Games Workshop Limited

Annual report and financial statements

for the year ended 30 May 2021

Registered number: 1467092

Annual report and financial statements for the year ended 30 May 2021

Company information

Directors
K D Rountree
R F Tongue

Company secretary
R Matthews

Registered office
Willow Road
Lenton
Nottingham
NG7 2WS

Strategic report

Strategy and objectives

Games Workshop's 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.

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.

Business model

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.

We sell via three channels, our own stores 'Retail', third party independent retailers and related parties 'Trade' and our online store 'Online'. We also generate income, via our licensing partners.

Key performance indicators

We consider our key performance indicators to be sales, operating profit and cash generation.

Review of the year ended 30 May 2021

COVID-19

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. Where possible our office based staff have worked from home. Our 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 customers have had considerably more free, engaging digital content and the best new miniatures we have ever made. 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.

Sales

Reported sales increased from £212.0 million to £319.6 million for the year. Sales improved in the Trade and Online channels whilst there was a decrease in the Retail channel, which was negatively affected by COVID-19 related closures.

Trade sales to third party retailers accounted for 29% of current year sales (2020: 34%) and sales to related parties accounted for 38% of this year's sales (2020: 29%).
Online contributed 27% of total sales in the year (2020: 26%).
Retail contributed 5% of sales in the year (2020: 11%). At the end of the year we had 138 of our own retail stores in the UK.

Operating profit

Core business operating profit (operating profit before royalty income) increased by £70.5 million to £135.2 million (2020: £64.7 million). Gross profit margin increased in the year (65.2% versus 59.4% in 2020) as a result of the change in sales channel mix. Operating expenses increased by £11.7 million, including increases of £7.6m in group profit share and discretionary payments to employees, and £0.6m in respect of share based payments.

As a direct result of our performance we rewarded all our staff with a £1,000 profit share payment each (total cost 2021: £1.8 million, 2020: £1.6 million), as well as a discretionary payment of £4,000 each (total cost 2021 £7.4 million, 2020: £nil).

Cash generation

During the year, core operating activities generated £115.2 million of cash after tax payments (2020: £80.0 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 £30.1 million (2020: £20.3 million), group profit share and discretionary payment to employees of £9.2 million (2020: £1.6 million profit share), net interest expense and foreign exchange losses of £0.1 million (2020: gain of £0.2m) and dividends paid of £78.0 million (2020: £48.5 million), there were net funds at the year end of £55.9 million (2020: £43.9 million).

Royalty income

Royalty income decreased in the year by £0.5 million to £16.3 million.

Strategic report (continued)

Taxation
The effective tax rate for the year was 18 9% (2020· 19 1%) This is below the UK rate of 19%, primarily due to R&D tax credit relief that was claimed in relation to 2018/19

Treasury
The objective of our treasury operation is the cost effective management of financial risk. 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.

Interest rate risk
Net interest payable for the year was £354,000 (2020. £166,000). This includes interest expense on lease liabilities of £444,000 (2020. £264,000), offset by interest received on cash balances.

Foreign exchange
Our largest currency exposures are the euro and US dollar. The exchange rates that have been used in the preparation of these accounts are as follows.

	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

Risks and uncertainties
The board of the group to which the Company belongs 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 Company are regularly reviewed 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 year ahead.

- Digital selling strategy – as sales through our online sales 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, each 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 meet 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 Company's employees

The board of the group to which the Company belongs 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 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 Company's business relationships with suppliers, customers and others

- Suppliers
  The directors are 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, investment in new production and warehousing facilities The directors also have oversight of relationships with suppliers through regular updates and reports from the executive team

- Customers
  The enjoyment of all things Warhammer by our customers is our priority The directors assess and consider customer satisfaction and engagement on a regular basis Sales and performance information provide the directors 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 in to, and assessed by, the directors regularly Any other significant trends, issues or opinions of our customers are reported up to and discussed by the directors when appropriate

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

The directors recognise 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 5 and 6 This is an important subject for the directors which will continue to be an area of focus in the next year

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

The directors expect the highest standards of business conduct Nothing else will do The directors receive 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

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

R Tongue

R F Tongue
Director
10 November 2021

DIRECTORS' REPORT

The directors present their annual report on the affairs of Games Workshop Limited ('the Company') together with the financial statements for the year ended 30 May 2021

Dividends
Dividends of £78,000,000 (2020: £48,500,000) were declared during the year.

Further dividends of £41,000,000 were declared post year end and were paid before the signing of these accounts

Directors
The directors who served during the year and up to the date of signing the financial statements are set out on page 1

Conflict of interest
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.

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 to the date of approval of the financial statements.

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. 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 been powered by renewable energy, and we are contracted to using renewable energy throughout our UK retail stores until May 2022

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

Employees
Our global communications forum continues to support clear and open communication between the board of the group to which the Company belongs 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 well-being and achievement

The Company maintains the UK national living wage for all UK employees regardless of age

The group to which the Company belongs operates an employee sharesave scheme as a means of further encouraging the involvement of employees in the group's performance

The Company'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

DIRECTORS' REPORT (continued)

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

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.

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.

Injury reporting
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).

Research and development
The Company 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.

Financial risks
The financial risks facing the Company are set out in note 19 to these financial statements

Existence of branches
The Company operates a number of branches outside of the UK in Belgium, Denmark, Finland, Ireland, Japan, the Netherlands, Norway and Poland.

Going concern
After making appropriate enquiries, the directors have a reasonable expectation that the Company has 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 Company's financial statements

On behalf of the board

R Tongue

R F Tongue
Director

10 November 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The members have not required the Company to obtain an audit of its financial statements for the year ended 30 May 2021 in accordance with section 476 of the Companies Act 2006, audit exemption for a subsidiary company.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards on 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 Union.

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 Company and of the profit or loss of the 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 Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) no 1606/2002 as it applies in the European Union have been followed for financial statements and IFRSs as adopted by the European Union, 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 Company will continue in business

The directors are also responsible for safeguarding the assets of the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act

The directors are responsible for the maintenance and integrity of the Company's website

On behalf of the board

R Tongue

RF Tongue
Director
10 November 2021

INCOME STATEMENT

	Notes	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Revenue	4	**319,610**	212,030
Cost of sales		**(111,344)**	(86,032)
Gross profit		**208,266**	125,998
Operating expenses	5	**(73,027)**	(61,318)
Other operating income – royalties receivable		**16,310**	16,795
Operating profit		**151,549**	81,475
Finance income	7	**93**	147
Finance costs	8	**(447)**	(313)
Profit before taxation	9	**151,195**	81,309
Income tax expense	10	**(28,585)**	(15,512)
Profit attributable to owners of the parent	26	**122,610**	65,797

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Profit attributable to owners of the parent	122,610	65,797
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(74)**	56
Other comprehensive income for the year	**(74)**	56
Total comprehensive income attributable to owners of the parent	122,536	65,853

The notes on pages 12 to 29 are an integral part of these financial statements

BALANCE SHEET

	Notes	30 May 2021 £'000	31 May 2020 £'000
Non-current assets			
Other intangible assets	12	**22,953**	17,409
Property, plant and equipment	13	**44,989**	35,896
Right-of-use assets	14	**25,514**	13,451
Deferred tax assets	15	**3,327**	3,239
Trade and other receivables	17	**5,577**	6,659
		102,360	76,654
Current assets			
Inventories	16	**18,680**	14,468
Trade and other receivables	17	**41,268**	23,203
Current tax assets		**385**	
Cash and cash equivalents	17	**55,939**	43,941
		116,272	81,612
Total assets		**218,632**	158,266
Current liabilities			
Lease liabilities	20	**(3,132)**	(2,597)
Trade and other payables	21	**(33,319)**	(29,185)
Current tax liabilities		-	(1,959)
Provisions for other liabilities and charges	23	**(258)**	(1,158)
		(36,709)	(34,899)
Net current assets		**79,563**	46,713
Non-current liabilities			
Lease liabilities	20	**(23,359)**	(10,981)
Other non current liabilities	22	**(4,081)**	(4,022)
Provisions for other liabilities and charges	23	**(1,007)**	(976)
		(28,447)	(15,979)
Net assets		**153,476**	107,388
Capital and reserves			
Called up share capital	24	**139**	139
Translation reserve	25	**369**	443
Retained earnings	26	**152,968**	106,806
Total equity		**153,476**	107,388

The notes on pages 12 to 24 are an integral part of these financial statements.

For the year ended 30 May 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the year in question in accordance with section 476.
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages [illegible] were approved by the board of directors on [illegible] November 2021 and were signed on its behalf by:

K Rountree

K D Rountree, Director

R Tonque

R F Tongue, Director

Registered number 1467092

STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital (note 24) £'000	Translation reserve (note 25) £'000	Retained earnings (note 26) £'000	Total equity £'000
At 2 June 2019 and 3 June 2019	139	387	88,198	88,724
Profit for the year to 2 June 2019	-	-	65,797	65,757
Exchange differences on translation of foreign operations	-	56		56
Total comprehensive income for the year		56	65,797	65,853
Transactions with owners				
Dividends declared and paid to the parent company			(48,500)	(48,000)
Current tax credit relating to exercised share options			1,300	1,300
Deferred tax credit relating to share options	-		11	11
Total transactions with owners		-	(47,189)	(47,189)
At 31 May 2020 and 1 June 2020	139	443	106,806	107,388
Profit for the year to 30 May 2021			122,610	122,610
Exchange differences on translation of foreign operations	-	(74)	-	(74)
Total comprehensive income for the year	-	**(74)**	**122,610**	**122,536**
Transactions with owners				
Dividends declared and paid to the parent company		-	(78,000)	(78,000)
Current tax credit relating to exercised share options		-	1,478	1,478
Deferred tax credit relating to share options			74	74
Total transactions with owners	-	-	**(76,448)**	**(76,448)**
At 30 May 2021	**139**	**369**	**152,968**	**153,476**

The notes on pages 12 to 29 are an integral part of these financial statements

CASH FLOW STATEMENT

	Notes	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Cash flows from operating activities			
Cash generated from operations	27	**153,140**	114,861
Corporation tax paid		**(28,962)**	(21,000)
Net cash generated from operating activities		**124,178**	93,861
Cash flows from investing activities			
Purchases of property, plant and equipment		**(17,950)**	(12,150)
Proceeds on disposal of property, plant and equipment		**56**	78
Purchases of other intangible assets		**(2,339)**	(2 153)
Expenditure on product development		**(9,778)**	(6,011)
Interest received		**93**	147
Net cash used in investing activities		**(29,918)**	(20,089)
Cash flows from financing activities			
Repayment of principal under leases		**(4,102)**	(3,065)
Interest paid		**(4)**	(49)
Dividends paid to Company shareholders		**(78,000)**	(48,500)
Net cash used in financing activities		**(82,106)**	(51,614)
Net increase in cash and cash equivalents		**12,154**	22,158
Opening cash and cash equivalents		**43,941**	21,640
Effects of foreign exchange rates on cash and cash equivalents		**(156)**	143
Closing cash and cash equivalents	17	**55,939**	43,941

The notes on pages 12 to 29 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Games Workshop Limited (the 'Company') 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 Company 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 limited liability company, incorporated and domiciled in the United Kingdom. The address of its registered office is Willow Road, Lenton, Nottingham, NG7 2WS, United Kingdom

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 financial statements are prepared in accordance with the historical cost convention

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

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Property, plant and equipment

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

Depreciation is calculated 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 Company 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 Company.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company 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 Company 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 Company, 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 Company 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 Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company'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 Company 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 Company 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 Company has a lease, linked to the life of the underlying lease agreement.

Short-term leases and leases of low-value assets

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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

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 each business unit are measured using the currency of the primary economic environment in which the unit 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 branches 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 sheet;
- 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 Company 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 are recognised as revenue when the Company performs under the contract

Other employment benefits

Pension costs

The Company participates in the Games Workshop Group PLC group personal pension plan, which is a defined contribution scheme Pension contributions are charged to the income statement as they accrue There are no further obligations to the Company once payment has been made

Long service benefits

The Company participates in the Games Workshop Group PLC Group 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

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 Company's retail stores and for digital products, revenue is recognised at the point of sale. 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 Company'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 Company'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 Company'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 Company by the licensee and following validation of the amounts receivable by the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

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 Company 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 are 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 Company 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 Company 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 Company has 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.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Segment information

Management assesses the performance of sales channels separately. At 30 May 2021 the sales channels of the Company are as follows:

- Trade – third party retailers: this sales channel sells to independent retailers, agents and distributors. It also includes the Company's magazine newsstand business and the distributor sales from the Company's publishing business (Black Library)
- Trade – related parties: this includes sales to other companies within the Games Workshop group
- Online: this includes sales through the Company's web store and digital sales through external affiliates.
- Retail: this includes sales through the Company's retail stores, the Company's visitor centre in Nottingham, and at exhibitions

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Trade – third party retailers	**93,992**	71,834
Trade – related parties	**121,285**	62,036
Online	**87,648**	55,123
Retail	**16,685**	23,037
Total revenue	**319,610**	212,030

5. Operating expenses

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Selling costs	**23,742**	21,978
Administrative expenses	**49,285**	39,340
	73,027	61,318

6. Directors and employees

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Total directors' and employees' costs		
Wages and salaries	**58,550**	46,282
Social security	**5,069**	4,156
Other pension costs	**2,400**	2,158
Share based payment	**1,073**	454
	67,092	53,050

Details of capitalised salary costs included in the above are provided in note [illegible]. Redundancy costs and compensation for loss of office [illegible] included in the above are provided in note [illegible].

Total directors' and employees' costs above includes performance related elements of salary costs, payments under the Company's profit share scheme and the discretionary payment to employees of £10,776,000 (2020: £2,731,000).

Highest paid director

The following emoluments were paid in respect of highest paid director:

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Emoluments	**1,262**	658
Contributions to money purchase pension scheme	**4**	[illegible]
	1,266	667

These amounts have been borne by the parent company and are not charged in these accounts.

Key management compensation

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

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Short-term employee benefits	**2,059**	1,030
Post employment benefits	**8**	18
Share based payments	**4**	3
	2,071	1,051

Of the above costs £nil (2020: £nil) was borne by the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

6. Directors and employees continued

Employee numbers

	Year ended 30 May 2021 No.	Year ended 31 May 2020 No.
Monthly average number of employees (including directors) by activity		
Design and development	**272**	257
Production and warehousing	**538**	448
Selling		
Full time	**353**	369
Part time	**26**	39
Administration	**398**	372
	1,587	1,485

7. Finance income

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Interest income:		
- On cash and cash equivalents	**93**	147
	93	147

8. Finance costs

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Interest expense		
Interest payable on cash held on behalf of group undertakings	**3**	41
Interest expense on lease liabilities	**444**	264
Other interest payable	**-**	8
	447	313

9. Profit before taxation

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Profit before taxation is stated after charging/(crediting):		
Depreciation		
Owned property, plant and equipment	**7,730**	[illegible]
Right of use assets	**3,923**	[illegible]
(Reversal of impairment)/impairment of property, plant and equipment	**(3)**	[illegible]
Amortisation		
Owned computer software	**1,148**	[illegible]
Development costs	**4,870**	[illegible]
Other intangible assets	**-**	[illegible]
Impairment of computer software	**436**	[illegible]
Non-capitalised development costs	**6,378**	[illegible]
Staff costs (excluding capitalised salary costs and non-capitalised development staff costs)	**59,600**	[illegible]
Cost of inventories included in cost of sale	**40,055**	[illegible]
Inventory provision creation (note 16)	**814**	[illegible]
Loss on disposal of property, plant and equipment	**5**	[illegible]
Loss on disposal of intangible assets	**119**	[illegible]
Redundancy costs and compensation for loss of office	**1,148**	[illegible]
Net charge/(reversal of charge) to property provisions (note 23)	**10**	(187)

NOTES TO THE FINANCIAL STATEMENTS continued

10. Income tax expense

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Current UK taxation:		
UK corporation tax on profits for the year	**28,527**	15,342
Amounts payable to related parties in respect of group relief surrendered	**621**	467
(Over)/under provision in respect of prior years	**(549)**	315
Total current taxation	**28,599**	16,124
Deferred taxation		
Origination and reversal of timing differences	**(339)**	(381)
Under/(over) provision in respect of prior years	**325**	(231)
Total deferred taxation	**(14)**	(612)
Tax expense recognised in the income statement	**28,585**	15,512

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 £'000	Year ended 31 May 2020 £'000
Profit before taxation	**151,195**	81,309
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020. 19%)	**28,727**	16,080
Effects of		
Items not assessable for tax purposes	**201**	(21)
Tax rate changes	**(119)**	
Adjustments to tax charge in respect of prior years	**(224)**	84
Total tax charge for the year	**28,585**	15,512

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 Company as well as tax relief for other taxes paid and the tax cost of imputed interest on the related party loan of £3,900,000.

11. Dividends per share

Dividends of £46,500,000 (£334.80 per share), £17,000,000 (£122.40 per share) and £14,500,000 (£104.40 per share) were declared and paid during the year.

Dividends of £11,000,000 (£79.20 per share), £12,000,000 (£86.40 per share), £11,000,000 (£79.20 per share) and £14,500,000 (£104.40 per share) were declared and paid during the prior year.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Other intangible assets

Group	Computer software £'000	Development costs £'000	Other Intangibles £'000	Total £'000
Cost				
At 2 June 2019 and 3 June 2019	15,777	40,804	1,182	57,763
Additions	2,153	6,011		8,164
Disposals	(110)	(1,747)	-	(1,857)
At 31 May 2020 and 1 June 2020	17,820	45,068	1,182	64,070
Additions	2,339	9,778		12,117
Disposals		(7,180)		(7,180)
At 30 May 2021	**20,159**	**47,666**	**1,182**	**69,007**
Accumulated amortisation				
At 2 June 2019 and 3 June 2019	(9,546)	(31,140)	(1,123)	(41,809)
Amortisation charge	(1,188)	(4,916)	(59)	(6,163)
Impairment	(250)			(250)
Disposals	110	1,451		1,561
At 31 May 2020 and 1 June 2020	(10,874)	(34,605)	(1,182)	(46,661)
Amortisation charge	(1,148)	(4,870)	-	(6,018)
Impairment	(436)	-	-	(436)
Disposals		7,061	-	7,061
At 30 May 2021	**(12,458)**	**(32,414)**	**(1,182)**	**(46,054)**
Net book amount				
31 May 2020	6,946	10,463		17,409
30 May 2021	**7,701**	**15,252**	-	**22,953**

Amortisation of £5,132,000 (2020 £5,178,000) has been charged in cost of sales and £886,000 (2020 £985,000) in operating expenses

The net book amount of internally generated intangible assets is £21,015,000 (2020: £15,964,000) and acquired intangible assets is £1,937,000 (2020 £1,445,000) All development costs are internally generated and £12,101,000 (2020 £7,910,000) is capitalised salary costs

Salary costs of £5,998,000 (2020 £4,543,000) were capitalised as part of development costs and £98,000 (2020 £320,000) were capitalised as part of computer software during the year

Assets in the course of development, and not amortised, amount to £128,000 (2020 £158,000) with current and prior year amounts both being included within computer software

An impairment loss of £436,000 (2020 £250,000) has been recognised in relation to alterations required to previously capitalised element of the ERP software. This has been charged to operating expenses

NOTES TO THE FINANCIAL STATEMENTS continued

13. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment and vehicles £'000	Fixtures and fittings £'000	Moulding tools £'000	Total £'000
Cost					
At 2 June 2019 and 3 June 2019	21,560	25,848	10,633	34,853	92,894
Additions	3,670	3,467	1,084	3,869	12,090
Exchange differences		3	10		13
Disposals		(1,398)	(483)	(1,336)	(3,217)
At 31 May 2020 and 1 June 2020	25,230	27,920	11,244	37,386	101,780
Additions	4,164	5,418	2,528	4,734	16,844
Exchange differences		(15)	(78)		(93)
Disposals		(1,913)	(1,451)	(4)	(3,368)
At 30 May 2021	**29,394**	**31,410**	**12,243**	**42,116**	**115,163**
Accumulated depreciation					
At 2 June 2019 and 3 June 2019	(7,035)	(15,646)	(8,620)	(30,098)	(61,399)
Charge for the year	(398)	(3,025)	(732)	(3,352)	(7,507)
Exchange differences		(2)	(6)		(8)
Impairment charge	(138)	(1)	(2)		(141)
Disposals		1,356	479	1,336	3,171
At 31 May 2020 and 1 June 2020	(7,571)	(17,318)	(8,881)	(32,114)	(65,884)
Charge for the year	(489)	(3,033)	(839)	(3,369)	(7,730)
Exchange differences		12	62		74
Reversal of impairment charge			3		3
Disposals		1,911	1,448	4	3,363
At 30 May 2021	**(8,060)**	**(18,428)**	**(8,207)**	**(35,479)**	**(70,174)**
Net book amount					
31 May 2020	17,659	10,602	2,363	5,272	35,896
30 May 2021	**21,334**	**12,982**	**4,036**	**6,637**	**44,989**

Depreciation expense of £6,009,000 (2020: £6,152,000) has been charged in cost of sales, £405,000 (2020: £493,000) in selling costs and £1,316,000 (2020: £862,000) in administrative expenses.

Freehold land amounting to £8,229,000 (2020: £5,569,000) has not been depreciated.

Assets in the course of construction and not depreciated amount to £7,762,000 (2020: £7,092,000). £2,361,000 (2020: £[illegible]29,000) of these are included in moulding tools, £4,159,000 (2020: £5,210,000) is included in plant and equipment and vehicles, £[illegible] (2020: £2,321,000) is included in freehold land and buildings and £[illegible]239,000 (2020: £231,000) is included in fixtures and fittings above.

14. Right-of-use assets

	2021 £'000	2020 £'000
Buildings	**25,444**	15,315
Plant and equipment and vehicles	**70**	136
	25,514	15,451

Additions to the right-of-use assets during the financial year were £13,58[illegible],000 (2020: £15,584,000 including £[illegible]708,000 of assets recognised on transition to IFRS 16).

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

	Year ended 30 May 2021 £'000	Year ended 31 May 2020 £'000
Buildings	**3,851**	2,907
Plant and equipment and vehicles	**72**	60
	3,923	2,967

NOTES TO THE FINANCIAL STATEMENTS continued

15. 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

	2021	2020
	£'000	£'000
Deferred tax assets:		
- deferred tax asset to be recovered after more than 12 months	**1,901**	1,779
- deferred tax asset to be recovered within 12 months	**1,426**	1,460
	3,327	3,239

The gross movement on the deferred tax account is as follows

	2021	2020
	£'000	£'000
Beginning of year	**3,239**	2,616
Credited to the income statement	**14**	612
Credited directly to equity	**74**	11
End of year	**3,327**	3,239

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

	Accelerated depreciation	Other	Total
	£'000	£'000	£'000
At 2 June 2019 and 3 June 2019	795	1,821	2,616
Credited to the income statement	371	241	612
Credited directly to equity		11	11
At 31 May 2020 and 1 June 2020	1,166	2,073	3,239
Credited to the income statement	(202)	216	14
Credited directly to equity		74	74
At 30 May 2021	**964**	**2,363**	**3,327**

Other deferred tax assets include deferred tax on adjustments for tax relief on exercise of share options of £1,900,000 (2020: £1,707,000)

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 of the Company in the country concerned. There was no unrecognised deferred tax at 30 May 2021 or 31 May 2020

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

16. Inventories

	2021	2020
	£'000	£'000
Raw materials	**333**	556
Work in progress	**1,963**	1,196
Finished goods and goods for resale	**16,384**	12,716
	18,680	14,468

The Company holds no inventories at fair value less costs to sell

During the year the Company [illegible] inventory provision [illegible] (2020: [illegible]) [illegible] charged to the income statement

NOTES TO THE FINANCIAL STATEMENTS continued

17. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	**5,015**	5,839
Less allowance for expected credit losses	**(237)**	(385)
Trade receivables – net	**4,778**	5,454
Prepayments and accrued income	**9,216**	5,849
Receivables from related parties (note 29)	**15,921**	7,880
Other receivables	**16,930**	10,679
Total trade and other receivables	**46,845**	29,862
Non current receivables		
Other receivables	**5,577**	6,659
Non-current portion	**5,577**	6,659
Current portion	**41,268**	23,203

Included within prepayments and accrued income are contract assets relating to uninvoiced royalty income amounting to £1 205,000 (2020 £797,000).

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 Company 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 Company does not hold any collateral over these balances.

Included within other receivables is invoiced royalty income of £11,531,000 (2020 £9,867,000) of which £5,354,000 (2020. £6,330,000) 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 related parties to the Company are interest free and immediately repayable on demand Receivables from fellow companies of the group of which the Company belongs 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)

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 Company The ageing analysis of the Company's past due trade receivables is as follows

	2021			2020		
	Gross value	**Loss allowance**	**Net**	Gross value	Loss allowance	Net
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Up to 3 months past due	**53**	**(14)**	**39**	109	(45)	64
3 to 12 months past due	**190**	**(89)**	**101**	302	(174)	128
Over 12 months past due	**156**	**(86)**	**70**	33	(17)	16
	399	**(189)**	**210**	144	(236)	208

In addition to the above there is a loss allowance of £17,000 against current debt (2020 £149,000)

Loss allowance against trade receivables

Movements on the loss allowance against trade receivables are as follows

	£'000
At 2 June 2019 and 3 June 2019	32
Charge for the year	396
Receivables written off during the year as uncollectible	(43)
At 31 May 2020 and 1 June 2020	385
Reversal of charge for the year	(92)
Receivables written off during the year as uncollectible	(57)
At 30 May 2021	**236**

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

	2021	2020
	£'000	£'000
Sterling	**15,119**	8,639
Euro	**6,697**	3,205
US dollar	**22,111**	14,320
Other currencies	**2,918**	3,698
Total trade and other receivables	**46,845**	29,862

NOTES TO THE FINANCIAL STATEMENTS continued

18. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	55,939	43,941
Cash and cash equivalents	**55,939**	43,941

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

19. Financial risk factors

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

The Group to which the Company belongs 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 Company'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 Company
- translation of results of overseas branches is excluded

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

	2021 Income gain £'000	2020 Income gain/(loss) £'000
15% appreciation of the US dollar (2020 15%)	3,140	2,203
15% appreciation of the euro (2020. 15%)	13	(1,216)

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 Company 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 Company 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 Company 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 loss allowances are provided for (note 17). Loss allowances 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

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk factors continued

Capital risk

The capital structure of the Company consists of net funds (see note 28) and owners' equity (see notes 24 to 26). The Company manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Company'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 Company manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives.

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. In addition, the Company'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 Company'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				2020			
	Within 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**More than 5 years £'000**	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	**18,588**	-	-	-	11,874	-		
Amounts due to related parties	**6,903**	-	**3,900**	-	6,933		3,900	
Lease liabilities	**3,542**	**3,633**	**8,473**	**13,057**	2,848	2,698	5,594	3,374
	29,033	**3,633**	**12,373**	**13,057**	21,655	2,698	9,494	3,374

Financial instruments by category

	Financial assets at amortised cost	
	2021 £'000	2020 £'000
Financial assets as per balance sheet		
Trade receivables	**10,995**	5,454
Accrued income	**1,205**	797
Other receivables	**16,930**	10,679
Receivables from related parties	**15,921**	7,880
Cash and cash equivalents	**55,939**	43,941
Total	**100,990**	68,751

	Financial liabilities at amortised cost	
	2021 £'000	2020 £'000
Financial liabilities as per balance sheet		
Trade payables	**10,242**	4,512
Payables to related parties	**10,403**	10,833
Accruals	**6,304**	2,810
Other payables	**2,041**	1,303
Total	**28,990**	22,708

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.

Payable and receivable balances of the Company with related parties are interest free and immediately repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

19. Financial risk factors continued

Financing arrangements

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

	2021	2020
	£'000	£'000
Floating rate		
- Expiring within one year (bank overdraft facility)	-	25,000

20. *Lease liabilities*

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

	2021	2020
	£'000	£'000
Current	**3,132**	2,597
Non-current	**23,359**	10,981
	26,491	13,578

The Company'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	Year ended 31 May 2020
	£'000	£'000
Interest on lease liabilities	**443**	264
Expenses relating to short term leases and low value assets	**124**	143

Amounts recognised in the statement of cash flows relating to leases	Year ended 30 May 2021	Year ended 31 May 2020
	£'000	£'000
Total cash outflow for leases	**3,248**	3,064

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				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
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Lease payments	**3,542**	**3,633**	**8,473**	**13,057**	2,848	2,698	5,594	3,374
Finance charges	**(410)**	**(348)**	**(743)**	**(709)**	(251)	(203)	(356)	(126)
Net present value	**3,132**	**3,285**	**7,730**	**12,348**	2,597	2,495	5,238	3,248

21. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	**10,242**	4,512
Payables due to related parties	**6,503**	6,933
Other taxes and social security	**1,114**	2,226
Other payables	**6,250**	7,768
Accruals	**7,549**	4,344
Deferred income	**1,661**	3,402
	33,319	29,185

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

Payables due to related parties are interest free and immediately payable on demand

NOTES TO THE FINANCIAL STATEMENTS continued

22. Other non-current liabilities

	2021 £'000	2020 £'000
Accruals	**181**	122
Loans due to related parties (note 31)	**3,900**	3,900
	4,081	4,022

The fair value of other non current liabilities does not materially differ from the book value
The effective interest rate on non-current loans from related parties is imputed at LIBOR plus 1% in both years

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

	2021 £'000	2020 £'000
Sterling	**25,556**	25,624
Euro	**8,803**	2,940
US dollar	**1,886**	1,964
Other currencies	**1,155**	2,679
Total trade and other payables and other non-current liabilities	**37,400**	33,207

23. Provisions for liabilities and charges

Analysis of total provisions

	2021 £'000	2020 £'000
Current	**258**	1,158
Non current	**1,007**	976
	1,265	2,134

	Employee benefits £'000	Property £'000	Other £'000	Total £'000
At 31 May 2020	1,152	35	947	2,134
Charged/(credited) to the income statement				
Additional provisions	241	15		256
Unused amounts reversed	*(27)*	*(5)*	*(947)*	*(979)*
Utilised	(124)	(22)		(146)
At 30 May 2021	**1,242**	**23**	**-**	**1,265**

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

Employee benefits
The Company participates in the Games Workshop Group PLC 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.

Property provisions
Property provisions relate to any expected dilapidation costs where the Company is committed to return a leased property in a particular condition at the end of a lease arrangement.

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

24. Share capital

	2021 £'000	2020 £'000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
138,889 ordinary shares of £1 each	**139**	139

25. Translation reserve

	£'000
At 2 June 2019 and 3 June 2019	387
Exchange differences on translation of foreign operations	56
At 31 May 2020 and 1 June 2020	443
Exchange differences on translation of foreign operations	(74)
At 30 May 2021	**369**

26. Retained earnings

	£'000
At 2 June 2019 and 3 June 2019	88,198
Profit attributable to owners of the parent	65,797
Current tax on share options	1,300
Deferred tax on share options	11
Dividends approved and paid in the year	(48,500)
At 31 May 2020 and 1 June 2020	106,806
Profit attributable to owners of the parent	122,610
Current tax on share options	1,478
Deferred tax on share options	74
Dividends approved and paid in the year	(78,000)
At 30 May 2021	**152,968**

27. Notes to the statement of cash flows

Reconciliation of profit to net cash from operating activities

	2021 £'000	2020 £'000
Operating profit	**151,549**	81,475
Depreciation of property, plant and equipment	**7,730**	7,507
Depreciation of right of use assets	**3,922**	[illegible]
Net (reversal of impairment)/impairment charge of property, plant and equipment	**(3)**	141
Net impairment charge of intangible assets	**436**	250
Profit on disposal of property, plant and equipment (see below)	**(51)**	(32)
Loss on disposal of intangible assets (see below)	**119**	[illegible]
Loss on disposal of right of use assets	**301**	
Amortisation of capitalised development costs	**4,870**	[illegible]
Amortisation of computer software and other intangibles	**1,148**	[illegible]
Changes in working capital		
(Increase)/decrease in inventories	**(3,992)**	2,169
(Increase)/decrease in trade and other receivables	**(15,778)**	[illegible]
Decrease in trade and other payables	**3,758**	[illegible]
(Decrease)/increase in provisions	**(869)**	[illegible]
Net cash from operating activities	**153,140**	114,861

In the cash flow statement proceeds from the sale of property, plant and equipment comprise

	2021 £'000	2020 £'000
Net book amount	**5**	46
Profit on sale of property, plant and equipment	**51**	32
Proceeds from sale of property, plant and equipment	**56**	78

The Company disposed of intangible assets with net book amount of £296,000 (2019: £188,000) 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

NOTES TO THE FINANCIAL STATEMENTS continued

28. Analysis of net funds

	2021 £'000	2020 £'000
Cash at bank and in hand	**55,939**	43,941
Lease liabilities	**(26,491)**	(13,578)
Net funds	**29,448**	30,363

	Liabilities from financing activities £'000	Cash at bank £'000	Total £'000
Net funds as at 2 June 2019 and 3 June 2019	-	21,640	21,640
Recognised on adoption of IFRS 16	(12,278)		(12,278)
Cash flows	3,065	22,158	25,223
Acquisition - leases	(4,133)		(4,133)
Disposals - leases	13		13
Interest expense	(265)		(265)
Remeasurement adjustments	20		20
Foreign exchange movement		143	143
Net funds as at 31 May 2020 and 1 June 2020	(13,578)	43,941	30,363
Cash flows	3,248	12,154	15,402
Acquisition - leases	(16,031)		(16,031)
Disposals - leases	179		179
Interest expense	(443)		(443)
Remeasurement adjustments	113		113
Foreign exchange movement	21	(156)	(135)
At 30 May 2021	**(26,491)**	**55,939**	**29,448**

29. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	2021 £'000	2020 £'000
Property, plant and equipment	**2,780**	1,394
Intangible assets	**689**	378

Leases

The Company leases various retail stores, offices, warehouses and equipment under non cancellable lease arrangements. The liabilities for these leases are recorded on the Company's balance sheet when the Company obtains control of the underlying asset. The Company has additional commitments relating to leases where the Company has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Company is committed over the expected lease term but not recorded on the Company's balance sheet are as follows

	2021 £'000	2020 £'000
Within 1 year	-	50
Between 1 and 5 years inclusive		4,800
In over 5 years		6,100
	-	10,950

Inventory purchase commitments

	2021 £'000	2020 £'000
Finished goods	**2,667**	1,974
Components	**1,008**	1,223
Raw materials	**555**	

Pension arrangements

The Company makes contributions to the Games Workshop Group PLC group personal pension plan, which is a defined contribution scheme. Commitments in respect of pensions are included within prepayments and accruals

30. Contingencies

The Company provides indemnities to third parties in respect of contracts regarding their use of its intellectual property, under commercial terms in the normal course of business

The Company has also guaranteed the bank overdrafts of certain other undertakings in the Games Workshop Group. There were no amounts outstanding under these arrangements at either year end

NOTES TO THE FINANCIAL STATEMENTS continued

31. Related party transactions

Sales to related parties amounted to £121,285,000 (2020: £62,036,000)
During both years the Company was provided with management and similar services by Games Workshop Group PLC

Transactions between the Company and its related parties are shown below

Related party	Nature of transaction	**2021** **£'000**	2020 £'000
Games Workshop Deutschland GmbH	Marketing services fee	**-**	(288)
Games Workshop International Ltd	Interest payable	**(2)**	(18)
Games Workshop Group PLC	Dividends payable	**(78,000)**	(48,500)
Games Workshop Group PLC	Recharges	**(240)**	(120)
Games Workshop Group PLC	Interest payable	**(2)**	(23)

Receivables/(payables) outstanding between the Company and its related parties are shown below

	Amount owed by related parties		Amount owed to related parties	
Related party	**2021** **£'000**	2020 £'000	**2021** **£'000**	2020 £'000
Games Workshop Group PLC	**-**	-	**(5,336)**	(3,652)
Games Workshop International Ltd	**-**		**(260)**	(251)
SARL Games Workshop	**-**		**(275)**	(492)
Games Workshop Italia SRL	**-**		**(203)**	(279)
Games Workshop Deutschland GmbH	**-**		**(83)**	(809)
Games Workshop SL	**245**	280	**-**	
Games Workshop Stockholm AB	**-**		**(232)**	(410)
Games Workshop Retail Inc	**12,303**	5,273	**-**	
Games Workshop (Queen Street) Limited	**166**		**-**	(66)
Games Workshop Oz Pty Limited	**791**		**-**	(879)
Games Workshop Limited	**-**		**(114)**	(95)
Games Workshop Good Hobby (Shanghai) Commercial Co Ltd	**1,782**	1,318	**-**	
Games Workshop Hobby Pte Limited	**228**	291	**-**	
Games Workshop Hong Kong Limited	**325**	497	**-**	
Games Workshop Malaysia Sdn Bhd.B	**81**	221	**-**	
	15,921	7,880	**(6,503)**	(6,933)

Non current loans outstanding between the Company and its related parties are shown below

	Amount owed by related parties		Amount owed to related parties	
Related party	**2021** **£'000**	2020 £'000	**2021** **£'000**	2020 £'000
Games Workshop Group PLC	**-**		**(3,900)**	(3,900)

32. Subsequent events

A dividend of £17,500,000 and another dividend of £17,500,000 and a further dividend of £6,000,000 were declared after the balance sheet date and was paid before the signing of these financial statements

33. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Games Workshop Group PLC. The directors regard Games Workshop Group PLC, a company registered in England and Wales, as the ultimate parent company and controlling party.

Games Workshop Group PLC is the parent company of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the Group financial statements are available from The Company Secretary, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS