

Games Workshop Limited
Annual report and financial statements
for the year ended 28 May 2017

Registered number: 1467092

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Games Workshop Limited

Annual report and financial statements for the year ended 28 May 2017

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Games Workshop Limited

Company information

Directors

K Rountree
R Tongue

Company secretary

R Tongue

Registered office

Willow Road
Lenton
Nottingham
NG7 2WS

Games Workshop Limited

Strategic Report

Strategy and objectives

Games Workshop's ambitions remain clear: to make the best fantasy miniatures in the world and sell them globally at a profit, and it intends doing so forever. This statement includes all the key elements of what we do and why we do it that way. All of our decision making is focussed on the long term success of Games Workshop, not short term gains.

We measure our long term success by seeking a high return on investment. In the short term, we will measure our success on our ability to grow sales whilst maintaining our core business operating profit margin. The way we go about implementing this strategy is to recruit the best staff we can by looking for the appropriate attitudes and behaviour each job we do requires and identifying the value that job brings.

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 'Trade' and our 'Mail order' web store.

Key performance indicators

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

Review of the year

Sales

Reported sales increased by 42.8% to £123.6 million for the year. This was driven by an improvement across all channels and favourable currency translations.

Operating profit

Core business operating profit (operating profit before royalty income) increased by £18.9 million to £30.2 million (2016: £11.3 million). Gross profit margin showed an improvement (63.5% versus 60.9% in 2016) benefitting from sales volume growth, however operating expenses increased by £6.8 million.

As a direct result of our significant sales and profit growth, we rewarded all of our staff with a £1,750 discretionary payment in addition to a £250 profit share payment each (total cost £2.3 million). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £0.6 million) who achieved growth whilst maintaining costs broadly in-line with last year.

Cash generation

During the year, core operating activities generated £31.8 million (2016: £19.2 million) of cash after tax payments. The Company also received cash of £8.8 million in respect of royalties in the year (2016: £4.7 million). After purchases of tangible and intangible assets and product development costs of £11.5 million (2016: £10.9 million), group profit share and discretionary payments to employees of £2.3 million (2016: £nil), foreign exchange gains of £0.3 million (2016: £0.1 million) and dividends of £27.9 million (2016: £15.0 million) there were net funds at the year end of £8.6 million (2016: £9.3 million).

Royalty income

Royalty income increased in the year by £1.6 million to £7.5 million.

Taxation

The effective tax rate for the year was 20.0% (2016: 20.6%).

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.

Games Workshop Limited

Strategic Report (continued)

Interest rate risk

Net interest receivable for the year (excluding the unwinding of discounts on provisions) was £98,000 (2016: £55,000).

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	
	2017	2016	2017	2016
Year end rate used for the balance sheet	1.15	1.32	1.28	1.46
Average rate used for earnings	1.17	1.35	1.27	1.49

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed. The top five risks are reviewed at each board meeting. The risks are rated as to their business impact and their likelihood of occurring. In addition, the Company has a disaster recovery plan to ensure ongoing operations are maintained. The principal risks identified in 2016/17 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 that could cause business interruption in the year ahead.

ERP change - we are changing our core ERP system. This is a complicated project with the risk of widespread business disruption if it is not implemented well. It is being implemented and managed by a strong internal project team and specialist ERP software consultants.

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

Supply chain - we are changing our mail order warehouse system. This is part of an ongoing programme of continuous improvement for these warehouse systems. As with any system change there are risks associated with the transition. In line with our ERP project, we have a strong internal project team and are utilising specialist supply chain software consultants.

Range management - we are reviewing our range to ensure that we are exploring all opportunities. The risk is that we don't fully exploit all the opportunities that are available to us.

Distractions - this is anything else that gets in the way of us delivering our goals.

However the greatest risk is the same one that we repeat each year, namely, management. So long as we have the right people in the right jobs we will be fine. Problems will arise if the board allows egos and private agendas to rule.

We feel that it is too early to tell what the effects will be on Games Workshop of the UK Government invoking Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union. We will address the issues when they become clear.

Priorities for next year

Firstly, staff recruitment. We are updating our recruitment web site, our company recruitment branding across all other social media platforms and creating a site to enable us to welcome and commence induction prior to new recruits starting with us. These improvements started in 2016/17 and will be completed in 2017/18.

Secondly, we will continue to review our product range and offer. We have started the year off with a huge event in June 2017 with our launch of Warhammer 40K: Dark Imperium. We will continue to review our product range and in store merchandising. We will also continue to invest in Warhammer: Age of Sigmar, Forge World, our specialist games and Black Library with exciting product launches planned throughout 2017/18.

Games Workshop Limited

Strategic report (continued)

Priorities for next year (continued)

Thirdly, we will continue to focus on recruiting new customers and retaining our existing customers for longer. The aim is to open more trade accounts. This will be based on our well established terms and conditions, *selling independent accounts our best selling products and, where appropriate, the* extended range. We will also continue to improve our online marketing and communication with a particular focus on new and potential customers.



R Tongue
Director

27 November 2017

Games Workshop Limited

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 28 May 2017.

Dividends

Dividends of £27,900,000 were declared and paid during the year ended 28 May 2017 (2016: £15,000,000).

Further dividends of £6,500,000 and £11,500,000 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.

Conflicts 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.

Employees

The Company's policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

With effect from April 2016, the Company adopted the UK 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 necessary assistance with training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Health, safety and environment

Games Workshop is fully committed to the safety of our customers and the safety, health and wellbeing of our employees. Our people are our most valuable asset. We care about our colleagues and want to look after them.

Over the past 12 months we have continued to focus on the development of the health, safety and environmental standards across manufacturing, warehousing, offices and retail to improve consistency across the Group to which the Company belongs and enhance our safety performance.

Injury reporting

During the year there were two injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in the UK (2016: 10). This decrease in the number of reports is indicative of the increased awareness of reporting and rectifying hazards and near misses before they become incidents.

Games Workshop Limited

Directors' report (continued)

Waste management

In 2016/17 we sent 85% of our waste by weight from our Nottingham site for re-use or recycling (2016: 67%). 15% of our waste was sent for heat recovery at the Nottingham City Council incinerator (2016: 33%).

Nottingham workplace parking levy and travel to work

Games Workshop will continue its policy of not recharging employees the Workplace Parking Levy (which increased by 2% in April 2017 to £387 per year for each used workplace parking space). We continue to promote our cycle to work scheme and have a high ratio of cyclists (over 10% of employees) at our Nottingham site. Since its launch on site in October 2015, 107 members of staff have enjoyed the benefits of subsidised travel via the Nottingham tram2work scheme. We are also implementing a lift share scheme in 2017/18.

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 7 to the financial statements.

Financial risks

The financial risks facing the Company are set out in note 17 to these financial statements.

Existence of branches

The Company operates a number of branches outside of the UK: in Denmark, Ireland, Norway, The Netherlands, Finland, Belgium 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.

By order of the board



R F Tongue
Director
27 November 2017

Games Workshop Limited

Directors' responsibilities statement

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

The members have not required the Company to obtain an audit of its financial statements for the year ended 28 May 2017 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 Financial Reporting Standards (IFRSs) as adopted by 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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 the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board



R F Tongue
Director
27 November 2017

Games Workshop Limited

Income statement

		Year ended 28 May 2017	Year ended 29 May 2016
	Notes	£'000	£'000
Revenue		123,648	86,571
Cost of sales pre-change in accounting estimates*		(46,629)	(33,793)
Cost of sales impact of change in accounting estimates*		1,533	-
Cost of sales		(45,096)	(33,793)
Gross profit		78,552	52,778
Operating expenses	4	(48,319)	(41,502)
Other operating income - royalties receivable		7,491	5,939
Operating profit pre-change in accounting estimates*		36,191	17,215
Operating profit impact of change in accounting estimates*		1,533	-
Operating profit		37,724	17,215
Finance income	5	98	55
Finance costs	6	(1)	(2)
Profit before taxation	7	37,821	17,268
Income tax expense	9	(7,579)	(3,552)
Profit attributable to owners of the parent	23	30,242	13,716

The notes on pages 12 to 38 are an integral part of these financial statements.

Statement of comprehensive income

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Profit attributable to owners of the parent	30,242	13,716
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	(16)	7
Other comprehensive (expense)/income for the year	(16)	7
Total comprehensive income attributable to owners of the parent	30,226	13,723

The notes on pages 12 to 38 are an integral part of these financial statements

*With effect from 30 May 2016 the Company implemented a change in accounting estimates for the amortisation of development costs intangible assets and for the depreciation of moulding tools. The change in accounting estimates is described in note 3 to these financial statements.

Games Workshop Limited

Balance sheet

		28 May 2017	29 May 2016
	Notes	£'000	£'000
Non-current assets			
Other intangible assets	11	13,114	10,849
Property, plant and equipment	12	19,621	20,564
Deferred tax assets	13	1,300	-
Trade and other receivables	15	205	157
		34,240	31,570
Current assets			
Inventories	14	8,055	6,079
Trade and other receivables	15	12,488	9,677
Cash and cash equivalents	16	8,561	9,311
		29,104	25,067
Total assets		63,344	56,637
Current liabilities			
Trade and other payables	18	(17,673)	(16,591)
Current tax liabilities		(4,508)	(1,421)
Provisions for other liabilities and charges	20	(441)	(431)
		(22,622)	(18,443)
Net current assets		6,482	6,624
Non-current liabilities			
Other non-current liabilities	19	(4,125)	(4,138)
Provisions for other liabilities and charges	20	(238)	(235)
Deferred tax liabilities	13	-	(57)
		(4,363)	(4,430)
Net assets		36,359	33,764
Capital and reserves			
Called up share capital	21	139	139
Translation reserve	22	344	360
Retained earnings	23	35,876	33,265
Total equity		36,359	33,764

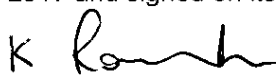
The notes on pages 12 to 38 are an integral part of these financial statements.

For the year ended 28 May 2017 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

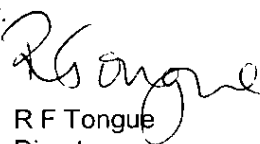
Directors' responsibilities:

- 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 8 to 38 were approved by the board of directors on 27 November 2017 and signed on its behalf by:



K D Rountree
Director



R F Tongue
Director

Registered number 1467092

Games Workshop Limited

Statement of changes in total equity

	Called up share capital (note 21) £'000	Translation reserve (note 22) £'000	Retained earnings (note 23) £'000	Total equity £'000
At 31 May 2015 and 1 June 2015	139	353	34,552	35,044
Profit for the year to 29 May 2016	-	-	13,716	13,716
Exchange differences on translation of foreign operations	-	7	-	7
Total comprehensive income for the year	-	7	13,716	13,723
Transactions with owners:				
Dividends approved and paid to the parent company	-	-	(15,000)	(15,000)
Current tax charge relating to exercised share options	-	-	(3)	(3)
Total transactions with owners	-	-	(15,003)	(15,003)
At 29 May 2016 and 30 May 2016	139	360	33,265	33,764
Profit for the year to 28 May 2017	-	-	30,242	30,242
Exchange differences on translation of foreign operations	-	(16)	-	(16)
Total comprehensive income for the year	-	(16)	30,242	30,226
Transactions with owners:				
Dividends approved and paid to the parent company	-	-	(27,900)	(27,900)
Current tax credit relating to exercised share options	-	-	5	5
Deferred tax credit relating to share options	-	-	264	264
Total transactions with owners	-	-	(27,631)	(27,631)
At 28 May 2017	139	344	35,876	36,359

The notes on pages 12 to 38 are an integral part of these financial statements.

Games Workshop Limited

Cash flow statement

	Notes	Year ended 28 May 2017 £'000	Year ended 29 May 2016 £'000
Cash flows from operating activities			
Cash generated from operations	24	43,506	26,173
Corporation tax paid		(5,210)	(2,236)
Net cash generated from operating activities		38,296	23,937
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,058)	(3,711)
Purchases of other intangible assets		(1,746)	(2,664)
Expenditure on product development		(5,686)	(4,578)
Interest received		90	55
Net cash used in investing activities		(11,400)	(10,898)
Cash flows from financing activities			
Interest paid		(1)	(2)
Dividends paid to the Company's shareholders		(27,900)	(15,000)
Net cash used in financing activities		(27,901)	(15,002)
Net decrease in cash and cash equivalents		(1,005)	(1,963)
Opening cash and cash equivalents		9,311	11,198
Effects of foreign exchange rates on cash and cash equivalents		255	76
Closing cash and cash equivalents	16	8,561	9,311

The notes on pages 12 to 38 are an integral part of these financial statements.

Games Workshop Limited

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 direct via global web stores and mail order. The Company has manufacturing activities in the UK and sells mainly in the UK, Continental Europe, North America, Australia 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 Accounting policies

The principal accounting policies applied in these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. With effect from 30 May 2016 the Company implemented a change in accounting estimates for the amortisation of development costs intangible assets and the accounting estimate for the depreciation of moulding tools. These are described in note 3 along with the impact on the results for the year ended 28 May 2017.

Basis of preparation

These financial statements are prepared under the going concern basis and in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs.

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 7.

Computer software

Acquired computer software licences and related development expenditure are capitalised on the basis of the costs incurred to acquire and bring in to 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 Company 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 used for this purpose are:

	%
Core business systems computer software	15-33
Web store computer software	20
Other computer software	33-50

Games Workshop Limited

Notes to the financial statements (continued)

2 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 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.

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.

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. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is recognised in the income statement immediately.

Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Company's commitment in respect of its retail stores is included within this category. Payments in respect of operating leases and any benefits received as an incentive to sign a lease, are charged or credited to the income statement on a straight line basis over the period of the entire lease term.

Games Workshop Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Financial instruments

All financial assets are classified as 'loans and receivables' and financial liabilities as 'other financial liabilities' (measured at amortised cost) in accordance with IAS 39. Management determines the classification of its financial assets and liabilities at initial recognition.

Foreign currency translation

The financial statements are presented in sterling, which is the Company's functional and presentation currency. Items included in the financial statements 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 sterling at rates of exchange ruling at the balance sheet date.

The results 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.

Trade payables

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

Other employee 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.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the income statement as they accrue.

Long service 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 years of employment (10 Year Veterans).

The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated future employment costs discounted to present value.

Share capital

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

Dividends

Dividend distributions are recognised in the financial statements in the year in which they are declared.

Games Workshop Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Revenue

Revenue, which excludes value added tax, 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 or mail order and for sales to independent retailers. This represents when the significant risks and rewards of ownership of the goods have transferred to 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 revenue (2016: no more than 3%).

Royalty income

Royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, after allowing for expected returns and price protection claims, as notified to the Company by the licensee and following validation of the amounts receivable by the Company. Cash received as guarantees and advances are deferred on balance sheet whilst it is considered probable that future royalty earnings will at least equal the amounts received. Such amounts are recognised in the income statement at the point at which they are earned as royalties. In the event that it is no longer considered probable that future royalty earnings will at least equal the guarantees and advances received, the guarantee and advance payments are taken to the income statement on a straight line basis over the remaining term of the licence agreement.

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 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 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 Company intends to settle its current tax assets and liabilities on a net basis.

Provisions for other liabilities and charges

Provisions are recognised in accordance with IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'.

Provisions are made for committed costs outstanding under onerous or vacant property leases, and the estimated liability is discounted to its present value.

Games Workshop Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

Provisions for other liabilities and charges (continued)

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 '10 Year Veterans' incentive scheme is classified within provisions. Amounts relating to employees who reach 10 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 role will become redundant.

Critical accounting estimates and judgements

The preparation of the 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 financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the year in which the circumstances change. The following areas are considered of greater complexity and/or particularly subject to the exercise of judgement:

- Management estimates and judgements are required in assessing the impairment of assets, including capitalised development costs and fixtures and fittings within loss making retail stores, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.
- Judgement is involved in assessing the exposures in the provisions (including inventory, loss making retail stores, other property, bad debt and returns) and hence in setting the level of the required provisions.

New accounting standards

There are no new accounting standards or interpretations effective in the current year which are relevant to the Company. New standards, amendments to standards and interpretations which have been published but are not yet effective which are relevant to the Company are:

- IFRS 16 'Leases' (effective for the year ending 31 May 2020). Under this new standard all leases will be required to be recognised on balance sheet. Currently under IAS 17 'Leases' only leases categorised as finance leases are recognised on balance sheet, with leases categorised as operating leases not recognised. In broad terms the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments set out in note 25. The Company is assessing the impact of the new standard.
- IFRS 15 'Revenue from contracts with customers' (effective for the year ending 2 June 2019). Under this new standard the royalty minimum guarantee income is expected to be taken as revenue up front. Currently the minimum guarantee income is deferred and released in line with licensee sales. In addition, amounts receivable from customers in respect of delivery charges will be recognised as revenue. Currently these are offset against the carriage cost to the Company within cost of sales.
- IFRS 9 'Financial instruments' (effective for the year ending 2 June 2019). Under this new standard, provisions for impairment of trade receivables will be recognised at an amount based on expected credit losses and will be calculated from the initial recognition of the asset. Currently provisions for impairment of trade receivables are not recognised until there is an indication of impairment. The Company is assessing the impact of the new standard.

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

Games Workshop Limited

Notes to the financial statements (continued)

3 Change in accounting estimates

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

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

The impact of the change on the results for the year ended 28 May 2017 is shown in the table below:

	Pre-change in accounting estimates £'000	Impact of change in accounting estimates £'000	Total year ended 28 May 2017 £'000
Cost of sales	(46,629)	1,533	(45,096)
Gross profit	77,019	1,533	78,552
Operating profit	36,191	1,533	37,724
Income tax expense	(7,288)	(291)	(7,579)
Profit attributable to owners of the parent	29,000	1,242	30,242
Other intangible assets	10,917	2,197	13,114
Property, plant and equipment	20,285	(664)	19,621
Deferred tax assets	1,174	126	1,300
Current tax liabilities	(4,091)	(417)	(4,508)
Net assets	35,117	1,242	36,359

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

Games Workshop Limited

Notes to the financial statements (continued)

4 Operating expenses

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Selling costs	19,580	17,855
Administrative expenses	28,739	23,647
	48,319	41,502

5 Finance income

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Interest income		
- on cash and cash equivalents	98	55
	98	55

6 Finance costs

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Interest expense		
- unwinding of discount on provisions (note 20)	1	2
	1	2

Games Workshop Limited

Notes to the financial statements (continued)

7 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Year ended 28 May 2017 £'000	Year ended 29 May 2016 £'000
Depreciation:		
- Owned property, plant and equipment	4,930	4,284
- Charge for impairment of property, plant and equipment	15	7
Amortisation:		
- Owned computer software	1,204	1,218
- Other intangible assets	157	256
- Development costs	2,899	3,853
- Charge for impairment of computer software	833	-
Non-capitalised development costs	4,299	3,895
Staff costs (excluding capitalised salary costs as in note 11 and non-capitalised development staff costs above)	30,152	24,974
Impairment of trade receivables (note 15)	102	184
Operating leases:		
- Retail stores	3,349	3,192
- Plant and equipment	182	168
- Other	110	117
Cost of inventories included within cost of sales	22,730	16,756
Net inventory provision creation (note 14)	988	1,308
Loss on disposal of property, plant and equipment (note 24)	29	11
Loss on disposal of intangible assets (note 24)	14	39
Redundancy costs and compensation for loss of office	673	245
Net charge to property provisions including closed or loss making retail stores (note 20)	37	199

Games Workshop Limited

Notes to the financial statements (continued)

8 Directors and employees

The average monthly number of employees (including directors) by activity was:

	Year ended 28 May 2017	Year ended 29 May 2016
	Number	Number
Design and development	232	209
Production	171	160
Selling		
- full time	394	405
- part time	52	44
Administration	314	307
	1,163	1,125

Their aggregate remuneration comprised:

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Total directors' and employees' costs:		
Wages and salaries	33,953	29,206
Social security costs	3,457	2,939
Other pension costs (note 25)	1,466	1,406
Share-based payment	148	172
	39,024	33,723

Details of capitalised salary costs, included in the above, are provided in note 11. Redundancy costs and compensation for loss of office, not included in the above, are provided in note 7.

Total directors' and employees' costs above include performance related elements of salary costs, payments under the Company's profit share scheme and a discretionary payment to employees of £2,916,000 (2016: £nil).

Key management remuneration

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

	Year ended 28 May 2017	Year ended 29 May 2016
	£'000	£'000
Salaries and other short-term employee benefits	840	725
Post-employment benefits	29	84
Share-based payment	5	3
	874	812

Of the above costs £238,000 (2016: £213,000) was borne by the Company.

Key management are the directors of the Company and the head of product and supply.

During the year no directors exercised share options (2016: none).

Games Workshop Limited

Notes to the financial statements (continued)

8 Directors and employees (continued)

Pensions

None of the directors, who were members of pension schemes, were remunerated by the Company in either year presented.

Highest-paid director

The above emoluments include the following in respect of the highest-paid director:

	Year ended 28 May 2017 £'000	Year ended 29 May 2016 £'000
Emoluments	391	363
Contributions to money purchase pension schemes	10	39
	401	402

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

9 Income tax expense

The income tax expense comprises:

	Year ended 28 May 2017 £'000	Year ended 29 May 2016 £'000
Current UK taxation		
- UK corporation tax on profits for the year	7,483	3,041
- Amounts payable to related parties in respect of group relief surrendered	370	428
- Under provision in respect of prior years	819	67
Total current taxation	8,672	3,536
Deferred taxation		
- Origination and reversal of timing differences	(359)	101
- Over provision in respect of prior years	(734)	(85)
Total deferred taxation	(1,093)	16
Income tax expense recognised in the income statement	7,579	3,552

Games Workshop Limited

Notes to the financial statements (continued)

9 Income tax expense (continued)

The tax for the year is higher (2016: higher) than the effective rate of corporation tax in the UK. The differences are explained below:

	Year ended 28 May 2017 £'000	Year ended 29 May 2016 £'000
Profit before taxation	37,821	17,268
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.83% (2016: 20%)	7,500	3,454
Effects of:		
Items not (assessable)/deductible for tax purposes	(155)	116
Change in tax rate	149	-
Adjustments to tax charge in respect of previous years	85	(18)
Total tax charge for the year	7,579	3,552

Reductions to the UK corporation tax rate were included in the Finance Act (No. 2) 2015 which reduced the main rate to 19% from 1 April 2017. A further reduction in the UK corporation tax rate was included in the Finance Act 2016 to reduce the rate to 17% from 1 April 2020. These changes had been substantively enacted at the balance sheet date and their impact has therefore been included in these financial statements.

On 29 March 2017, the UK Government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the 'EU'). There is an initial two year timeframe for the UK and EU to reach an agreement on the withdrawal, although this timeframe can be extended. There is significant uncertainty about the withdrawal process; its timeframe and the outcome of the negotiations. As a result, there is significant uncertainty as to the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. At this stage the level of uncertainty is such that it is impossible to determine if, how and when the UK's tax status will change. The directors have assessed and have not identified any significant matters impacting the financial statements.

10 Dividends per share

A dividend of £58.32 per share, amounting to a total dividend of £8,100,000, a dividend of £81.36 per share, amounting to a total dividend of £11,300,000, and a dividend of £61.20 per share, amounting to a total dividend of £8,500,000, were declared and paid during the year ended 28 May 2017.

A dividend of £50.40 per share, amounting to a total dividend of £7,000,000, and a dividend of £57.60 per share, amounting to a total dividend of £8,000,000, were declared and paid during the year ended 29 May 2016.

Games Workshop Limited

Notes to the financial statements (continued)

11 Other intangible assets

	Computer software £'000	Development costs £'000	Other intangibles £'000	Total £'000
Cost				
At 31 May 2015 and 1 June 2015	8,238	27,739	1,182	37,159
Additions	2,766	4,578	-	7,344
Disposals	(13)	(2,484)	-	(2,497)
At 29 May 2016 and 30 May 2016	10,991	29,833	1,182	42,006
Additions	1,686	5,686	-	7,372
Disposals	-	(879)	-	(879)
At 28 May 2017	12,677	34,640	1,182	48,499
Amortisation				
At 31 May 2015 and 1 June 2015	(3,523)	(24,213)	(552)	(28,288)
Amortisation charge	(1,218)	(3,853)	(256)	(5,327)
Disposals	11	2,447	-	2,458
At 29 May 2016 and 30 May 2016	(4,730)	(25,619)	(808)	(31,157)
Amortisation charge	(1,204)	(2,899)	(157)	(4,260)
Impairment charge	(833)	-	-	(833)
Disposals	-	865	-	865
At 28 May 2017	(6,767)	(27,653)	(965)	(35,385)
Net book value				
At 29 May 2016	6,261	4,214	374	10,849
At 28 May 2017	5,910	6,987	217	13,114

The impact of the change in accounting estimate for the amortisation of development costs intangible assets is an increase in the net book value of intangible assets of £2,197,000 as at 28 May 2017. There is no impact on the net book value of intangible assets at 29 May 2016.

Amortisation of £2,936,000 (2016: £3,954,000) has been charged in cost of sales and £1,324,000 (2016: £1,373,000) in operating expenses.

The net book amount of internally generated intangible assets is £9,529,000 (2016: £6,557,000) and acquired intangible assets is £3,585,000 (2016: £4,292,000). All development costs are internally generated and £5,404,000 (2016: £3,964,000) is capitalised salary costs.

Salary costs of £4,225,000 (2016: £4,306,000) were capitalised as part of development costs and salary costs of £348,000 (2016: £548,000) were capitalised during the year as part of computer software.

An impairment of £833,000 relates to the replacement of the ERP system which has been written down to estimated value in use. This has been charged in administrative expenses.

Assets in the course of development, and not amortised, amount to £3,424,000 (2016: £2,811,000) with current and prior year amounts both being included within computer software.

Games Workshop Limited

Notes to the financial statements (continued)

12 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 31 May 2015 and 1 June 2015	16,730	13,310	8,956	26,513	65,509
Additions	29	1,017	806	2,154	4,006
Exchange differences	-	3	16	-	19
Disposals	-	(549)	(1,120)	(662)	(2,331)
Reclassifications	(173)	-	173	-	-
At 29 May 2016 and 30 May 2016	16,586	13,781	8,831	28,005	67,203
Additions	34	1,497	281	2,315	4,127
Exchange differences	-	2	13	-	15
Disposals	-	(64)	(81)	(2,413)	(2,558)
At 28 May 2017	16,620	15,216	9,044	27,907	68,787
Depreciation					
At 31 May 2015 and 1 June 2015	(5,068)	(9,982)	(7,335)	(22,112)	(44,497)
Exchange differences	-	(3)	(11)	-	(14)
Charge for the year	(355)	(1,332)	(768)	(1,986)	(4,441)
Impairment charge	-	-	(7)	-	(7)
Disposals	-	543	1,115	662	2,320
At 29 May 2016 and 30 May 2016	(5,423)	(10,774)	(7,006)	(23,436)	(46,639)
Exchange differences	-	(1)	(7)	-	(8)
Charge for the year	(374)	(1,197)	(768)	(2,694)	(5,033)
Impairment charge	-	(1)	(14)	-	(15)
Disposals	-	61	73	2,395	2,529
At 28 May 2017	(5,797)	(11,912)	(7,722)	(23,735)	(49,166)
Net book value					
At 29 May 2016	11,163	3,007	1,825	4,569	20,564
At 28 May 2017	10,823	3,304	1,322	4,172	19,621

The impact of the change in accounting estimate for the depreciation of moulding tools is a decrease in the net book value of property, plant and equipment of £664,000 as at 28 May 2017. There is no impact on the net book value of property, plant and equipment at 29 May 2016.

Depreciation expense of £3,692,000 (2016: £3,000,000) has been charged in cost of sales, £483,000 (2016: £519,000) in selling costs, and £755,000 (2016: £765,000) in administrative expenses. An amount of £103,000 of depreciation (2016: £157,000) has been capitalised within the cost of moulding tools.

Freehold land amounting to £3,836,000 (2016: £3,836,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £910,000 (2016: £964,000). £552,000 (2016: £570,000) of these are included in moulding tools, £326,000 (2016: £322,000) is included in plant and equipment and vehicles, £nil (2016: £26,000) is included in freehold land and buildings, and £32,000 (2016: £46,000) is included in fixtures and fittings above.

An impairment charge of £15,000 (2016: £7,000) relates to equipment and fixtures and fittings within loss making retail stores which have been written down to estimated value in use in both years. This has been debited in selling costs in both years.

Games Workshop Limited

Notes to the financial statements (continued)

13 Deferred tax

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:

	2017 £'000	2016 £'000
- Deferred income tax assets to be recovered after more than 12 months	1,011	643
- Deferred income tax assets to be recovered/(liabilities due) within 12 months	289	(700)
Net deferred income tax asset/(liability)	1,300	(57)

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

	2017 £'000	2016 £'000
Beginning of the year	(57)	(41)
Credited/(debited) to income statement (note 9)	1,093	(16)
Credited to equity	264	-
End of the year	1,300	(57)

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

	Accelerated depreciation £'000	Development costs £'000	Other £'000	Total £'000
At 31 May 2015	514	(705)	150	(41)
Credited/(debited) to the income statement	97	(138)	25	(16)
At 29 May 2016	611	(843)	175	(57)
Credited to the income statement	214	791	88	1,093
Credited to equity	-	-	264	264
At 28 May 2017	825	(52)	527	1,300

Other deferred tax assets include deferred tax on adjustments for share options of £325,000 (2016: £18,000).

Deferred income 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.

The Company did not obtain a current tax benefit from previously unrecognised tax losses in either of the years presented. There were no unrecognised deferred income tax assets in respect of losses at either year end.

Games Workshop Limited

Notes to the financial statements (continued)

14 Inventories

	2017	2016
	£'000	£'000
Raw materials	188	119
Work in progress	405	365
Finished goods and goods for resale	7,462	5,595
	8,055	6,079

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

There is no material difference between the balance sheet value of inventories and their replacement cost.

During the year, the Company utilised a provision against inventory impairment of £696,000 (2016: £621,000). Additional provision of £988,000 (2016: £1,308,000) has been charged to the income statement during the year.

There were no material releases of inventory provision in either year presented.

15 Trade and other receivables

	2017	2016
	£'000	£'000
Trade receivables	3,219	3,150
Less provision for impairment of receivables	(224)	(226)
Trade receivables - net	2,995	2,924
Prepayments and accrued income	4,750	4,343
Receivables from related parties (note 27)	4,458	2,135
Other receivables	490	432
Total trade and other receivables	12,693	9,834
Non-current receivables:		
Other receivables	205	157
Non-current portion	205	157
Current portion	12,488	9,677

Trade receivables are recorded at amortised cost, reduced by estimated allowances for doubtful debts. The fair value of trade and other receivables does not differ materially from the book value.

All non-current receivables are due within 5 years of the balance sheet date.

There is no 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.

Games Workshop Limited

Notes to the financial statements (continued)

15 Trade and other receivables (continued)

Trade receivables that are more than three months past due are considered to be impaired unless a payment plan has been agreed with the customer and is being adhered to.

Trade receivables that are less than three months past due are not considered impaired unless amounts are specifically identified as irrecoverable. The ageing analysis of the Company's past due trade receivables is as follows:

	2017			2016		
	Not impaired	Impaired	Total	Not impaired	Impaired	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Up to 3 months past due	230	2	232	981	22	1,003
3 to 12 months past due	-	59	59	68	25	93
Over 12 months past due	-	-	-	-	61	61
	230	61	291	1,049	108	1,157

In addition to the above, current debt of £163,000 (2016: £118,000) has been impaired.

Movements on the provision for impairment of trade receivables are as follows:

	2017	2016
	£'000	£'000
Beginning of the year	226	240
Charge for the year	102	184
Receivables written off during the year as uncollectible	(104)	(198)
End of the year	224	226

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

	2017	2016
	£'000	£'000
Sterling	5,003	5,036
Euro	1,109	1,156
US dollar	4,053	2,461
Australian dollar	253	-
Other currencies	2,275	1,181
Total trade and other receivables	12,693	9,834

Games Workshop Limited

Notes to the financial statements (continued)

16 Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash at bank and in hand	8,561	9,311
Cash and cash equivalents	8,561	9,311

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

Cash and cash equivalents are floating rate assets which earn interest at various rates with reference to the prevailing interest rates.

No utilised borrowing facilities were in place at 28 May 2017 or 29 May 2016.

17 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including 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, US dollars and Australian dollars. The principal currency of the Company is sterling, which is its functional and presentation currency.

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, the US dollar and the Australian 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 foreign currency exchange rates where they are not in the functional currency of the Company.
- Translation of results of overseas branches is excluded.

Games Workshop Limited

Notes to the financial statements (continued)

17 Financial risk factors (continued)

Foreign exchange sensitivity (continued)

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, euro and Australian dollar financial assets and liabilities:

	2017 Income gain £'000	2016 Income gain/(loss) £'000
15% appreciation of the US dollar (2016: 15%)	528	226
15% appreciation of the euro (2016: 15%)	17	(191)
15% appreciation of the Australian dollar (2016: 15%)	45	(389)

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

Interest rate risk

The Company has no significant exposure to changes in interest rates and hence no interest rate sensitivity has been shown.

Capital risk

The capital structure of the Company consists of net funds (see note 24) and shareholders' equity (see notes 21, 22 and 23). 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 the strategic objectives of the Games Workshop Group PLC Group.

Credit risk

Credit risk arises from cash and cash equivalents, 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 provision made for bad and doubtful debts (note 15). Provision requirements are determined with reference to ageing of invoices, credit history and other available information.

Sales made through our own retail stores or via mail order are made in cash or with major credit cards.

Liquidity risk

Liquidity is managed by maintaining sufficient cash balances to meet working capital needs.

Cash flow requirements are monitored by short and long-term rolling forecasts both within the local operating units and for the overall Company. 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.

Games Workshop Limited

Notes to the financial statements (continued)

17 Financial risk factors (continued)

Liquidity risk (continued)

The undiscounted contractual maturity 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.

	2017			
	Within 1 year £'000	Between 1 to 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	8,289	-	-	-
Amounts due to related parties	5,340	-	3,900	-
Property provisions	369	22	9	-
	13,998	22	3,909	-

	2016			
	Within 1 year £'000	Between 1 to 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	6,634	-	-	-
Amounts due to related parties	7,118	-	3,900	-
Property provisions	356	53	-	-
	14,108	53	3,900	-

Financial instruments by category

	Loans and receivables	
	2017 £'000	2016 £'000
Financial assets as per balance sheet		
Trade receivables	2,995	2,924
Accrued income	1,035	696
Other receivables	490	432
Receivables from related parties (note 27)	4,458	2,135
Cash and cash equivalents	8,561	9,311
	17,539	15,498

Prepayments have been excluded from the above as they are not financial assets.

Games Workshop Limited

Notes to the financial statements (continued)

17 Financial risk factors (continued)

Financial instruments by category (continued)

	Financial liabilities at amortised cost	
	2017	2016
	£'000	£'000
Financial liabilities as per balance sheet		
Trade payables	4,664	3,753
Payables due to related parties	9,240	11,018
Other payables	2,364	1,609
Accruals	1,261	1,272
	17,529	17,652

Deferred income and other taxes and social security payables have been excluded from the above as they are not financial liabilities.

18 Trade and other payables

	2017	2016
	£'000	£'000
Trade payables	4,664	3,753
Payables due to related parties (note 27)	5,340	7,118
Other taxes and social security	774	690
Other payables	2,364	1,609
Accruals	1,436	1,470
Deferred income	3,095	1,951
	17,673	16,591

19 Other non-current liabilities

	2017	2016
	£'000	£'000
Accruals	225	238
Loans due to related parties (note 27)	3,900	3,900
	4,125	4,138

The effective interest rate on non-current loans from related parties is imputed at LIBOR plus 1% in both years.

Games Workshop Limited

Notes to the financial statements (continued)

19 Other non-current liabilities (continued)

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

	2017 £'000	2016 £'000
Sterling	16,065	12,276
Euro	2,431	3,655
US dollar	2,937	1,889
Australian dollar	9	2,672
Other currencies	356	237
Total trade and other payables and other non-current liabilities	21,798	20,729

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

20 Provisions for other liabilities and charges

	2017 £'000	2016 £'000
Current	441	431
Non-current	238	235
	679	666

	Employee benefits £'000	Property £'000	Total £'000
At 29 May 2016	257	409	666
Charged/(credited) to the income statement:			
- Additional provisions	27	141	168
- Unused amounts reversed	-	(105)	(105)
- Unwinding of discount (note 6)	-	1	1
Utilised	(5)	(46)	(51)
At 28 May 2017	279	400	679

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

Games Workshop Limited

Notes to the financial statements (continued)

20 Provisions for other liabilities and charges (continued)

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 years of employment (10 Year Veterans). 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 years of employment.

Property provisions

Property provisions relate to property dilapidations and to committed costs outstanding under onerous or vacant lease commitments and will diminish over the lives of the underlying leases. The above provision is expected to be utilised by 2020. The estimated liability is discounted to its present value using a discount rate of 0.55% (2016: 0.96%).

21 Share capital

	2017 £'000	2016 £'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
All issued shares are fully paid.		

22 Translation reserve

	£'000
At 31 May 2015 and 1 June 2015	353
Exchange differences on translation of foreign operations	7
At 29 May 2016 and 30 May 2016	360
Exchange differences on translation of foreign operations	(16)
At 28 May 2017	344

Games Workshop Limited

Notes to the financial statements (continued)

23 Retained earnings

	£'000
At 31 May 2015 and 1 June 2015	34,552
Profit attributable to owners of the parent	13,716
Current tax on share options	(3)
Dividends approved and paid in the year	(15,000)
At 29 May 2016 and 30 May 2016	33,265
Profit attributable to owners of the parent	30,242
Current tax on share options	5
Deferred tax on share options	264
Dividends approved and paid in the year	(27,900)
At 28 May 2017	35,876

24 Reconciliation of profit to net cash from operating activities

	2017 £'000	2016 £'000
Operating profit	37,724	17,215
Depreciation of property, plant and equipment (note 12)	4,930	4,284
Impairment charge of property, plant and equipment (note 12)	15	7
Impairment charge of intangible assets (note 11)	833	-
Loss on disposal of property, plant and equipment (see below)	29	11
Loss on disposal of intangible assets (see below)	14	39
Amortisation of capitalised development costs (note 11)	2,899	3,853
Amortisation of computer software and other intangibles (note 11)	1,361	1,474
Changes in working capital:		
Increase in inventories	(1,525)	(690)
(Increase)/decrease in trade and other receivables	(2,389)	86
Decrease in trade and other payables	(398)	(292)
Increase in provisions	13	186
Net cash from operating activities	43,506	26,173

Games Workshop Limited

Notes to the financial statements (continued)

24 Reconciliation of profit to net cash from operating activities (continued)

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

	2017	2016
	£'000	£'000
Net book amount (note 12)	29	11
Loss on sale of property, plant and equipment	(29)	(11)
Proceeds from sale of property, plant and equipment	-	-

The Company disposed of intangible assets with a net book amount of £14,000 during the year (2016: £39,000). There were no proceeds on disposal in either year and hence a loss on disposal equivalent to the net book amount was recorded.

Analysis of net funds:

	As at 29 May 2016	Cash flow	Exchange movement	As at 28 May 2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents	9,311	(1,005)	255	8,561
Net funds	9,311	(1,005)	255	8,561

25 Commitments

Capital commitments

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

	2017	2016
	£'000	£'000
Property, plant and equipment	572	609
Other intangible assets	502	-
	1,074	609

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	2017		2016	
	Retail stores	Other	Retail stores	Other
	£'000	£'000	£'000	£'000
Within 1 year	2,787	88	2,619	81
Between 1 and 5 years inclusive	4,596	85	4,162	126
In over 5 years	240	-	251	-
	7,623	173	7,032	207

Games Workshop Limited

Notes to the financial statements (continued)

25 Commitments (continued)

Inventory purchase commitments

	2017	2016
	£'000	£'000
Finished goods	1,875	1,136
Components	1,316	1,120
Raw materials	110	92

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.

26 Contingencies

The Company has no contingent liabilities in respect of the potential reversionary interest in sub-let leasehold properties (2016: £46,000).

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 for which the aggregate amount outstanding at the balance sheet date was £nil (2016: £1,424,000).

27 Related party transactions

Sales to related parties amounted to £35,324,000 (2016: £16,972,000).

In both years presented 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	2017	2016
		£'000	£'000
EURL Games Workshop	Commission	(183)	(127)
EURL Games Workshop	Marketing services fee	(342)	(300)
Games Workshop Italia SRL	Commission	(81)	(57)
Games Workshop Italia SRL	Marketing services fee	(106)	(85)
Games Workshop International Ltd	Interest receivable	32	45
Games Workshop Group PLC	Recharges	(366)	(382)
Games Workshop Group PLC	Dividends payable	(27,900)	(15,000)
Games Workshop Deutschland GmbH	Marketing services fee	(408)	(365)
Games Workshop SL	Marketing services fee	(109)	(86)

Games Workshop Limited

Notes to the financial statements (continued)

27 Related party transactions (continued)

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

Related party	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Games Workshop Group PLC	-	-	(2,268)	(1,275)
Games Workshop Retail Inc.	2,617	1,135	-	-
EURL Games Workshop	-	-	(250)	(23)
Games Workshop SL	-	-	(857)	(662)
Games Workshop Oz Pty Limited	253	-	-	(2,660)
Games Workshop Deutschland GmbH	-	-	(488)	(1,952)
Games Workshop Stockholm AB	-	-	(310)	(115)
Games Workshop International Limited	-	-	(1,079)	(4)
Games Workshop (Queen Street) Limited	26	388	-	-
Games Workshop Italia SRL	-	-	(88)	(427)
Games Workshop Hobby Pte. Limited	380	127	-	-
Games Workshop Hong Kong Limited	343	94	-	-
Games Workshop Malaysia Sdn. Bhd.	271	22	-	-
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	568	369	-	-
	4,458	2,135	(5,340)	(7,118)

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

Related party	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Games Workshop Group PLC	-	-	(3,900)	(3,900)

28 Subsequent Events

A dividend of £6,500,000 and a dividend of £11,500,000 were declared after the balance sheet date and were paid before the signing of these financial statements.

Games Workshop Limited

Notes to the financial statements (continued)

29 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.