

BANDAI NAMCO Entertainment UK Limited

Annual report and financial statements

Registered number 2133521

31 March 2020



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Strategic report

Principal activities and business review

The company's principal activity during the year was the publishing and distribution of interactive entertainment software. The company's directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The ultimate parent company, Bandai Namco Holdings Inc. manages its operations as a unified business. For this reason, the directors believe that key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Bandai Namco Holdings Inc., which includes this company, is discussed in the Group's annual report, which does not form part of these statements.

The profit for the year, after taxation, was £3,418,735 (2018: £3,140,734). The continued profitability of the company for the current year is due to a continued strong roster of titles and continued growth in digital revenue providing enough funds to leave a healthy profit after deducting the relatively fixed overhead cost base. This level of profitability is forecast to be maintained next year based on the current list of new releases.

Principal risks and uncertainties

The company's purchases from Europe and the rest of the world are made in foreign currency and the company is therefore exposed to the movement of these currencies against the Sterling exchange rate. Bandai Namco Entertainment Europe SAS, an immediate parent company, manages this risk at a group level and so the company does not take out any forward contracts to limit this exposure at a company level.

The company does not have overdraft arrangements and therefore is not subject to interest rate risk exposure.

The liquidity of the company is managed at a group level by its immediate parent company, Bandai Namco Entertainment Europe SAS, from whom it purchases a large portion of its products. Payments are made to this company when surplus cash arises, and any balance overdue is converted into a loan until such cash is available. Any loan created is at any time repayable on demand.

The main risk for the company is the quality of the games it releases and meeting the release dates for the games. Both of these are mainly controlled by the ultimate parent company or third parties.

The risk of a hard Brexit poses possible risks and uncertainties; however, management have undertaken a review and believe any potential impact can be effectively managed.

By order of the board



Mark Passam
Director

37 – 39 Kew Foot Road
Richmond
TW9 2SS

28 OCTOBER 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Results and dividends

The profit for the year, after taxation, was £3,418,735 (2019: £3,140,734). A dividend of £2,670,000 was paid during the year (2019: £2,396,000).

Directors

The directors who held office during the year, and to the date of this report, were as follows:

N Katashima (resigned 19th March 2020)

A Muller (appointed 19th March 2020)

J Galloway

M Passam

Going concern

The company has made a profit in the current year and prior year and is in a net asset position. The latest forecast for the next financial period also currently shows a profit. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Brexit (and the current Covid -19 crisis) is not believed to have any material impact on the ability of the company to continue operations.

Political and charitable contributions

The company made no political contributions during the year (2019: £nil). Donations to UK charities during the year amounted to £nil (2019: £nil).

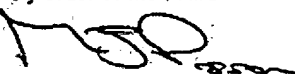
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mark Passam
Director

37 – 39 Kew Foot Road
Richmond
TW9 2SS

28 OCTOBER
2020

Registered number 2133521

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANDAI NAMCO ENTERTAINMENT UK LIMITED

Opinion

We have audited the financial statements of Bandai Namco Entertainment UK Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANDAI NAMCO ENTERTAINMENT UK LIMITED (continued)

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Sabira Dattoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

Date: 29 October 2020

Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 March 2020

	<i>Note</i>	2020 £	2019 £
Revenue	2	19,698,208	17,957,851
Cost of sales		(10,495,748)	(10,468,472)
Gross profit		9,202,460	7,489,379
Distribution costs		(2,379,460)	(2,364,812)
Administrative expenses		(3,249,572)	(2,546,195)
Operating profit		3,573,428	2,578,372
Gain on disposal of fixed asset		10,700	-
Profit before tax	3	3,584,128	2,578,372
Taxation (expense)/credit	6	(165,393)	562,362
Profit and total comprehensive income for the year		3,418,735	3,140,734

The company results stated above are all derived from continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

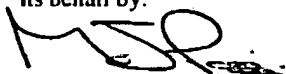
Balance sheet

at 31 March 2020

	Note	2020 £	2019 £
Non-current assets			
Property, plant and equipment	7	21,703	17,604
Deferred tax assets	8	1,161,040	1,326,433
		<u>1,182,743</u>	<u>1,344,037</u>
Current assets			
Inventories	9	2,143,704	1,727,295
Trade and other receivables	10	4,773,984	3,633,989
Cash and cash equivalents	11	5,312,054	4,726,231
		<u>12,229,742</u>	<u>10,087,515</u>
Total assets		<u>13,412,485</u>	<u>11,431,552</u>
Current liabilities			
Trade and other payables	12	(7,129,948)	(5,897,751)
		<u>(7,129,948)</u>	<u>(5,897,751)</u>
Total liabilities		<u>(7,129,948)</u>	<u>(5,897,751)</u>
Net assets		<u>6,282,537</u>	<u>5,533,801</u>
Equity			
Share capital	13	1,000,000	1,000,000
Retained earnings		5,282,537	4,533,801
		<u>6,282,537</u>	<u>5,533,801</u>
Total equity		<u>6,282,537</u>	<u>5,533,801</u>

The notes on pages 10 to 19 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 28 OCTOBER 2020 and were signed on its behalf by:



Mark Passam
Director

Company registered number: 2133521

Statement of Changes in Equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2018	1,000,000	3,789,067	4,789,067
Total comprehensive income for the period			
Profit	-	3,140,734	3,140,734
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	3,140,734	3,140,734
	<hr/>	<hr/>	<hr/>
Transactions with owners directly recorded directly in equity			
Dividend paid	-	(2,396,000)	(2,396,000)
	<hr/>	<hr/>	<hr/>
Transactions with owners directly recorded directly in equity	-	(2,396,000)	(2,396,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	1,000,000	4,533,801	5,533,801

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2019	1,000,000	4,533,801	5,533,801
Total comprehensive income for the period			
Profit	-	3,418,735	3,418,735
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	3,418,735	3,418,735
	<hr/>	<hr/>	<hr/>
Transactions with owners directly recorded directly in equity			
Dividend paid	-	(2,670,000)	(2,670,000)
	<hr/>	<hr/>	<hr/>
Transactions with owners directly recorded directly in equity	-	(2,670,000)	(2,670,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	1,000,000	5,282,536	6,282,536

The notes on pages 10 to 19 are an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

BANDAI NAMCO Entertainment UK Limited is a company incorporated and domiciled in the UK. The Company's registered address is 37-39 Kew Foot Road, Richmond TW9 2SS.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Bandai Namco Holdings Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Bandai Namco Holdings Inc. are prepared in accordance with Japanese GAAP and are available to the public and may be obtained from BANDAI NAMCO Mirai Kenkyusho 5-37-8, Shiba, Minato-Ku, Tokyo 108-0014, Japan

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Bandai Namco Holdings Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

Newly Effective Standards: IFRS 16 Leases

The Company initially applied IFRS 16 *Leases* from 1 April 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. In addition the Company used the practical expedient not to recognise the right-

Notes

(forming part of the financial statements)

I Accounting policies (continued)

of-use assets and liabilities associated with leases for which the lease term ends within 12 months of the date of initial application.

No leases were identified, which did not qualify for the above practical expedients and exemptions. Accordingly, there is no right-of-use asset or lease liability recognised upon initial application of IFRS 16. Lease payments associated with all leases are expensed on a straight-line basis over the lease term.

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure'.

The impact of Covid-19 on the company has been limited to date due to the resilience of the computer games market. As a result, the company has experienced an overall upturn in activity since the start of the financial year ended 31 March 2021, with both online and digital sales more than offsetting the obvious decrease in high street boxed sales.

Management consider the key areas which may be adversely impacted by the current conditions are

- potential delays to development schedules; and
- the potential downturn of the UK economy.

Management have undertaken a review of these potential risks and given the general resilience of the computer games market during such times, believe that any potential adverse impact can be effectively managed with no material impact to the overall trading results. Sensitised cash flows forecasts have been prepared for a period in excess of 12 months from the date of authorisation of the financial statements and which consider a severe but plausible down-side scenario. Applicable assumptions applied include reductions in revenue arising from both slippage of upcoming releases outside of the forecast period, as well as underperformance of upcoming releases. The severe downside scenario also assumes sole reliance on back-catalogue sales throughout the second half of the forecast period. The results of the assessment performed have led the Directors to conclude on the appropriateness of preparing the financial statements on a going concern basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant and equipment	-	4 years
Fixtures, fittings	-	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes all expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Notes

(forming part of the financial statements)

I Accounting policies (continued)

Revenue

Revenue represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the principal activity of the company.

The Company has two main sources of revenue, the sale of finished physical goods (Boxed revenue) and the sale of digital codes (Digital revenue)

For Boxed revenue the revenue is recognised when the goods are delivered and have been accepted by the customers at their premises. Invoices are generated at that point in time. Invoices are usually payable in full within 30 days.

For boxed games the consideration includes a variable amount. The amount of consideration for boxed games sales varies because of both discounts and refunds granted to the customers. The amounts discounted / volume of games returned and refunded is dependent upon the performance of the title. If the goods are subsequently not sold by the relevant party the Company often provides support, including potentially a full refund for returning the stock. At the point of sale i.e. delivery to the customer, the amount of variable consideration is estimated using the expected value method. A refund liability (the sales return allowance) is correspondingly recognised, which reflects the amount of the consideration receivable for which the entity does not expect to be entitled. The refund liability is updated at the end of each reporting period to reflect any changes in circumstances. The refund liability is recognised within other trade payables.

All Digital revenue is derived from the Company's immediate parent company Bandai Namco Entertainment Europe SAS, who contracts with third parties Europewide and then provide its various operating subsidiaries with revenue relating to their appropriate territory. Digital revenue is invoiced quarterly and payable within 30 days of the end of the quarter. If the income includes certain additional content to be provided at a later date, then the revenue is apportioned appropriately by Bandai Namco Entertainment Europe and the Company invoices only for the apportioned amount.

For digital revenue as the revenue is only recorded when the goods are sold to the end user there is no support provided to the relevant third parties party and therefore no requirement to provide any estimate against the revenue as is the case for Boxed revenue. This is the same procedure as in prior periods and the Company considers this recognition of revenue is consistent with IFRS 15.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Employee benefits

The company operated a defined contribution pension scheme during the period. A defined contribution plan is a post-employment benefit under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Financial instruments

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes (continued)

2 Revenue

Geographical analysis by destination:

	2020 £	2019 £
United Kingdom	18,398,272	16,339,005
European Union (excluding United Kingdom)	1,140,098	1,196,586
Rest of the World	159,839	422,260
	<u>19,698,208</u>	<u>17,957,851</u>

3 Expenses and auditor's remuneration

	2020 £	2019 £
Depreciation of owned fixed assets	11,025	11,769
Gain on disposal of fixed assets	10,700	-
Hire of plant and machinery - operating leases (as under IAS 17)	-	11,910
Hire of other assets - operating leases (as under IAS 17)	-	80,850
Expenses relating to short-term leases (as under IFRS 16)	172,659	-
Exchange gains / (losses)	15,094	(36,672)
	<u>199,478</u>	<u>66,857</u>

Contractual commitments associated with short-term leases at 31 March 2020 amounted to £91,733. Contractual commitments associated with operating leases (as under IAS 17) at 31 March 2019 amounted to £83,740.

Auditor's remuneration:

	2020 £	2019 £
Audit of these financial statements	37,000	32,750
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	8,385	7,985

4 Remuneration of directors

	2020 £	2019 £
Directors' emoluments	502,841	544,408
Pension contributions	16,603	16,278
	<u>519,444</u>	<u>560,686</u>

The highest paid director received emoluments totalling in the year £306,415 (2019: £343,129).

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Sales, marketing and distribution	17	17

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	1,250,622	1,319,133
Social security costs	167,351	175,398
Other pension costs	44,987	42,101
	<u>1,462,960</u>	<u>1,536,632</u>

6 Taxation

Recognised in the profit and loss

	2020 £	2019 £
Current tax expense		
Current year	-	-
Adjustments for prior years	-	-
	<u>-</u>	<u>-</u>
Current tax expense	-	-
	<u>-</u>	<u>-</u>
Deferred tax (expense) / credit		
Recognition of previously (recognised) / unrecognised tax losses	(165,393)	562,362
	<u>(165,393)</u>	<u>562,362</u>
Deferred tax (expense) / credit	(165,393)	562,362
	<u>(165,393)</u>	<u>562,362</u>
Total tax (expense) / credit	<u>(165,393)</u>	<u>562,362</u>

Notes (continued)

Taxation (continued)

Reconciliation of effective tax rate

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

	2020 £	2019 £
Profit on ordinary activities before taxation	3,548,128	2,578,372
Expected current tax at 19% (2019: 19%)	680,984	489,891
Effects of:		
Movement in losses carried forward	(703,784)	(512,691)
Expenses not deductible for tax purposes	22,800	22,800
Provision for previously recognised tax losses	165,393	-
Recognition of previously unrecognised tax losses	-	(562,362)
Total tax charge/ (credit)	165,393	(562,362)

7 Property, plant and equipment

	Fixtures & fittings £	Plant and equipment £	Total £
Cost			
At 1 April 2019	146,709	21,377	168,086
Additions	15,124	-	15,124
Disposals	-	(21,377)	(21,377)
At 31 March 2020	161,833	-	161,833
Depreciation			
At 1 April 2019	129,105	21,377	150,482
Charge for period	11,025	-	11,025
Disposals	-	(21,377)	(21,377)
At 31 March 2020	140,130	-	140,130
Net book value			
At 31 March 2020	21,703	-	21,703
At 31 March 2019	17,604	-	17,604

Notes (continued)

8 Deferred tax assets

	2020 £	2019 £
Recognised deferred tax assets and liabilities		
Tax value of loss carry-forwards	1,161,040	1,326,433
	<u>1,161,040</u>	<u>1,326,433</u>
Movement in deferred tax during the year		
Opening tax value of loss carry-forwards (Charged) / credited to profit or loss	1,326,433 (165,393)	764,071 562,362
Closing tax value of loss carry-forwards	<u>1,161,040</u>	<u>1,326,433</u>

A deferred tax asset of £3,580,104 (2019: £4,059,975) has not been recognised in respect of losses carried forward, provisions and capital allowances in excess of depreciation due to the uncertainty of future taxable profits.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

9 Inventories

	2020 £	2019 £
Finished goods	<u>2,143,704</u>	<u>1,727,295</u>

Inventories have been reduced by £985,012 (2019: £454,924) as a result of the write-down to net realisable value. This write-down was recognised as an expense in the year ended 31 March 2020.

10 Trade and other receivables

	2020 £	2019 £
Trade receivables due from group undertakings	2,401,098	1,473,875
Other trade receivables	2,363,961	2,151,095
Prepayments	8,925	9,019
	<u>4,773,984</u>	<u>3,633,989</u>

Trade receivables due from group undertakings are unsecured, interest free and repayable on demand. All trade receivables due from group undertakings are expected to be settled within 12 months.

Notes (continued)

11 Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	5,312,054	4,726,231

12 Trade and other payables

	2020 £	2019 £
Trade payables due to group undertakings	1,384,956	209,553
Other trade payables	313,909	63,288
Refund liability	3,000,508	3,424,939
Accruals	2,430,575	2,199,971
	<u>7,129,948</u>	<u>5,897,751</u>

Trade payables due to group undertakings are unsecured, interest free and repayable on demand.

13 Capital and reserves

	2020 £	2019 £
Authorised:		
28,000,000 ordinary shares of 3.57143 p	1,000,000	1,000,000
Called up, allotted and fully paid:		
28,000,000 ordinary shares of 3.57143 p	1,000,000	1,000,000

At a meeting of the board on 16 October 2019 it was resolved that the company declare and pay a dividend of £2,670,000 (2019: £2,396,000)

14 Related parties

As the company is a wholly owned subsidiary of Bandai Namco Holdings Inc., the company has taken advantage of the exemption in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bandai Namco Holdings Inc. can be obtained from the address given in note 15.

15 Ultimate parent company and parent company of larger group

At 31 March 2020, the immediate parent company was Bandai Namco Entertainment Europe SAS, a company incorporated in France. This is the smallest group in which the results of the company are consolidated. The accounts for this company can be obtained from its registered office at 49-51, Rue des Docks, 69258 Lyon, CEDEX 09, France.

The ultimate parent company is Bandai Namco Holdings Inc. a company incorporated in Japan. This is the largest group in which the results of the company are consolidated. The accounts of the group can be obtained from BANDAI NAMCO Mirai Kenkyusho 5-37-8, Shiba, Minato-Ku, Tokyo 108-0014, Japan

Notes (continued)

16 Accounting estimates and judgements

The Company makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related later actual result. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to revenue recognition and carrying value of inventories

The Group recognises revenue when the title to the goods passes to a third party. However, the nature of the industry in which the Company operates means that if the goods are subsequently not sold by the relevant party the Company often provides support, including a full refund for returning the stock, to the third party to assist with the subsequent sale. As such an estimate is made, on a title by title basis, as to the amount of future support required based on the level of unsold stock and historical data at the end of the financial period. This estimate is then offset against the revenue at the end of the period and included within trade payables. When the stock is eventually sold through the amount of support may differ from this estimate for a number of reasons depending on market conditions at the time.

The Company estimates the level of provision to be made against the inventory value at the end of the financial period on a line by line basis and this is provided for as part of the income statement and deducted from the value of the inventory held in the balance sheet. When the inventory is eventually sold this may differ from the estimate for a number of reasons depending on market conditions at the time.

The Company estimates the deferred tax asset based on projected profit forecasts for a five-year period as this is considered a reasonable timeframe for which the profits can be ascertained with any reasonable certainty. The actual level of these profits may vary for a number of reasons depending on market conditions at the time and the roster of titles scheduled for release during the period and the actual timing of their release.