure that we are exploring all opportunities.

*Distractions.* Anything else that gets in the way of us delivering our goals.

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

## **Going concern**

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

## **Statement of directors' responsibilities**

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

There have been no other changes to the board since the annual report for the year to 29 May 2016. A list of all current directors is maintained on the investor relations website at [investor.games-workshop.com](http://investor.games-workshop.com).

By order of the board

**K D Rountree**  
CEO

**R F Tongue**  
Group Finance Director

10 January 2017

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2015 and 2016, both converted at the average exchange rates for the six months ended 29 November 2015.

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

## CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
<b>Revenue</b>	3	<b>70,935</b>	55,259	118,069
Cost of sales pre-change in accounting estimates*		(22,171)	(16,802)	(37,438)
Cost of sales impact of change in accounting estimates*		798	-	-
Cost of sales		(21,373)	(16,802)	(37,438)
<b>Gross profit</b>		<b>49,562</b>	38,457	80,631
Operating expenses		(39,065)	(33,753)	(69,710)
Other operating income – royalties receivable		3,261	1,536	5,939
Operating profit pre-change in accounting estimates*		12,960	6,240	16,860
Operating profit impact of change in accounting estimates*		798	-	-
<b>Operating profit</b>	3	<b>13,758</b>	6,240	16,860
Finance income		29	47	93
Finance costs		-	-	(5)
<b>Profit before taxation</b>	5	<b>13,787</b>	6,287	16,948
Income tax expense	6	(2,857)	(1,506)	(3,452)
<b>Profit attributable to owners of the parent</b>		<b>10,930</b>	4,781	13,496
Basic earnings per ordinary share	7	34.0p	14.9p	42.1p
Diluted earnings per ordinary share	7	33.9p	14.9p	42.0p
Basic earnings per ordinary share pre-change in accounting estimates*	7	32.0p	14.9p	42.1p
Diluted earnings per ordinary share pre-change in accounting estimates*	7	31.9p	14.9p	42.0p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
<b>Profit attributable to owners of the parent</b>	<b>10,930</b>	4,781	13,496
<b>Other comprehensive income/(expense)</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	2,687	(140)	485
Other comprehensive income/(expense) for the period	2,687	(140)	485
<b>Total comprehensive income attributable to owners of the parent</b>	<b>13,617</b>	4,641	13,981

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

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

## CONSOLIDATED BALANCE SHEET

		As at 27 November 2016 £000	As at 29 November 2015 £000	As at 29 May 2016 £000
	Notes			
<b>Non-current assets</b>				
Goodwill		1,433	1,433	1,433
Other intangible assets	9	12,824	9,409	10,501
Property, plant and equipment	10	22,112	22,588	22,621
Trade and other receivables		1,413	1,220	929
Deferred tax assets		2,881	3,289	3,219
		<u>40,663</u>	<u>37,939</u>	<u>38,703</u>
<b>Current assets</b>				
Inventories		11,224	9,404	8,540
Trade and other receivables		11,507	10,195	10,120
Current tax assets		982	833	725
Cash and cash equivalents		15,877	7,781	11,775
		<u>39,590</u>	<u>28,213</u>	<u>31,160</u>
<b>Total assets</b>		<u>80,253</u>	<u>66,152</u>	<u>69,863</u>
<b>Current liabilities</b>				
Trade and other payables		(16,761)	(12,555)	(12,844)
Current tax liabilities		(2,689)	(1,950)	(1,924)
Provisions	11	(838)	(674)	(823)
		<u>(20,288)</u>	<u>(15,179)</u>	<u>(15,591)</u>
<b>Net current assets</b>		<u>19,302</u>	<u>13,034</u>	<u>15,569</u>
<b>Non-current liabilities</b>				
Other non-current liabilities		(416)	(308)	(488)
Provisions	11	(662)	(577)	(621)
		<u>(1,078)</u>	<u>(885)</u>	<u>(1,109)</u>
<b>Net assets</b>		<u>58,887</u>	<u>50,088</u>	<u>53,163</u>
<b>Capital and reserves</b>				
Called up share capital		1,606	1,605	1,606
Share premium account		10,533	10,435	10,519
Other reserves		4,354	1,042	1,667
Retained earnings		42,394	37,006	39,371
<b>Total equity</b>		<u>58,887</u>	<u>50,088</u>	<u>53,163</u>

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



## CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
<b>Cash flows from operating activities</b>				
Cash generated from operations	8	19,621	8,569	26,782
UK corporation tax paid		(1,313)	(747)	(2,236)
Overseas tax paid		(155)	(121)	(316)
<b>Net cash from operating activities</b>		<b>18,153</b>	<b>7,701</b>	<b>24,230</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(2,484)	(2,641)	(5,296)
Purchases of other intangible assets		(1,187)	(1,485)	(2,789)
Expenditure on product development		(3,167)	(2,185)	(4,578)
Interest received		35	47	86
<b>Net cash from investing activities</b>		<b>(6,803)</b>	<b>(6,264)</b>	<b>(12,577)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		14	219	304
Interest paid		-	-	(3)
Dividends paid to Company shareholders		(8,031)	(6,413)	(12,837)
<b>Net cash from financing activities</b>		<b>(8,017)</b>	<b>(6,194)</b>	<b>(12,536)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,333</b>	<b>(4,757)</b>	<b>(883)</b>
Opening cash and cash equivalents		11,775	12,561	12,561
Effects of foreign exchange rates on cash and cash equivalents		769	(23)	97
<b>Closing cash and cash equivalents</b>		<b>15,877</b>	<b>7,781</b>	<b>11,775</b>

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

# NOTES TO THE FINANCIAL INFORMATION

## 1. Basis of preparation

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

The Company has its listing on the London Stock Exchange.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 29 May 2016 were approved by the board of directors on 25 July 2016 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either section 498 (2) or section 498 (3) of the Companies Act 2006.

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

This condensed consolidated interim financial information for the six months ended 27 November 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 29 May 2016 which have been prepared in accordance with IFRSs as adopted by the European Union.

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

This condensed consolidated interim financial information was approved for issue on 10 January 2017.

This condensed consolidated interim financial information is available to shareholders and members of the public on the Company's website at [investor.games-workshop.com](http://investor.games-workshop.com).

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 29 May 2016.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 29 May 2016, as described in those financial statements. With effect from 30 May 2016 the Group implemented a change in accounting estimate for the amortisation of development costs intangible assets and the accounting estimate for the depreciation of moulding tools. These are described in note 2 below along with the impact on the results for the six months to 27 November 2016.

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

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

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

- IFRS 16 'Leases' (effective for the year ending 31 May 2020). Under this new standard all leases will be required to be recognised on balance sheet. Currently under IAS 17 'Leases' only leases categorised as finance leases are recognised on balance sheet, with leases categorised as operating leases not recognised. In broad terms the impact will be to recognise a lease liability and corresponding asset for the Group's operating lease commitments. The Group is assessing the impact of the new standard.
- IFRS 15 'Revenue from contracts with customers' (effective for the year ending 2 June 2019). Under this new standard the royalty minimum guarantee income is expected to be taken as revenue up front. Currently the minimum guarantee income is deferred and released in line with licensee sales.

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

## 2. Change in accounting estimates

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

Previously moulding tools were depreciated on a straight line basis over a period of 48 months. Moulding tools relating to specific products are now amortised on a reducing balance basis at 50%.

The changes have been made in order to better match the expenditure incurred to the expected revenue generated from the subsequent product release. In accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' the changes are recognised prospectively and hence there is no impact on the results or financial position previously reported for the six months to 29 November 2015 or for the year ended 29 May 2016.

## 2. Change in accounting estimates continued

The impact of the change on the results for the six months to 27 November 2016 is shown in the table below:

	Pre-change in accounting estimates £000	Impact of change in accounting estimates £000	Total Six months to 27 November 2016 £000
Cost of sales	(22,171)	798	(21,373)
Gross profit	48,764	798	49,562
Operating profit	12,960	798	13,758
Income tax expense	(2,703)	(154)	(2,857)
Profit attributable to owners of the parent	10,286	644	10,930
Other intangible assets	11,184	1,640	12,824
Property, plant and equipment	22,487	(375)	22,112
Deferred tax assets	2,976	(95)	2,881
Current tax liabilities	(2,630)	(59)	(2,689)
Net assets	58,243	644	58,887
Basic earnings per share	32.0p	2.0p	34.0p
Diluted earnings per share	31.9p	2.0p	33.9p

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

## 3. Segment information

As Games Workshop is a vertically integrated business, management assesses the performance of sales channels and manufacturing and distribution channels separately. At 27 November 2016, the Group is organised as follows:

- Sales channels. These channels sell product to external customers, through the Group's network of retail stores, independent retailers and directly via the global web store. 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 and also includes the Group's magazine newsstand business and the distributor sales from the Group's publishing business (Black Library).
  - Retail. This includes sales through the Group's retail stores, the Group's visitor centre in Nottingham and global exhibitions.
  - Mail order. This includes sales through the Group's global web stores and digital sales through external affiliates.
- Product and supply. This includes the design and manufacture of the products and incorporates the production facility in the UK and the Group logistics and stock management costs. This also includes adjustments for the profit in stock arising from inter-segment sales and charges for inventory provisions.
- Central costs. These include the Company overheads, head office site costs, and the costs of running the Games Workshop Academy.
- Service centre costs. Provides support services (IT, accounting, payroll, personnel, procurement, legal, customer services and credit control) to activities across the Group and undertakes strategic projects.
- Royalties. This is royalty income earned from third party licensees after deducting associated licensing costs.

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

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

	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
External revenue			
Trade	29,341	22,418	44,522
Retail	29,168	21,457	48,414
Mail order	12,426	11,384	25,133
<b>Total external revenue</b>	<b>70,935</b>	<b>55,259</b>	<b>118,069</b>

### 3. Segment information continued

For information, we analyse external revenue further below:

	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
<b>Trade</b>			
UK and Continental Europe	10,416	8,424	15,504
North America	11,131	8,716	17,944
Australia and New Zealand	1,133	871	1,658
Asia	746	323	741
Non-core trade	5,915	4,084	8,675
<b>Total Trade</b>	<b>29,341</b>	<b>22,418</b>	<b>44,522</b>
<b>Retail</b>			
UK	8,627	7,776	16,074
Continental Europe	7,869	5,116	12,878
North America	7,044	4,438	10,417
Australia and New Zealand	3,338	2,350	5,133
Asia	538	165	417
Non-core retail	1,752	1,612	3,495
<b>Total Retail</b>	<b>29,168</b>	<b>21,457</b>	<b>48,414</b>
<b>Mail order</b>			
Citadel and Forge World	10,283	9,508	21,018
Non-core mail order	2,143	1,876	4,115
<b>Total Mail order</b>	<b>12,426</b>	<b>11,384</b>	<b>25,133</b>
<b>Total external revenue</b>	<b>70,935</b>	<b>55,259</b>	<b>118,069</b>

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

	Six months to 27 November 2016 £000	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
Trade	(5,388)	(4,086)	(8,899)
Retail	(21,222)	(17,055)	(35,930)
Mail order	(2,595)	(2,207)	(5,002)
Product and supply	(1,279)	(1,583)	(2,767)
Central costs	(3,125)	(2,697)	(5,582)
Service centre costs	(4,738)	(5,822)	(10,907)
Royalties	(192)	(226)	(430)
<b>Total segment operating expenses</b>	<b>(38,539)</b>	<b>(33,676)</b>	<b>(69,517)</b>
Share-based payment charge	(82)	(77)	(193)
Profit share scheme charge	(444)	-	-
<b>Total group operating expenses</b>	<b>(39,065)</b>	<b>(33,753)</b>	<b>(69,710)</b>

### 3. Segment information continued

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

	<b>Six months to*</b> <b>27 November</b> <b>2016</b> <b>£000</b>	Restated** Six months to 29 November 2015 £000	Restated** Year to 29 May 2016 £000
Trade	8,791	5,789	10,625
Retail	(2,369)	(3,052)	(3,927)
Mail order	6,651	6,231	13,747
Product and supply	6,075	4,646	7,610
Central costs	(3,125)	(2,697)	(5,424)
Service centre costs	(4,738)	(5,822)	(10,907)
Royalties	2,999	1,222	5,329
<b>Total segment operating profit</b>	<b>14,284</b>	<b>6,317</b>	<b>17,053</b>
Share-based payment charge	(82)	(77)	(193)
Profit share scheme charge	(444)	-	-
Finance income	29	47	93
Finance costs	-	-	(5)
<b>Profit before taxation</b>	<b>13,787</b>	<b>6,287</b>	<b>16,948</b>

\*The implementation of the change in accounting estimates for the amortisation of development costs intangible assets and the depreciation of moulding tools, as described in note 2, has resulted in an increase in operating profit of £798,000 which is shown within the product and supply segment above. There is no impact on the results for the six months to 29 November 2015 or the year to 29 May 2016.

\*\*Segment operating profit for the six months to 29 November 2015 and for the year to 29 May 2016 has been restated in this financial information to reclassify a stock valuation gain of £517,000 from the retail segment to the product and supply segment. This reflects the current management structure in place for the six months to 27 November 2016.

### 4. Dividends

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

A dividend of £6,413,000 (20 pence per share) was declared and paid in the six months to 29 November 2015.

Dividends of £12,837,000 were declared and paid during the year ended 29 May 2016.

### 5. Profit before taxation

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

	<b>Six months to</b> <b>27 November</b> <b>2016</b> <b>£000</b>	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
Redundancy costs and compensation for loss of office	345	275	536
Impairment of property, plant and equipment	16	46	28
Net charge to property provisions including closed or loss-making retail stores	197	377	562
Net inventory provision creation	235	286	1,805

### 6. Tax

The taxation charge for the six months to 27 November 2016 is based on an estimate of the full year effective rate of 20.7% reflecting overseas tax rates which are higher than the UK rate of 19.83% (2015: 24.0%, reflecting overseas tax rates which were higher than the UK rate of 20.0%).

## 7. Earnings per share

### Basic earnings per share

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

	<b>Six months to 27 November 2016</b>	Six months to 29 November 2015	Year to 29 May 2016
Profit attributable to owners of the parent (£000)	<b>10,930</b>	4,781	13,496
Weighted average number of ordinary shares in issue (thousands)	<b>32,121</b>	32,070	32,093
<b>Basic earnings per share (pence per share)</b>	<b>34.0</b>	14.9	42.1

### Basic earnings per share pre-change in accounting estimates

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

	<b>Six months to 27 November 2016</b>	Six months to 29 November 2015	Year to 29 May 2016
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	<b>10,286</b>	4,781	13,496
Weighted average number of ordinary shares in issue (thousands)	<b>32,121</b>	32,070	32,093
<b>Basic earnings per share pre-change in accounting estimates (pence per share)</b>	<b>32.0</b>	14.9	42.1

### Diluted earnings per share

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

	<b>Six months to 27 November 2016</b>	Six months to 29 November 2015	Year to 29 May 2016
Profit attributable to owners of the parent (£000)	<b>10,930</b>	4,781	13,496
Weighted average number of ordinary shares in issue (thousands)	<b>32,121</b>	32,070	32,093
Adjustment for share options (thousands)	<b>77</b>	74	57
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>32,198</b>	32,144	32,150
<b>Diluted earnings per share (pence per share)</b>	<b>33.9</b>	14.9	42.0

## 7. Earnings per share continued

Diluted earnings per share pre-change in accounting estimates

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

	<b>Six months to 27 November 2016</b>	Six months to 29 November 2015	Year to 29 May 2016
Profit attributable to owners of the parent pre-change in accounting estimates (£000)	<b>10,286</b>	4,781	13,496
Weighted average number of ordinary shares in issue (thousands)	<b>32,121</b>	32,070	32,093
Adjustment for share options (thousands)	<b>77</b>	74	57
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>32,198</b>	32,144	32,150
<b>Diluted earnings per share pre-change in accounting estimates (pence per share)</b>	<b>31.9</b>	14.9	42.0

## 8. Reconciliation of profit to net cash from operating activities

	<b>Six months to 27 November 2016 £000</b>	Six months to 29 November 2015 £000	Year to 29 May 2016 £000
Operating profit	<b>13,758</b>	6,240	16,860
Depreciation of property, plant and equipment	<b>3,156</b>	2,611	5,305
Net impairment charge on property, plant and equipment	<b>16</b>	46	28
Loss on disposal of property, plant and equipment	<b>23</b>	8	28
Loss on disposal of intangible assets	<b>-</b>	-	39
Amortisation of capitalised development costs	<b>1,557</b>	1,831	3,853
Amortisation of other intangibles	<b>604</b>	595	1,232
Share-based payments	<b>82</b>	77	193
Changes in working capital:			
-Increase in inventories	<b>(1,805)</b>	(1,697)	(701)
-Increase in trade and other receivables	<b>(1,298)</b>	(1,004)	(293)
-Increase/(decrease) in trade and other payables	<b>3,585</b>	(413)	(198)
-(Decrease)/increase in provisions	<b>(57)</b>	275	436
<b>Net cash from operating activities</b>	<b>19,621</b>	8,569	26,782

## 9. Other intangible assets

	<b>27 November 2016* £000</b>	29 November 2015 £000	29 May 2016 £000
Net book value at beginning of period	<b>10,501</b>	8,262	8,262
Additions	<b>4,479</b>	3,566	7,362
Exchange differences	<b>5</b>	7	1
Disposals	<b>-</b>	-	(39)
Amortisation charge	<b>(2,161)</b>	(2,426)	(5,085)
<b>Net book value at end of period</b>	<b>12,824</b>	9,409	10,501

\*The impact of the change in accounting estimate for the amortisation of development costs intangible assets is an increase in the net book value of intangible assets of £1,640,000 as at 27 November 2016. There is no impact on the net book value of intangible assets at 29 November 2015 or 29 May 2016.

## 10. Property, plant and equipment

	<b>27 November 2016*</b>	29 November 2015	29 May 2016
	<b>£000</b>	£000	£000
Net book value at beginning of period	<b>22,621</b>	22,719	22,719
Additions	<b>2,348</b>	2,551	5,193
Exchange differences	<b>338</b>	(17)	70
Disposals	<b>(23)</b>	(8)	(28)
Charge for the period	<b>(3,156)</b>	(2,611)	(5,305)
Impairment	<b>(16)</b>	(46)	(28)
<b>Net book value at end of period</b>	<b>22,112</b>	22,588	22,621

\*The impact of the change in accounting estimate for the depreciation of moulding tools is a decrease in the net book value of property, plant and equipment of £375,000 as at 27 November 2016. There is no impact on the net book value of property, plant and equipment at 29 November 2015 or 29 May 2016.

## 11. Provisions

Analysis of total provisions:

	<b>27 November 2016</b>	29 November 2015	29 May 2016
	<b>£000</b>	£000	£000
Current	<b>838</b>	674	823
Non-current	<b>662</b>	577	621
	<b>1,500</b>	1,251	1,444

	Exceptional items £000	Employee benefits £000	Property £000	Total £000
At 31 May 2015	26	492	469	987
Charged to the income statement	-	65	377	442
Exchange differences	-	(7)	(3)	(10)
Utilised	(26)	(1)	(141)	(168)
At 29 November 2015	-	549	702	1,251

	Exceptional items £000	Employee benefits £000	Property £000	Total £000
At 31 May 2015	26	492	469	987
Charged to the income statement	-	89	562	651
Exchange differences	-	3	16	19
Utilised	(26)	(37)	(150)	(213)
At 29 May 2016	-	547	897	1,444
Charged to the income statement	-	99	197	296
Exchange differences	-	53	60	113
Utilised	-	(47)	(306)	(353)
<b>At 27 November 2016</b>	<b>-</b>	<b>652</b>	<b>848</b>	<b>1,500</b>

## 12. Seasonality

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

## 13. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £996,000 (2015: £867,000). The committed spend includes the replacement of the local area network for our headquarters in Nottingham and tooling and machinery spend.

## 14. Related-party transactions

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