

Games Workshop Limited

Annual report and financial statements
for the year ended 2 June 2019

Registered number: 1467092

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Games Workshop Limited

Annual report and financial statements for the year ended 2 June 2019

	Page
Company information.....	1
Strategic report.....	2
Directors' report.....	5
Income statement.....	8
Statement of comprehensive income.....	8
Balance sheet	9
Statement of changes in total equity	10
Cash flow statement.....	11
Notes to the financial statements.....	12

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, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever. Our decisions are focused on long term success, not short term gains.

We measure our long term success by seeking a high return on investment. In the short term, we 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 and related parties 'Trade' and our online store 'online'. We also generate income via our licensing partners.

Key performance indicators

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

Review of the year ended 2 June 2019

Sales

Reported sales increased by 15% to £212.9 million for the period. This was driven by an improvement across all channels.

Retail contributed 15% of this year's sales. At the year end we had 140 Games Workshop stores in the UK.

Trade sales to third party retailers accounted for 28% of current year sales and sales to related parties accounted for 35% of this year's sales.

Online contributed 22% of total sales in the year.

Income generated from royalties increased by 18% in the year.

Operating profit

Core business operating profit (operating profit before royalty income) increased by £8.3 million to £73.2 million (53 weeks ended 3 June 2018: £64.9 million). Gross profit margin declined in the year, in line with expectations (61.7% versus 63.5% in 2018) as a direct result of sales mix of new and existing product. Operating expenses increased by £5.4 million.

As a direct result of our significant sales and profit growth, we rewarded all of our staff with a £1,500 discretionary payment in addition to a £1,000 profit share payment each (total cost £3.9 million). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £0.2 million) who achieved growth whilst maintaining costs broadly in-line with the prior period.

Cash generation

During the year, core operating activities generated £67.2 million (2018: £59.6 million) of cash after tax payments. The Company also received cash of £9.1 million in respect of royalties in the period (2018: £8.9 million). After purchases of tangible and intangible assets and product development costs of £21.9 million (2018: £19.8 million), group profit share and discretionary payments to employees of £3.9 million (2018: £3.4 million), foreign exchange gains of £0.1 million (2018: loss of £0.1 million) and dividends paid of £48.0 million (2018: £35.0 million) there were net funds at the period end of £21.6 million (2018: £19.0 million).

Royalty income

Royalty income increased in the year by £1.7 million to £11.4 million.

Taxation

The effective tax rate for the year was 19.0% (2018: 19.1%).

Games Workshop Limited

Strategic report (continued)

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.

Interest rate risk

Net interest receivable for the period was £30,000 (2018: net interest payable of £72,000).

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	
	2019	2018	2019	2018
Period end rate used for the balance sheet	1.13	1.14	1.26	1.33
Average rate used for earnings	1.14	1.13	1.30	1.35

Risks and uncertainties

The board has overall responsibility for ensuring risk is appropriately managed across the Group. The top seven risks to the Company 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 in all circumstances. The principal risks identified in 2019/20 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.
- Recruitment - to always have a world class team to support our business. The risk is we compromise and recruit only for skills and not on the personal qualities we need new members of the global team to demonstrate to ensure we deliver our long-term goals. The Games Workshop recruitment process aims to ensure we recruit for attitude as well as skills, to help mitigate this risk. This end to end process starts with writing a new job specification highlighting the personal qualities needed in the job as well as the skills, through to a robust induction process which will help them be successful in their job. Our new recruitment and onboarding systems also help in ensuring the recruitment process is efficient and effective for both the new recruit and the recruiting manager.
- Supply chain - to deliver a seamless supply of products to our customers. The risk is that there are unnecessary delays or expense. Constant review by the executive directors and the rest of the board of our production and warehousing capacity ensures that issues are dealt with in an appropriate timescale. This is particularly relevant given the recent growth in sales.
- 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 or that we have too much stock.
- Innovation - to surprise and delight our customers with ever better new miniatures and related products. The risk is that we become complacent. Our design studios are responsible for creating great new miniatures and games. The sales of new products are reviewed and assessed by the executive team and the design studios to ensure that we continue to deliver on our promise to make the best miniatures in the world.
- IP exploitation - to optimise our Warhammer brands fully in addition to being innovative in our core business. The risks are that we do harm to the core business or we don't take this opportunity seriously.
- Distractions - this is anything else that gets in the way of us delivering our goals.

Games Workshop Limited

Strategic report (continued)

Risks and uncertainties (continued)

Games Workshop relies upon the continued availability and integrity of its IT systems. Our business critical systems are monitored and disaster recovery plans are in place and reviewed to ensure they remain up to date. The security of our systems is reviewed with software updates applied and equipment updated as required.

We do not consider that we have material solvency or liquidity risks.

Following the UK Government invoking Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU, Games Workshop has reviewed the impact that this may have on the Group. The key risks for Games Workshop relate to the movement of goods from the UK to the EU across all sales channels as well as the recruitment and retention of EU nationals working in the UK. These risks have been assessed and plans have been put in place to help mitigate the possible impact of these changes depending on the nature of the UK's withdrawal from the EU.

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.

Priorities for next year

As part of our overall strategy, four key initiatives will be prioritised in 2019/20. These are designed to deliver further sales growth whilst maintaining our operating profit margin.

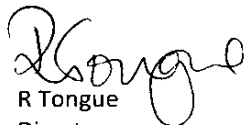
Firstly, staff recruitment and training. We are continuing with our investment in our people. Our global people manager is in the process of strengthening her team in four key areas: staff recruitment, training, wellbeing and performance & pay. We are working on delivering a robust workforce plan to ensure we can meet our global needs today and in the near future.

Secondly, we will continue to be customer focused, better engaging our existing ones and reaching whole new audiences with the Warhammer Hobby:

- We will continue to open more independent retailer 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. The goal is to sell all of our products where our customers want to shop. We will continue the project of updating our online service tools to ensure all of our third party accounts get outrageous customer service and support.
- Continue to improve our digital marketing and customer engagement.

Thirdly, we will continue to focus on our range. We will continue to review our core product range to ensure we have the right products in the right place at the right time. We have significantly increased the number of new releases supporting our core systems in the last few years and this will continue in 2019/20. We will continue to pilot some new product formats in new markets.

Finally, in our core business, with a fair wind and a bit of luck we will be celebrating the completion of some of the core IT systems and our manufacturing and warehouse capacity projects.



R Tongue
Director

2 December 2019

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 2 June 2019.

Dividends

Dividends of £48,000,000 were declared and paid during the year ended 2 June 2019 (53 weeks ended 3 June 2018: £35,000,000).

Further dividends of £11,000,000 and £12,000,000 were declared post year end and were paid before the signing of these accounts.

Directors

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

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 rolled out IOSH accredited safety training for all our front line managers and safety representatives across manufacturing and warehousing in Lenton, with this resulting in significant improvements in our underlying safety culture and understanding of risk across the business. To complement this training we have developed our safety audit programme across manufacturing and warehousing in Lenton, ensuring that senior managers regularly and routinely inspect all operational areas.

A suite of new reporting metrics, launched in June 2019, will allow senior managers across the business greater insight into the risk profile and safety culture of their areas of responsibility, allowing for smarter allocation of resources, ensuring we focus on the right areas and processes.

Games Workshop Limited

Directors' report (continued)

Injury reporting

During the year there were five injuries (2018: 4) reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

Transport and travel

We continue to promote the liftshare, cycle to work, tram2work and Robin Hood Network schemes in respect of staff travelling to, and from, our HQ site in Nottingham. We now have 317 employees signed up to the liftshare scheme.

We continue to have a high ratio of cyclists (over 10% of employees) at our HQ site, with 207 bikes being purchased through the cycle to work scheme since Games Workshop became a member of the scheme. We currently have 247 active users of Nottingham's tram2work and Robin Hood Network travel schemes.

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.

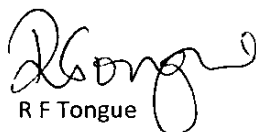
Existence of branches

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

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

2 December 2019

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 2 June 2019 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.

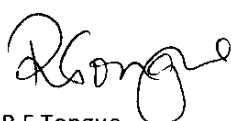
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must 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 period.

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

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are responsible for the maintenance and integrity of the Company's website.

By order of the board



R F Tongue
Director
2 December 2019

Games Workshop Limited

Income statement

		52 weeks ended 2 June 2019	Restated 53 weeks ended 3 June 2018
	Notes	£'000	£'000
Revenue		212,876	185,256
Cost of sales		(81,570)	(67,647)
Gross profit		131,306	117,609
Operating expenses	4	(58,071)	(52,671)
Other operating income - royalties receivable		11,365	9,617
Operating profit		84,600	74,555
Finance income	5	89	74
Finance costs	6	(59)	(146)
Profit before taxation	7	84,630	74,483
Income tax expense	9	(16,078)	(14,248)
Profit attributable to owners of the parent	23	68,552	60,235

The notes on pages 12 to 35 are an integral part of these financial statements.

Statement of comprehensive income

	52 weeks ended 2 June 2019 £'000	Restated 53 weeks ended 3 June 2018 £'000
Profit attributable to owners of the parent	68,552	60,235
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	31	12
Other comprehensive income for the period	31	12
Total comprehensive income attributable to owners of the parent	68,583	60,247

The notes on pages 12 to 35 are an integral part of these financial statements.

Games Workshop Limited

Balance sheet

		2 June 2019	Restated 3 June 2018
	Notes	£'000	£'000
Non-current assets			
Other intangible assets	11	15,954	14,296
Property, plant and equipment	12	31,495	26,996
Deferred tax assets	13	2,616	1,510
Trade and other receivables	15	2,157	870
		52,222	43,672
Current assets			
Inventories	14	16,304	14,058
Trade and other receivables	15	29,497	21,205
Cash and cash equivalents	16	21,640	19,015
		67,441	54,278
Total assets		119,663	97,950
Current liabilities			
Trade and other payables	18	(17,264)	(19,042)
Current tax liabilities		(8,447)	(7,003)
Provisions for other liabilities and charges	20	(620)	(437)
		(26,331)	(26,482)
Net current assets		41,110	27,796
Non-current liabilities			
Other non-current liabilities	19	(4,176)	(4,112)
Provisions for other liabilities and charges	20	(432)	(221)
		(4,608)	(4,333)
Net assets		88,724	67,135
Capital and reserves			
Called up share capital	21	139	139
Translation reserve	22	387	356
Retained earnings	23	88,198	66,640
Total equity		88,724	67,135

The notes on pages 12 to 35 are an integral part of these financial statements.

For the year ended 2 June 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

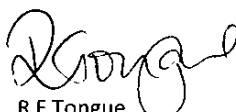
Directors' responsibilities:

- 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 35 were approved by the board of directors on 2 December 2019 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 28 May 2017 and 29 May 2017 (as restated)	139	344	39,744	40,227
Profit for the 53 weeks to 3 June 2018 (as restated)	-	-	60,235	60,235
Exchange differences on translation of foreign operations	-	12	-	12
Total comprehensive income for the period (as restated)	-	12	60,235	60,247
Transactions with owners:				
Dividends approved and paid to the parent company	-	-	(35,000)	(35,000)
Current tax credit relating to exercised share options	-	-	667	667
Deferred tax credit relating to share options	-	-	994	994
Total transactions with owners	-	-	(33,339)	(33,339)
At 3 June 2018 and 4 June 2018 (as restated)	139	356	66,640	67,135
Profit for the 52 weeks to 2 June 2019	-	-	68,552	68,552
Exchange differences on translation of foreign operations	-	31	-	31
Total comprehensive income for the period	-	31	68,552	68,583
Transactions with owners:				
Dividends approved and paid to the parent company	-	-	(48,000)	(48,000)
Current tax credit relating to exercised share options	-	-	733	733
Deferred tax credit relating to share options	-	-	273	273
Total transactions with owners	-	-	(46,994)	(46,994)
At 2 June 2019	139	387	88,198	88,724

The notes on pages 12 to 35 are an integral part of these financial statements.

Games Workshop Limited

Cash flow statement

		52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
	Notes		
Cash flows from operating activities			
Cash generated from operations	24	86,628	76,023
Corporation tax paid		(14,217)	(10,850)
Net cash generated from operating activities		72,411	65,173
Cash flows from investing activities			
Purchases of property, plant and equipment		(13,060)	(12,926)
Proceeds on disposal of property, plant and equipment		10	-
Purchases of other intangible assets		(1,831)	(1,445)
Expenditure on product development		(6,962)	(5,387)
Interest received		89	74
Net cash used in investing activities		(21,754)	(19,684)
Cash flows from financing activities			
Interest paid		(59)	(146)
Dividends paid to the Company's shareholders		(48,000)	(35,000)
Net cash used in financing activities		(48,059)	(35,146)
Net increase in cash and cash equivalents		2,598	10,489
Opening cash and cash equivalents		19,015	8,561
Effects of foreign exchange rates on cash and cash equivalents		27	(35)
Closing cash and cash equivalents	16	21,640	19,015

The notes on pages 12 to 35 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 online. 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 periods presented, unless otherwise stated.

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

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	-	65
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 less loss allowance. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for trade receivables based on historical credit losses by the Company

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.

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.

Games Workshop Limited

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 period;
- 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 (Veterans scheme). During the year, the Group has extended the scheme to provide a further two weeks holiday entitlement to employees reaching 20 years of employment, and again at 30 years' service. This extension to the scheme will be honoured retrospectively for existing employees with 20 and 30 years' service.

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 period 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 online 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 (2018: no more than 3%).

Royalty income

Minimum royalty guarantee income is recognised in full at inception of the contract. This represents the point at which the performance obligation of the contract is met, in granting use of the Company's intellectual property. Additional royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, 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.

Taxation

The charge for current tax is based on the results for the period 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.

Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made.

The estimated employee benefit liability arising from the Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10, 20 or 30 years' service in more than one year are classified as non-current.

Provisions are made for redundancy costs once the employees affected have a valid expectation that their role will become redundant.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 consolidated financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change.

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

Management consider the capitalisation of development costs and internally developed software costs to be a critical accounting judgement. Costs directly associated with the asset creation are capitalised.

New accounting standards

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' applies to financial periods commencing on or after 1 January 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low value' assets; and, short-term leases (i.e. leases with a term less than 12 months). At the lease commencement date, a liability will be recognised in respect of the future lease payments and a corresponding asset representing the right to use the underlying asset during the lease term. The interest expense incurred on the lease liability and the depreciation charged on the right to use asset will be recognised separately in the income statement.

Certain events will result in the lease liability being re-measured (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The re-measurement will be first adjusted against the right of use asset and any excess charged to profit or loss.

Transition to IFRS 16

The Company will adopt the modified retrospective approach from 3 June 2019, meaning that the Company will not be restating each prior reporting period presented. The application of this new standard will have a material impact on the financial statements of the Company, because of the large number of leases on retail properties it holds. In adopting this approach, the Company intends to use the following practical expedients as offered by the standard:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease;
- Exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application;
- No recognition of leases whose term ends within twelve months of the date of initial application.

The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will not apply the standard to contracts that were not previously identified as containing a lease. The Company will elect to apply the transition exemption for leases where the underlying asset is of low value, i.e. when the underlying asset has a value of £5,000 or less when new.

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

The Company has performed a detailed impact statement of IFRS 16, which excludes the impact of taxation. In summary the impact of adopting IFRS 16 as at 2 June 2019 is estimated to be: an increase to the carrying value of fixed assets through the recognition of an opening right-of-use asset of c.£12.8 million, and an increase in lease liabilities of c.£12.5 million.

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 policy

The Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' for the first time. The nature and effect of the changes as a result of adoption of these new standards are described below.

IFRS 15 'Revenue from contracts with customers' supersedes IAS 11 'Construction contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue from contracts with customers, unless those contracts are in the scope of other standards. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the fully retrospective transition method. The key considerations along with the impact of adopting IFRS 15 are described below:

Advances from customers

- Under IFRS 15, minimum royalty guarantee income is recognised in full at inception of the contract. This represents the point at which the performance obligation of the contract is met, in granting use of the Group's intellectual property. Previously, this income was deferred and recognised on the balance sheet within accruals and deferred income and released in line with licensee sales.

Delivery charges

- Under the new standard, amounts receivable from customers in respect of delivery charges are recognised as revenue. Previously, this income was offset against delivery charges within cost of sales. The impact of reclassifying delivery charges is an increase in revenue and cost of sales. There is no impact on net assets.

The impact of the change on the results was as follows:

	3 June 2018 As reported £000	Impact of change in accounting standard £000	3 June 2018 Restated £000
Revenue	183,833	1,423	185,256
Cost of sales	(66,224)	(1,423)	(67,647)
Gross profit	117,609	-	117,609
Other operating income – royalties receivable	9,893	(276)	9,617
Operating profit	74,831	(276)	74,555
Income tax expense	(14,300)	52	(14,248)
Profit attributable to owners of the parent	60,459	(224)	60,235
Retained earnings at 29 May 2017	35,876	3,868	39,744
Trade and other receivables – non-current	203	667	870
Trade and other receivables – current	19,103	2,102	21,205
Trade and other payables	(20,772)	1,730	(19,042)
Deferred tax assets	2,365	(855)	1,510
Net assets	63,491	3,644	67,135

Other adjustments

- In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, income taxes, financial risk factors and the cash flow statement were adjusted as necessary. The impact of these adjustments was not material to the financial statements.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: recognition and measurement'. Under this new standard, provisions for the impairment of trade receivables are recognised at an amount based on expected credit losses and are calculated from the initial recognition of the asset. Previously, provisions for the impairment of trade receivables were not recognised until there was an indication of impairment. The impact of adopting the new standard is not material to the financial statements.

Games Workshop Limited

Notes to the financial statements (continued)

4 Operating expenses

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Selling costs	23,086	20,873
Administrative expenses	34,985	31,798
	58,071	52,671

5 Finance income

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Interest income		
- on cash and cash equivalents	89	74
	89	74

6 Finance costs

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Interest expense		
- interest payable on cash held on behalf of group undertakings	54	146
- other interest payable	5	-
	59	146

Games Workshop Limited

Notes to the financial statements (continued)

7 Profit before taxation

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

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Depreciation:		
- Owned property, plant and equipment	7,762	5,531
- Charge/(reversal of charge) for impairment of property, plant and equipment	2	(22)
Amortisation:		
- Owned computer software	1,547	1,408
- Other intangible assets	59	99
- Development costs	5,341	4,131
Non-capitalised development costs	6,367	5,645
Staff costs (excluding capitalised salary costs as in note 11 and non-capitalised development staff costs above)	39,855	35,488
Operating leases		
- Retail stores	3,403	3,285
- Plant and equipment	172	176
- Other	134	156
Cost of inventories included within cost of sales	31,730	26,721
Net inventory provision creation (note 14)	4,002	2,977
Loss on disposal of property, plant and equipment (note 24)	76	3
Loss on disposal of intangible assets (note 24)	188	12
Redundancy costs and compensation for loss of office	867	194
Net charge to property provisions including closed or loss making retail stores (note 20)	140	22

8 Directors and employees

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

	52 weeks ended 2 June 2019 Number	53 weeks ended 3 June 2018 Number
Design and development	252	237
Production and warehousing	397	327
Selling		
- full time	361	354
- part time	52	47
Administration	375	332
	1,437	1,297

Games Workshop Limited

Notes to the financial statements (continued)

8 Directors and employees (continued)

Their aggregate remuneration comprised:

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Total directors' and employees' costs:		
Wages and salaries	45,265	39,901
Social security costs	4,327	4,031
Other pension costs (note 25)	1,895	1,619
Share-based payment	296	188
	51,783	45,739

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 £4,081,000 (2018: £4,255,000).

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'.

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Salaries and other short-term employee benefits	1,689	993
Post-employment benefits	20	30
Share-based payment	3	3
	1,712	1,026

Of the above costs £nil (2018: £316,000) was borne by the Company.

Key management are the directors of the Company. In the prior period key management also included the head of design and manufacturing.

During the period no directors exercised share options (2018: none).

Pensions

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

Highest-paid director

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

	52 weeks ended 2 June 2019 £'000	53 weeks ended 3 June 2018 £'000
Emoluments	1,067	428
Contributions to money purchase pension schemes	10	10
	1,077	438

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

Games Workshop Limited

Notes to the financial statements (continued)

9 Income tax expense

The income tax expense comprises:

	52 weeks ended 2 June 2019 £'000	Restated 53 weeks ended 3 June 2018 £'000
Current UK taxation		
- UK corporation tax on profits for the period	16,570	14,059
- Amounts payable to related parties in respect of group relief surrendered	512	345
- Over provision in respect of prior periods	(171)	(33)
Total current taxation	16,911	14,371
Deferred taxation		
- Origination and reversal of timing differences	(983)	(178)
- Under provision in respect of prior periods	150	55
Total deferred taxation	(833)	(123)
Income tax expense recognised in the income statement	16,078	14,248

The tax for the period is higher than the effective rate of corporation tax in the UK. The differences are explained below.

	52 weeks ended 2 June 2019 £'000	Restated 53 weeks ended 3 June 2018 £'000
Profit before taxation	84,630	74,483
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	16,080	14,152
Effects of:		
Items not (assessable)/deductible for tax purposes	(21)	47
Change in tax rate	39	28
Adjustments to tax charge in respect of previous periods	(20)	21
Total tax charge for the period	16,078	14,248

A reduction in the UK corporation tax rate was included in the Finance Act 2016 to reduce the rate to 17% from 1 April 2020. This change had been substantively enacted at the balance sheet date and its impact has therefore been included in these financial statements. Items not assessable for tax purposes include the release of provisions no longer considered a risk to the Group as well as tax relief for other taxes paid.

At the time of writing, the terms of the UK's departure from the EU (Brexit) remains uncertain. 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. Our preparations for varying outcomes of the Brexit negotiations, including 'no deal', are well advanced due to the potential departure dates earlier in 2019. Particular consideration has been given to the customs declarations and VAT incurred at the border to ensure these are resolved by Games Workshop and are not a concern for customers. The VAT is to become a recoverable flow through UK and European VAT returns. One of the biggest risks is the customs handling of the volume of goods at the ports which would impact the speed of fulfilment of sales orders. The business will closely monitor this. Overall the directors have assessed the impact and have not identified any significant matters impacting the financial statements.

10 Dividends per share

A dividend of £61.20 per share, amounting to a total dividend of £8,500,000, a dividend of £86.40 per share, amounting to a total dividend of £12,000,000, a dividend of £72.00 per share, amounting to a total dividend of £10,000,000, a dividend of £57.60 per share, amounting to a total dividend of £7,000,000, and a dividend of £68.40 per share, amounting to a total dividend of £9,500,000 were declared and paid during the 52 weeks ended 2 June 2019.

A dividend of £46.80 per share, amounting to a total dividend of £6,500,000, a dividend of £82.80 per share, amounting to a total dividend of £11,500,000, a dividend of £72.00 per share, amounting to a total dividend of £10,000,000, and a dividend of £50.40 per share, amounting to a total dividend of £7,000,000, were declared and paid during the 53 weeks ended 3 June 2018.

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 28 May 2017 and 29 May 2017	12,677	34,640	1,182	48,499
Additions	1,445	5,387	-	6,832
Disposals	-	(5,220)	-	(5,220)
At 3 June 2018 and 4 June 2018	14,122	34,807	1,182	50,111
Additions	1,831	6,962	-	8,793
Disposals	(176)	(965)	-	(1,141)
At 2 June 2019	15,777	40,804	1,182	57,763
Amortisation				
At 28 May 2017 and 29 May 2017	(6,767)	(27,653)	(965)	(35,385)
Amortisation charge	(1,408)	(4,131)	(99)	(5,638)
Disposals	-	5,208	-	5,208
At 3 June 2018 and 4 June 2018	(8,175)	(26,576)	(1,064)	(35,815)
Amortisation charge	(1,547)	(5,341)	(59)	(6,947)
Disposals	176	777	-	953
At 2 June 2019	(9,546)	(31,140)	(1,123)	(41,809)
Net book value				
At 3 June 2018	5,947	8,231	118	14,296
At 2 June 2019	6,231	9,664	59	15,954

Amortisation of £5,598,000 (2018: £4,341,000) has been charged in cost of sales and £1,349,000 (2018: £1,297,000) in operating expenses.

The net book amount of internally generated intangible assets is £14,117,000 (2018: £12,147,000) and acquired intangible assets is £1,837,000 (2018: £2,149,000). All development costs are internally generated and £6,989,000 (2018: £7,202,000) is capitalised salary costs.

Salary costs of £5,161,000 (2018: £4,308,000) were capitalised as part of development costs and salary costs of £400,000 (2018: £298,000) were capitalised during the period as part of computer software.

Assets in the course of development, and not amortised, amount to £311,000 (2018: £3,972,000) with current and prior periods amounts both being included within computer software.

Games Workshop Limited

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 28 May 2017 and 29 May 2017	16,620	15,216	9,044	27,907	68,787
Additions	2,592	6,285	898	3,113	12,888
Exchange differences	-	(1)	(6)	-	(7)
Disposals	-	(41)	(244)	-	(285)
At 3 June 2018 and 4 June 2018	19,212	21,459	9,692	31,020	81,383
Additions	2,450	4,729	1,316	3,833	12,328
Exchange differences	-	5	25	-	30
Reclassifications	(86)	86	-	-	-
Disposals	(16)	(431)	(400)	-	(847)
At 2 June 2019	21,560	25,848	10,633	34,853	92,894
Depreciation					
At 28 May 2017 and 29 May 2017	(5,797)	(11,912)	(7,722)	(23,735)	(49,166)
Exchange differences	-	1	5	-	6
Charge for the period	(377)	(1,585)	(707)	(2,862)	(5,531)
Reversal of impairment charge	-	1	21	-	22
Disposals	-	34	248	-	282
At 3 June 2018 and 4 June 2018	(6,174)	(13,461)	(8,155)	(26,597)	(54,387)
Exchange differences	-	(3)	(16)	-	(19)
Charge for the period	(868)	(2,653)	(740)	(3,501)	(7,762)
Impairment charge	-	(1)	(1)	-	(2)
Disposals	7	472	292	-	771
At 2 June 2019	(7,035)	(15,646)	(8,620)	(30,098)	(61,399)
Net book value					
At 3 June 2018	13,038	7,998	1,537	4,423	26,996
At 2 June 2019	14,525	10,202	2,013	4,755	31,495

Depreciation expense of £6,333,000 (2018: £4,205,000) has been charged in cost of sales, £395,000 (2018: £869,000) in selling costs, and £1,034,000 (2018: £457,000) in administrative expenses. Freehold land amounting to £5,569,000 (2018: £5,569,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £5,413,000 (2018: £3,869,000). £1,242,000 (2018: £785,000) of these are included in moulding tools, £1,450,000 (2018: £1,853,000) is included in plant and equipment and vehicles, £2,502,000 (2018: £874,000) is included in freehold land and buildings, and £219,000 (2018: £357,000) is included in fixtures and fittings above.

An impairment of £2,000 (2018: reversal of impairment charge of £22,000) relates to equipment and fixtures and fittings within loss making retail stores which have been written down to estimated value in use. This has been included within selling costs in both periods.

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:

	2019 £'000	Restated 2018 £'000
Deferred income tax assets to be recovered after more than 12 months	1,232	1,467
Deferred income tax assets to be recovered within 12 months	1,384	43
Net deferred income tax asset	2,616	1,510

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

	2019 £'000	Restated 2018 £'000
Beginning of the period	1,510	393
Credited to income statement (note 9)	833	123
Credited to equity	273	994
End of the period	2,616	1,510

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

	Accelerated depreciation £'000	Development costs £'000	Other £'000	Total £'000
At 28 May 2017 as restated	825	(52)	(380)	393
Credited to the income statement	18	52	53	123
Credited to equity	-	-	994	994
At 3 June 2018 as restated	843	-	667	1,510
Credited to the income statement	(48)	-	881	833
Credited to equity	-	-	273	273
At 2 June 2019	795	-	1,821	2,616

Other deferred tax assets include deferred tax on adjustments for share options of £1,627,000 (2018: £1,303,000), and are net of a deferred tax liability of £nil (2018: £855,000) arising on the restatement following the adoption of IFRS 15 'Revenue from contracts with customers'.

The disclosure of deferred tax assets to be recovered within 12 months, and those to be recovered after more than 12 months as at 3 June 2018 has been amended to more accurately reflect the actual recovery of capital allowances, as well as being restated following the adoption of IFRS 15 'Revenue from contracts with customers'.

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 periods presented. There were no unrecognised deferred income tax assets in respect of losses at either period end.

Games Workshop Limited

Notes to the financial statements (continued)

14 Inventories

	2019 £'000	2018 £'000
Raw materials	807	425
Work in progress	949	872
Finished goods and goods for resale	14,548	12,761
	16,304	14,058

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 period, the Company utilised a provision against inventory impairment of £3,735,000 (2018: £1,237,000). Additional provision of £4,002,000 (2018: £2,977,000) has been charged to the income statement during the period.

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

15 Trade and other receivables

	2019 £'000	Restated 2018 £'000
Trade receivables	4,250	3,840
Less allowance for expected credit losses	(82)	(54)
Trade receivables - net	4,168	3,786
Prepayments and accrued income	6,606	7,754
Receivables from related parties (note 27)	16,021	9,600
Other receivables	4,859	935
Total trade and other receivables	31,654	22,075
Non-current receivables:		
Prepayments and accrued income	-	667
Other receivables	2,157	203
Non-current portion	2,157	870
Current portion	29,497	21,205

Trade receivables are recorded at amortised cost, less allowance for expected credit losses. The fair value of trade and other receivables does not differ materially from the book value. There is no 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.

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

Games Workshop Limited

Notes to the financial statements (continued)

15 Trade and other receivables (continued)

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

	2019				2018	
	Gross value	Loss allowance	Net	Gross value	Loss allowance	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Up to 3 months past due	912	(3)	909	472	(2)	470
3 to 12 months past due	74	(74)	-	40	(40)	-
Over 12 months past due	5	(5)	-	12	(12)	-
	991	(82)	909	524	(54)	470

Movements on loss allowance against trade receivables are as follows:

	2019	2018
	£'000	£'000
Beginning of the period	54	61
Charge for the period	134	43
Receivables written off during the period as uncollectible	(106)	(50)
End of the period	82	54

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

	2019	Restated 2018
	£'000	£'000
Sterling	9,144	7,011
Euro	3,679	1,541
US dollar	14,539	10,045
Other currencies	4,292	3,478
Total trade and other receivables	31,654	22,075

16 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	21,640	19,015
Cash and cash equivalents	21,640	19,015

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 2 June 2019 or 3 June 2018.

Games Workshop Limited

Notes to the financial statements (continued)

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 periods.

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.

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:

	2019 Income gain £'000	Restated 2018 Income gain £'000
15% appreciation of the US dollar (2018: 15%)	1,915	1,749
15% appreciation of the euro (2018: 15%)	776	276

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.

Games Workshop Limited

Notes to the financial statements (continued)

17 Financial risk factors (continued)

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 online 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.

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.

2019

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	9,583	-	-	-
Amounts due to related parties	3,722	-	3,900	-
Property provisions	207	32	41	-
	13,512	32	3,941	-

2018

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	13,368	-	-	-
Amounts due to related parties	4,418	-	3,900	-
Property provisions	283	25	14	-
	18,069	25	3,914	-

Games Workshop Limited

Notes to the financial statements (continued)

17 Financial risk factors (continued)

Financial instruments by category

	Loans and receivables	
	2019	Restated 2018
	£'000	£'000
Financial assets as per balance sheet		
Trade receivables	4,168	3,786
Accrued income	822	2,855
Other receivables	4,859	935
Receivables from related parties (note 27)	16,021	9,600
Cash and cash equivalents	21,640	19,015
	47,510	36,191

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

	Financial liabilities at amortised cost	
	2019	2018
	£'000	£'000
Financial liabilities as per balance sheet		
Trade payables	6,074	7,970
Payables due to related parties (note 27)	7,622	8,318
Other payables	1,303	3,162
Accruals	2,206	2,236
	17,205	21,686

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

	2019	Restated 2018
	£'000	£'000
Trade payables	6,074	7,970
Payables due to related parties (note 27)	3,722	4,418
Other taxes and social security	503	507
Other payables	3,880	3,162
Accruals	2,258	2,753
Deferred income	827	232
	17,264	19,042

Games Workshop Limited

Notes to the financial statements (continued)

19 Other non-current liabilities

	2019 £'000	2018 £'000
Accruals	276	212
Loans due to related parties (note 27)	3,900	3,900
	4,176	4,112

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

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

	2019 £'000	2018 £'000
Sterling	17,605	16,865
Euro	870	3,369
US dollar	1,615	2,246
Other currencies	1,350	674
Total trade and other payables and other non-current liabilities	21,440	23,154

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

	2019 £'000	2018 £'000
Current	620	437
Non-current	432	221
	1,052	658

	Employee benefits £'000	Property £'000	Total £'000
At 3 June 2018	280	378	658
Charged/(credited) to the income statement:			
- Additional provisions	788	232	1,020
- Unused amounts reversed	(231)	(92)	(323)
Utilised	(31)	(272)	(303)
At 2 June 2019	806	246	1,052

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, 20 and 30 years of employment (Veterans scheme). The cost of this benefit is accrued over the period of employment based on expected staff retention rates and the anticipated employment costs and are utilised once an employee reaches 10, 20 or 30 years of employment.

Property provisions

Property provisions relate to 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 2021. The estimated liability is discounted to its present value using a discount rate of 0.52% (2018: 0.72%).

21 Share capital

	2019 £'000	2018 £'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 28 May 2017 and 29 May 2017	344
Exchange differences on translation of foreign operations	12
At 3 June 2018 and 4 June 2018	356
Exchange differences on translation of foreign operations	31
At 2 June 2019	387

23 Retained earnings

	Restated £'000
At 28 May 2017 and 29 May 2017	39,744
Profit attributable to owners of the parent	60,235
Current tax on share options	667
Deferred tax on share options	994
Dividends approved and paid in the period	(35,000)
At 3 June 2018 and 4 June 2018	66,640
Profit attributable to owners of the parent	68,552
Current tax on share options	733
Deferred tax on share options	273
Dividends approved and paid in the period	(48,000)
At 2 June 2019	88,198

Games Workshop Limited

Notes to the financial statements (continued)

24 Reconciliation of profit to net cash from operating activities

	2019 £'000	2018 £'000
Operating profit	84,600	74,555
Depreciation of property, plant and equipment (note 12)	7,762	5,531
Charge/(reversal of charge) for impairment of property, plant and equipment (note 12)	2	(22)
Loss on disposal of property, plant and equipment (see below)	76	3
Loss on disposal of intangible assets (see below)	188	12
Amortisation of capitalised development costs (note 11)	5,341	4,131
Amortisation of computer software and other intangibles (note 11)	1,606	1,507
Changes in working capital:		
Increase in inventories	(2,120)	(5,889)
Increase in trade and other receivables	(9,276)	(7,171)
(Decrease)/increase in trade and other payables	(1,944)	3,385
Increase/(decrease) in provisions	393	(19)
Net cash from operating activities	86,628	76,023

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

	2019 £'000	2018 £'000
Net book amount (note 12)	76	3
Loss on sale of property, plant and equipment	(66)	(3)
Proceeds from sale of property, plant and equipment	10	-

The Company disposed of intangible assets with a net book amount of £188,000 during the period (2018: £12,000). There were no proceeds on disposal in either period and hence a loss on disposal equivalent to the net book amount was recorded.

Analysis of net funds:

	As at 3 June 2018 £'000	Cash flow £'000	Exchange movement £'000	As at 2 June 2019 £'000
Cash and cash equivalents	19,015	2,598	27	21,640
Net funds	19,015	2,598	27	21,640

Games Workshop Limited

Notes to the financial statements (continued)

25 Commitments

Capital commitments

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

	2019 £'000	2018 £'000
Property, plant and equipment	2,744	2,653
Other intangible assets	120	12
	2,864	2,665

Operating lease commitments

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

	2019		2018	
	Retail stores £'000	Other £'000	Retail stores £'000	Other £'000
Within 1 year	2,988	61	2,744	66
Between 1 and 5 years inclusive	7,529	24	4,259	35
In over 5 years	1,850	-	108	-
	12,367	85	7,111	101

Inventory purchase commitments

	2019 £'000	2018 £'000
Finished goods	2,317	2,587
Components	1,237	2,625
Raw materials	562	304

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

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

Games Workshop Limited

Notes to the financial statements (continued)

27 Related party transactions

Sales to related parties amounted to £74,425,000 (2018: £47,440,000).

In both periods 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	2019 £'000	2018 £'000
EURL Games Workshop	Commission	-	(255)
EURL Games Workshop	Marketing services fee	(352)	(383)
Games Workshop Italia SRL	Commission	-	(94)
Games Workshop Italia SRL	Marketing services fee	(104)	(101)
Games Workshop International Ltd	Interest payable	(31)	(146)
Games Workshop Group PLC	Recharges	(120)	(122)
Games Workshop Group PLC	Dividends payable	(48,000)	(35,000)
Games Workshop Group PLC	Interest payable	(23)	-
Games Workshop Deutschland GmbH	Marketing services fee	(530)	(531)
Games Workshop SL	Marketing services fee	(121)	(116)

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Games Workshop Group PLC	-	-	(2,548)	(1,498)
Games Workshop Retail Inc.	12,368	6,972	-	-
EURL Games Workshop	-	-	(57)	(185)
Games Workshop SL	160	-	-	(1,032)
Games Workshop Oz Pty Limited	-	-	(411)	(47)
Games Workshop Limited	-	-	(102)	-
Games Workshop Deutschland GmbH	292	-	-	(1,003)
Games Workshop Stockholm AB	-	-	(167)	(197)
Games Workshop International Limited	-	-	(236)	(210)
Games Workshop (Queen Street) Limited	835	120	-	-
Games Workshop Italia SRL	-	-	(201)	(246)
Games Workshop Hobby Pte. Limited	281	400	-	-
Games Workshop Hong Kong Limited	547	392	-	-
Games Workshop Malaysia Sdn. Bhd.	235	281	-	-
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	1,303	1,435	-	-
	16,021	9,600	(3,722)	(4,418)

Games Workshop Limited

Notes to the financial statements (continued)

27 Related party transactions (continued)

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Games Workshop Group PLC	-	-	(3,900)	(3,900)

28 Subsequent Events

A dividend of £11,000,000 and a dividend of £12,000,000 were declared after the balance sheet date and were paid before the signing of these financial statements.

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.