Games Workshop Limited

Annual report and financial statements

for the year ended 31 May 2020

Registered number: 1467092

Annual report and financial statements for the year ended 31 May 2020

Company information

Directors
K D Rountree
R F Tongue

Company secretary
R Matthews

Registered office
Willow Road
Lenton
Nottingham
NG7 2WS

Strategic report

Strategy and objectives
Games Workshop's ambitions remain clear: to make the best fantasy miniatures in the world, to engage and inspire our customers, and to sell our products globally at a profit. We intend to do this forever. Our decisions are focused on long-term success, not short-term gains.

We measure our long-term success by seeking a high return on investment. In the short term, we measure our success on our ability to grow sales whilst maintaining our core business operating profit margin at current levels. The way we go about implementing this strategy is to recruit the best staff we can by looking for the appropriate attitudes and behaviour each job we do requires and identifying the value that job brings. It is also important that everyone we employ has a real desire to learn the skills needed to do their job and has a great attitude to change.

Business model
We design, manufacture, distribute and sell our fantasy miniatures and related products. These are fantasy miniatures from our own Warhammer 40,000 and Warhammer: Age of Sigmar universes.

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

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

Review of the year ended 31 May 2020
COVID-19
As the pandemic developed we assessed the potential impact and closed the business globally on 24 March 2020. We only lost c. six weeks of sales and profit. Our retail channel was hardest hit and has taken longest to recover. We initially claimed furlough relief and other governmental support, which we are in the process of repaying in full, where possible. We strengthened our cash management procedures and asked our suppliers for their support. We put in place an overdraft facility, which we have not drawn on.

Sales
Reported sales decreased by £0.9m to £212.0 million for the year. The decrease in the Retail channel, which was negatively affected by the COVID-19 shutdown, was largely offset by improvements in the Trade and Online channels.

Retail contributed 11% of sales in the year. At the end of the year we had 140 of our own retail stores in the UK.
Trade sales to third party retailers accounted for 34% of current year sales and sales to related parties accounted for 29% of this year's sales.
Online contributed 26% of total sales in the year.

Operating profit
Core business operating profit (operating profit before royalty income) decreased by £8.5 million to £64.7 million (2019: £73.2 million). Gross profit margin declined in the year (59.4% versus 61.7% in 2019) as a result of the change in sales channel mix. Operating expenses increased by £3.2 million.

As a direct result of our performance we rewarded all our staff with a £1,000 profit share payment each (total cost £1.6 million; 2019: £3.9 million including discretionary payment). We also honoured our commitment to pay 20% of any sales increase to our retail store managers (total cost £0.2 million; 2019: £0.2 million) who achieved sales growth whilst maintaining costs broadly in line with last year.

Cash generation
During the year, core operating activities generated £80.0 million of cash after tax payments (2019: £67.2 million). This figure excludes lease payments of £3.1 million which replace rental payments, following transition to IFRS 16 (note 3). The Group also received cash of £12.5 million in respect of royalties in the year (2019: £9.1 million). After purchases of tangible and intangible assets and product development costs of £20.3 million (2019: £21.9 million), group profit share to employees of £1.6 million (2019: £3.9 million including discretionary payment), net interest and foreign exchange gains of £0.2 million (2019: £0.1m) and dividends paid of £48.5 million (2019: £48.0 million, there were net funds at the year end of £43.9 million (2019: £21.6 million).

Royalty income
Royalty income increased in the year by £5.4 million to £16.8 million.

Strategic report (continued)

Taxation
The effective tax rate for the year was 19.1% (2019: 19.0%).

Treasury
The objective of our treasury operation is the cost effective management of financial risk. It operates within a range of board approved policies. No transactions of a speculative nature are permitted. A six month overdraft facility of £25 million was agreed in May 2020 with Santander to cover cash flow during the COVID-19 pandemic. It has not been utilised.

Interest rate risk
Net interest payable for the year was £166,000 (2019 net interest receivable: £30,000).

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	
	2020	2019	**2020**	2019
Year end rate used for the balance sheet	**1.11**	1.13	**1.23**	1.26
Average rate used for earnings	**1.14**	1.14	**1.26**	1.30

Risks and uncertainties
The board of the group to which the Company belongs has overall responsibility for ensuring risk is appropriately managed across the Group and has carried out a robust assessment of the principal risks to the business. The top five strategic risks to the Company are regularly reviewed. The principal strategic 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 which we believe could cause business interruption in the year ahead.

- Online selling strategy – as revenue through our online sales channel continues to grow, it is now more important than ever that we have a robust plan in place which ensures we are making product available to our customers in a manner consistent with modern consumer expectations/behaviour. We are reviewing our online selling strategy and the people and technology required to deliver it.
- Management – as stated in prior years, it is imperative that we have the right people in the right jobs, both now and in the future. Our senior managers must anticipate needs, prepare solutions, respond to change and never get caught out by events. This year we focused more on a group wide people plan, to ensure that we have identified the jobs which are critical to the ongoing success of Games Workshop and to ensure that we are proactively planning for the future resource needs of the business. We continue to work on these plans.
- Manufacturing capacity and processes – it is essential that we are able to manufacture product in the right volumes which guarantees stock availability in the right places around the world, and that we continue to innovate in respect of our production methods and processes. We are currently conducting feasibility studies in respect of new production methods and processes for use within our manufacturing operations.
- IT strategy and delivery – with a number of significant business projects in play, each of which are dependent on IT support, there is a requirement for a robust IT strategy which enables us to deliver key strategic projects as well as supporting day to day activities. We are currently reviewing the structure of our global IT team to ensure the IT support needs of the business can be delivered. This review will be completed and implemented in 2020/21.
- Media – whilst this remains a major opportunity for future growth, it is imperative that exploitation of our IP through media channels does no harm to our core business. Our IP steering team meet every month to discuss ongoing and future exploitation, to ensure that all use of our IP, through all channels, is approved, correct and consistent.

We consider that COVID-19 is not a specific risk that we can mitigate against but we are managing our response to it alongside our operational risks.

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.

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 Company. 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.

Strategic report (continued)

Section 172 statement
This section describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

The likely consequences of any decision in the long term
To be around forever, it is essential that the board makes decisions which are the best for Games Workshop in the long term. These decisions are focused on long-term success, not short-term gains. The best example of this is the ongoing long-term capital investment being made by the business in new production facilities, warehousing space, and global IT infrastructure, all of which will stand us in good stead for the future.

The interests of the Company's employees
The board of the group to which the Company belongs actively engages with employees to ensure that the opinions and ideas of staff are always considered, and that staff are kept up to date and informed. This has been achieved in a number of different ways over the past 12 months:

- Our global communications forum continues to support clear and open communication between senior management and staff, with representatives from all departments, in all territories around the world. The matters discussed at the Games Workshop Global Communications Forum (GWGCF) are circulated to the board and discussed at board meetings to ensure that the board understands the views and concerns of employees. The chairman of the group attended his first GWGCF meeting in October 2019 to help increase board engagement with employees.

- Throughout the COVID-19 pandemic, staff have received regular communications and updates to ensure that they are kept up to date and informed in respect of action being taken by the business, and of the impact of the situation on business performance.

The need to foster the Company's business relationships with suppliers, customers and others

- Suppliers
  The directors are briefed on a regular basis regarding major investments and ongoing relationships with key suppliers as required, most notably in the past 12 months in respect of the ongoing ERP implementation project, investment in new production and warehousing facilities and during the COVID-19 situation where supply could have been restricted. The directors also have oversight of relationships with suppliers through regular updates and reports from the executive team.

- Customers
  The enjoyment of all things Warhammer by our customers is our priority. The directors assess and consider customer satisfaction and engagement on a regular basis. Sales and performance information provide the directors with good visibility of customer demand on a monthly basis. Key performance indicators in respect of engagement with customers through our Warhammer Community website, digital communications, and initiatives like Warhammer Schools Alliance are likewise reported in to, and assessed by, the directors regularly. Any other significant trends, issues or opinions of our customers are reported up to and discussed by the directors when appropriate.

The impact of the Company's operations on the community and the environment
The directors recognise the importance of managing the social impact of the business and minimising any adverse impact of our operations on the environment. Details of the progress made in respect of environmental sustainability and social impact can be found in the directors' report on pages 5 and 6. This is an important subject for the directors which will continue to be an area of focus in the next year.

The desirability of the Company maintaining a reputation for high standards of business conduct
The directors expect the highest standards of business conduct. Nothing else will do. The directors receive regular updates in respect of matters of regulatory compliance, and the business has policies, procedures and processes in place in respect of modern slavery, bribery and corruption, ethical sourcing and tax evasion.

R F Tongue
Director
24 November 2020

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 31 May 2020.

Dividends
Dividends of £48,500,000 (2019: £48,000,000) were declared during the year.

Further dividends of £46,500,000 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.

Conflict of interest
The Company's articles of association take account of certain provisions of the Companies Act 2006 relating to directors' conflicts of interests. These provisions permit the board to consider, and if thought fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The board has adopted procedures for the approval of such conflicts. The board's powers to authorise conflicts are operating effectively and the procedures are being followed.

Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its directors, as permitted by section 234 of the Companies Act 2006, which were in force during the year and to the date of approval of the financial statements.

Environment
We have detailed below our progress in relation to environmental sustainability.

Renewable energy
Our primary manufacturing, warehousing and head office sites in Nottingham continue to be powered using renewable energy and we are contracted to use renewable energy at these sites until October 2021. The solar panels installed in 2017 at our HQ site in Nottingham operated at 114% of expected renewable energy generation in the year, producing over 389 mWh, which equates to 5.9% of the annual electricity required to power that site. In addition to the renewable energy currently generated at our Nottingham site, we are conducting solar feasibility studies to assess the viability of increased solar power generation across our other sites in Nottingham.

Since 1 May 2020 our UK retail chain has been powered by renewable energy, and we are contracted to using renewable energy throughout our UK retail stores until May 2021.

Waste and recycling
We have invested in a dedicated recycling facility at our new warehouse near Nottingham. We have also committed to invest in recycling machinery for this facility which will allow for streamlined sorting and recycling of plastic and cardboard waste.

Employees
It is the Company's policy to consult on and discuss with employees, matters likely to affect employees' interests. Earlier this year we appointed an internal communications manager to support our ongoing commitment to information sharing and staff engagement. Our global communications forum continues to support clear and open communication between senior management and staff, with representatives from all departments, in all territories around the world. The forum has the aim of motivating employees to give their best for Games Workshop, whilst contributing towards their own sense of personal well-being and achievement. Throughout the COVID-19 pandemic we have increased the frequency of staff communications to keep employees informed and reassured, and provide support and guidance as appropriate.

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

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

The Company's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All reasonable adjustments will be made for disabled workers, and all necessary assistance with training is provided. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

DIRECTORS' REPORT (continued)

Transport and travel
Prior to the COVID-19 situation, we continued to promote the liftshare, tram2work and Robin Hood Network schemes in respect of staff travelling to, and from, our HQ site in Nottingham. We now have 337 employees signed up to the liftshare scheme, and 182 active users of Nottingham's tram2work and Robin Hood Network travel schemes.

Due to the COVID-19 situation, where staff are unable to work from home, staff have been advised to walk or cycle to work where this is practical, and to avoid lift sharing and public transport wherever possible.

We continue to have a high ratio of cyclists (over 10% of employees) at our HQ site, with 271 bikes being purchased through the cycle to work scheme since Games Workshop became a member of the scheme.

Health and safety
Protecting the health and safety of all our employees is a principle we hold dearly. Never before has this been more important than now with the COVID-19 pandemic threatening our workplaces, our colleagues, and the communities in which we live and work.

The importance of this principle was demonstrated with Games Workshop taking swift and decisive action in closing our global operations, allowing us the necessary time to implement the required control measures to keep our staff safe at work. Only when this work was complete and it was safe to return, did we restart our operations.

In last year's annual report we talked about the progress we had made in delivering our IOSH accredited safety training programme, the focus on reporting and investigating near misses, and the improvements to our H&S auditing. We are now seeing the results of these initiatives, with zero RIDDOR reportable incidents this year. Whilst we recognise that high severity/low frequency incidents aren't always the best indicators of overall performance, this is still undoubtedly a positive reflection of the hard work and focus that both the H&S team, and all operational teams across the business, have put into health and safety over the last few years.

Ensuring we embed these standards, whilst also maintaining a safe, COVID-Secure workplace will be the focus for the coming year.

Injury reporting
As discussed above, during the year there were no injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 in the UK (2018/19: 5).

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 8 to the financial statements.

Financial risks
The financial risks facing the Company are set out in note 18 to these financial statements.

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

Going concern
After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

On behalf of the board

R F Tongue
Director
24 November 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 May 2020 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 and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for financial statements and IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act.

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

On behalf of the board

R F Tongue
Director
24 November 2020

INCOME STATEMENT

	Notes	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Revenue		**212,030**	212,876
Cost of sales		**(86,032)**	(81,570)
Gross profit		**125,998**	131,306
Operating expenses	4	**(61,318)**	(58,071)
Other operating income – royalties receivable		**16,795**	11,365
Operating profit		**81,475**	84,600
Finance income	6	**147**	89
Finance costs	7	**(313)**	(59)
Profit before taxation	8	**81,309**	84,630
Income tax expense	9	**(15,512)**	(16,078)
Profit attributable to owners of the parent	25	**65,797**	68,552

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Profit attributable to owners of the parent	**65,797**	68,552
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**56**	31
Other comprehensive income for the year	**56**	31
Total comprehensive income attributable to owners of the parent	**65,853**	68,583

The notes on pages 12 to 32 are an integral part of these financial statements.

BALANCE SHEET

	Notes	31 May 2020 £'000	2 June 2019 £'000
Non-current assets			
Other intangible assets	11	**17,409**	15,954
Property, plant and equipment	12	**35,896**	31,495
Right-of-use assets	13	**13,451**	-
Deferred tax assets	14	**3,239**	2,616
Trade and other receivables	16	**6,659**	2,157
		76,654	52,222
Current assets			
Inventories	15	**14,468**	16,304
Trade and other receivables	16	**23,203**	29,497
Cash and cash equivalents	17	**43,941**	21,640
		81,612	67,441
Total assets		**158,266**	*119,663*
Current liabilities			
Lease liabilities	19	**(2,597)**	-
Trade and other payables	20	**(29,185)**	(17,264)
Current tax liabilities		**(1,959)**	(8,447)
Provisions for other liabilities and charges	22	**(1,158)**	(620)
		(34,899)	(26,331)
Net current assets		**46,713**	41,110
Non-current liabilities			
Lease liabilities	19	**(10,981)**	-
Other non-current liabilities	21	**(4,022)**	(4,176)
Provisions for other liabilities and charges	22	**(976)**	(432)
		(15,979)	(4,608)
Net assets		**107,388**	88,724
Capital and reserves			
Called up share capital	23	**139**	139
Translation reserve	24	**443**	387
Retained earnings	25	**106,806**	88,198
Total equity		**107,388**	88,724

The notes on pages 12 to 32 are an integral part of these financial statements.

For the year ended 31 May 2020 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 32 were approved by the board of directors on 24 November 2020 and were signed on its behalf by:

K. Rounh

K D Rountree, Director

R F Tongue, Director

Registered number 1467092

STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital (note 23) £'000	Translation reserve (note 24) £'000	Retained earnings (note 25) £'000	Total equity £'000
At 3 June 2018 and 4 June 2018	139	356	66,640	67,135
Profit for the year to 2 June 2019	-	-	68,552	68,552
Exchange differences on translation of foreign operations	-	31	-	31
Total comprehensive income for the year	-	31	68,552	68,583
Transactions with owners:				
Dividends declared 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 and 3 June 2019	139	387	88,198	88,724
Profit for the year to 31 May 2020	-	-	65,797	65,797
Exchange differences on translation of foreign operations	-	56	-	56
Total comprehensive income for the year	**-**	**56**	**65,797**	**65,853**
Transactions with owners:				
Dividends declared and paid to the parent company	-	-	(48,500)	(48,500)
Current tax credit relating to exercised share options	-	-	1,300	1,300
Deferred tax credit relating to share options	-	-	11	11
Total transactions with owners	**-**	**-**	**(47,189)**	**(47,189)**
At 31 May 2020	**139**	**443**	**106,806**	**107,388**

The notes on pages 12 to 32 are an integral part of these financial statements.

CASH FLOW STATEMENT

	Notes	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Cash flows from operating activities			
Cash generated from operations	26	**114,861**	86,628
Corporation tax paid		**(21,000)**	(14,217)
Net cash generated from operating activities		**93,861**	72,411
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,150)**	(13,060)
Proceeds on disposal of property, plant and equipment		**78**	10
Purchases of other intangible assets		**(2,153)**	(1,831)
Expenditure on product development		**(6,011)**	(6,962)
Interest received		**147**	89
Net cash used in investing activities		**(20,089)**	(21,754)
Cash flows from financing activities			
Repayment of principal under leases		**(3,065)**	-
Interest paid		**(49)**	(59)
Dividends paid to Company shareholders		**(48,500)**	(48,000)
Net cash used in financing activities		**(51,614)**	(48,059)
Net increase in cash and cash equivalents		**22,158**	2,598
Opening cash and cash equivalents		**21,640**	19,015
Effects of foreign exchange rates on cash and cash equivalents		**143**	27
Closing cash and cash equivalents	17	**43,941**	21,640

The notes on pages 12 to 32 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information
Games Workshop Limited (the 'Company') designs and manufactures miniature figures and games and distributes these through its own network of retail stores, independent retailers and online via the global web stores. The Company has manufacturing activities in the UK and sells mainly in the UK, Continental Europe, North America, Australia, New Zealand and Asia.

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

2. Summary of significant accounting policies
The principal accounting policies applied in these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation
These financial statements are prepared under the going concern basis and in accordance with 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 Company applied for the first time IFRIC 23 and IFRS 16 'Leases'. Details of the impact on transition to these standards can be found in note 3.

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 8.

Computer software
Acquired computer software licences and related development expenditure are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software licences are held at cost and amortised on a straight line basis over the expected useful lives of the assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when they meet the criteria of IAS 38 'Intangible Assets'.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The principal annual amortisation rates are:

	% of cost
Core business systems computer software	10-33
Web store computer software	20
Other computer software	33-50

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

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

Depreciation is calculated over the expected useful economic lives of the assets concerned to write down to the asset's residual value and commences from the date the asset is available for use. The principal annual depreciation rates are:

	Straight line % of cost	Reducing balance % of net book value
Freehold buildings	2-4	-
Plant and equipment and vehicles	15-33	-
Fixtures and fittings	20-25	-
Moulding tools – product specific	-	50
Moulding tools – non-product specific	25	-

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the period of the lease. These assets are included within fixtures and fittings. Freehold land is not depreciated.

Impairment of non-financial assets
Assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Trade receivables
Trade receivables are recognised initially at fair value, which is typically the original invoice amount, and carried at amortised cost using the effective interest method less loss allowance. The Company applies the IFRS 9 'Financial instruments' simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for trade receivables based on historical credit losses by the Company.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Leases
Prior to 3 June 2019, leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor were 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 were charged or credited to the income statement on a straight line basis over the period of the entire lease term.

On 3 June 2019, the Company changed its accounting policy for leases. The new policy is described below, and the impact of the change is discussed in note 3.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist under IAS 36 'Impairment of Assets'.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset on the balance sheet, or income statement if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The lease payments associated with these leases are recognised as expenses on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined using a standard costing method taking into account variances. In respect of finished goods, cost includes raw materials, direct labour, other direct costs and related production overheads based on a normal level of production. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provisions are made for obsolete, slow moving and defective inventories.

Foreign currency translation
The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency. Items included in the financial statements of each of each business unit are measured using the currency of the primary economic environment in which the unit operates (the functional currency). Monetary assets and liabilities expressed in currencies that are not the functional currency are translated into the functional currency at rates of exchange ruling at the balance sheet date. The financial statements of overseas branches prepared in functional currencies other than sterling are translated into sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at the average rate for the year;
- All resulting exchange differences are recognised as a separate component of equity.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of overdrafts where there is a legally enforceable right of offset.

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

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

Long service benefits
The Company participates in the Games Workshop Group PLC Group long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years' service. (Veterans scheme). The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated future employment costs discounted to present value.

Revenue
Revenue, which excludes value added tax and sales between group companies, represents the invoiced value of goods supplied (net of trade discounts for sales to independent retailers). Revenue is recognised on dispatch of goods to the customer for sales via the global web store and for sales to independent retailers. This represents fulfilment of the performance obligation of the contract with the customer. For revenue earned through the Company's retail stores and for digital products, revenue is recognised at the point of sale. Revenue for magazine subscriptions is recognised on a straight line basis over the subscription period.

Revenue on goods sold to customers on a sale or return basis (which includes book sales) is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly. Revenue on a sale or return basis represents no more than 3% of consolidated revenue (2019: no more than 3%).

Royalty income
Royalty income represents amounts invoiced to licensees for use of the Company's intellectual property. This includes both minimum royalty guarantees charged on granting use of the intellectual property to licensees, and additional royalty income earned as a share of the licensee's sales of games and products which include use of the Company's IP. Minimum royalty guarantee income is recognised in full at inception of the contract. This represents the point at which the performance obligation of the contract is met in granting use of the Company's intellectual property. Additional royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance as notified to the Company by the licensee and following validation of the amounts receivable by the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

2. Summary of significant accounting policies continued

Taxation
The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except where it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividends
Dividend distributions are recognised in the financial statements in the period in which they are paid.

Provision for liabilities and charges
Provisions are recognised in accordance with IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'.

Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made. The estimated employee benefit liability arising from the Veterans incentive scheme is classified within provisions. Amounts relating to employees who reach 10, 20 or 30 years' service in more than one year are classified as non-current. Provisions are made for redundancy costs once the employees affected have a valid expectation that their roles will become redundant.

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

Financial instruments
All financial assets are classified as 'financial assets at amortised cost' and financial liabilities as 'financial liabilities at amortised cost' in accordance with IFRS 9. Management determines the classification of its financial assets and liabilities at initial recognition.

Critical accounting estimates and judgements
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the balance sheet date. If in future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change.

Management do not consider there to be any critical accounting estimates 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. Judgement is required in determining which costs are directly linked with asset creation and should be capitalised.

3. Change in accounting policy

New accounting standards
The Company adopted IFRIC 23 on 3 June 2019. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over the tax position. The Company considered how to appropriately measure each uncertainty using judgements based upon up to date circumstances, the likely approach of tax authorities, and the probabilities of it occurring and how it might be resolved. The adoption of this interpretation did not have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Change in accounting policy continued
New accounting standards continued

IFRS 16 'Leases' supersedes IAS 17 'Leases' and related interpretations, and 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-of-use asset will be recognised separately in the income statement. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Where a lease includes the option for the Company to extend the lease term, the Company applies judgement as to whether it is reasonably certain that the opportunity to extend will be taken. Certain events will result in the lease liability being re-measured (e.g. a change in the lease term or 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.

The Company has applied the modified retrospective approach for its transition to this new standard from 3 June 2019, meaning that prior reporting periods have not been restated. In adopting this approach the Company uses 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;
- Reliance has been placed on the assessment made under IAS 37 to identify onerous leases, rather than performing an impairment test on right-of-use assets on transition; and
- No recognition of leases whose term ends within twelve months of the date of initial application.

The Company has elected 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 has elected 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 not separate lease components from non-lease components for any asset class other than buildings.

The Company has calculated and applied the incremental borrowing rate ('IBR') to its future cash flows to determine the lease liability. The incremental borrowing rate has been defined by the standard as 'the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar environment'. The Company has no external borrowing, therefore a credit risk spread approach has been used to calculate the IBR, which combines the risk-free security rate and a corporate security rate in each economic environment in which the Company has a lease, linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by the Company on transition was 2.07%. Once a right-of-use asset has been capitalised, it is subsequently depreciated over the length of the lease term, or, for the assets capitalised at transition, the remaining lease term from the date of transition. The provisions of IAS 36 concerning impairment testing also apply to capitalised right-of-use assets.

The impact of the transition to IFRS 16 on 3 June 2019 on the results on the consolidated balance sheet was as follows:

	2 June 2019 As reported £'000	Impact of change in accounting standard @'000	3 June 2019 Restated @'000
Non-current assets	**52,222**	**12,708**	**12,708**
- Right-of-use assets	-	12,708	12,708
Current assets	**67,441**	**(311)**	**67,130**
- Trade and other receivables	29,497	(311)	29,186
Current liabilities	**(26,331)**	**(2,547)**	**(28,878)**
- Lease liabilities	-	(2,579)	(2,579)
- Provisions for other liabilities and charges	(620)	32	(588)
Non-current liabilities	**(4,608)**	**(9850)**	**(14,458)**
- Lease liabilities	-	(9,922)	(9,922)
- Provisions for other liabilities and charges	(432)	72	(360)
Net assets	**88,724**	**0**	**88,724**

All leases held on the balance sheet have arisen as a result of the transition to the new standard. There were no assets held under finance leases under IAS 17 in either year.

3. Change in accounting policy continued
New accounting standards continued

The introduction of IFRS 16 has had the following effects on the consolidated financial statements following transition:

- An increase in the carrying value of fixed assets and an increase in financial liabilities on the balance sheet on recognition of the new right-of-use assets and their corresponding lease liabilities. Financial obligations from operating leases were previously reported off balance sheet. Rental prepayments classified as trade and other receivables at 2 June 2019 relating to assets now capitalised were removed as these have been built into the future cash flows used in the calculation of the asset value. Previously recognised property provisions, in respect of rent obligations on onerous leases, of £104,000 have been released as they are now included in the calculation of the lease liability under IFRS 16.
- Right-of-use assets have been depreciated since the date of transition, and these depreciation charges, along with the interest expense on the lease liability have been recognised in the income statement, in operating expenses and finance charges respectively. Rental charges, other than those related to short-term or low value leases, are no longer recognised in the income statement. In the financial year to 31 May 2020, this has led to an increase in interest expenses of £264,000, an increase in depreciation of £2,967,000 and a decrease in other operating expenses of £3,071,000. The net impact to profit before tax is a decrease of £160,000.
- Total cash flows are unaffected; however there has been an effect on the presentation of cash flows in the cash flow statement. Operating cash outflows have reduced, with a corresponding increase in financing cash outflows relating to the repayment of the principal on lease liabilities.

The lease liabilities recognised on the balance sheet at the date of transition can be reconciled to the total operating lease commitments disclosed under IAS 17 at 2 June 2019 as follows:

	£'000
Operating lease commitments disclosed as at 2 June 2019	12,452
Effect of discounting using the lessee's incremental borrowing rate	(694)
Adjustments as a result of a different treatment of extension and termination options	849
Leases with remaining lease term of less than 12 months not included in liability	(106)
Lease liability recognised as at 3 June 2019	**12,501**
Of which are:	
- Current lease liabilities	**2,579**
- Non-current lease liabilities	**9,922**
	12,501

4. Operating expenses

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Selling costs	**21,978**	23,086
Administrative expenses	**39,340**	34,985
	61,318	58,071

5. Directors and employees

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Total directors' and employees' costs:		
Wages and salaries	**46,282**	45,265
Social security	**4,156**	4,327
Other pension costs	**2,158**	1,895
Share-based payment	**454**	296
	53,050	51,783

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 8.

Total directors' and employees' costs above includes performance related elements of salary costs, payments under the Company's profit share scheme and the discretionary payment to employees of £2,731,000 (2019: £4,081,000).

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

	Year ended **31 May 2020 £'000**	*Year ended* 2 June 2019 £'000
Emoluments	**658**	1,067
Contributions to money purchase pension schemes	**9**	10
	667	1,077

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

5. Directors and employees continued

Key management compensation

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

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Short-term employee benefits	**1,030**	1,689
Post-employment benefits	**18**	20
Share based payments	**3**	3
	1,051	1,712

Of the above costs £nil (2019: £nil) was borne by the Company.

Employee numbers

Group	Year ended 31 May 2020 No.	Year ended 2 June 2019 No.
Monthly average number of employees (including directors) by activity:		
Design and development	**257**	252
Production and warehousing	**448**	397
Selling:		
- Full time	**369**	361
- Part time	**39**	52
Administration	**372**	375
	1,485	1,437

6. Finance income

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Interest income:		
- On cash and cash equivalents	**147**	89
	147	89

7. Finance costs

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Interest expense:		
- Interest payable on cash held on behalf of group undertakings	**41**	54
- Interest expense on lease liabilities	**264**	-
- Other interest payable	**8**	5
	313	59

NOTES TO THE FINANCIAL STATEMENTS continued

8. Profit before taxation

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Profit before taxation is stated after charging/(crediting):		
Depreciation:		
- Owned property, plant and equipment	**7,507**	7,762
- Right-of-use assets	**2,967**	-
Impairment of property, plant and equipment	**141**	2
Amortisation:		
- Owned computer software	**1,188**	1,547
- Development costs	**4,916**	5,341
- Other intangible assets	**59**	59
Impairment of computer software	**250**	-
Non-capitalised development costs	**8,673**	6,367
Staff costs (excluding capitalised salary costs and non-capitalised development staff costs)	**41,136**	39,855
Operating leases:		
- Retail stores	**-**	3,403
- Other property	**-**	-
- Plant and equipment	**-**	172
- Other	**-**	134
Cost of inventories included in cost of sales	**32,416**	31,730
Inventory provision creation (note 15)	**2,735**	4,002
Loss on disposal of property, plant and equipment	**46**	76
Loss on disposal of intangible assets	**296**	188
Redundancy costs and compensation for loss of office	**129**	867
Net (reversal of charge) /charge to property provisions (note 22)	**(187)**	140

NOTES TO THE FINANCIAL STATEMENTS continued

9. Income tax expense

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Current UK taxation:		
UK corporation tax on profits for the year	**15,342**	16,570
Amounts payable to related parties in respect of group relief surrendered	**467**	512
Under/(over) provision in respect of prior years	**315**	(171)
Total current taxation	**16,124**	16,911
Deferred taxation:		
Origination and reversal of timing differences	**(381)**	(983)
(Over)/under provision in respect of prior years	**(231)**	150
Total deferred taxation	**(612)**	(833)
Tax expense recognised in the income statement	**15,512**	16,078

The tax on the Group's profit before taxation differs in both years presented from the standard rate of corporation tax in the UK as follows:

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Profit before taxation	**81,309**	84,630
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**15,449**	16,080
Effects of:		
Items not assessable for tax purposes	**(21)**	(21)
Tax rate changes	**-**	39
Adjustments to tax charge in respect of prior years	**84**	(20)
Total tax charge for the year	**15,512**	16,078

The UK corporation tax rate is to remain at 19% under the Finance Act 2020, this Act having reversed the planned 1 April 2020 reduction in the UK corporation tax rate to 17%. 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 a credit to depreciation for tooling assets capitalised and the tax cost of imputed interest on the related party loan of £3,900,000.

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 and 2020. 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.

NOTES TO THE FINANCIAL STATEMENTS continued

10. Dividends per share

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

Dividends of £8,500,000 (£61.20 per share), £12,000,000 (£86.40 per share), £10,000,000 (£72.00 per share), £8,000,000 (£57.60 per share) and £9,500,000 (£68.40 per share) were declared and paid during the prior year.

11. Other intangible assets

Group	Computer software £'000	Development costs £'000	Other Intangibles £'000	Total £'000
Cost				
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 and 3 June 2019	15,777	40,804	1,182	57,763
Additions	2,153	6,011	-	8,164
Disposals	(110)	(1,747)	-	(1,857)
At 31 May 2020	**17,820**	**45,068**	**1,182**	**64,070**
Accumulated amortisation				
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 and 3 June 2019	(9,546)	(31,140)	(1,123)	(41,809)
Amortisation charge	(1,188)	(4,916)	(59)	(6,163)
Impairment	(250)	-	-	(250)
Disposals	110	1,451	-	1,561
At 31 May 2020	**(10,874)**	**(34,605)**	**(1,182)**	**(46,661)**
Net book amount				
2 June 2019	6,231	9,664	59	15,954
31 May 2020	**6,946**	**10,463**	**-**	**17,409**

Amortisation of £5,178,000 (2019: £5,598,000) has been charged in cost of sales and £985,000 (2019: £1,349,000) in operating expenses.

The net book amount of internally generated intangible assets is £15,964,000 (2019: £14,117,000) and acquired intangible assets is £1,445,000 (2019: £1,837,000). All development costs are internally generated and £7,910,000 (2019: £6,989,000) is capitalised salary costs.

Salary costs of £4,543,000 (2019: £5,161,000) were capitalised as part of development costs and £320,000 (2019: £400,000) were capitalised as part of computer software during the year.

Assets in the course of development, and not amortised, amount to £158,000 (2019: £311,000) with current and prior year amounts both being included within computer software.

An impairment loss of £250,000 (2019: £nil) has been recognised in relation to alterations required to previously capitalised elements of the ERP software. This has been charged to operating expenses.

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 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 and 3 June 2019	21,560	25,848	10,633	34,853	92,894
Additions	3,670	3,467	1,084	3,869	12,090
Exchange differences	-	3	10	-	13
Disposals	-	(1,398)	(483)	(1,336)	(3,217)
At 31 May 2020	**25,230**	**27,920**	**11,244**	**37,386**	**101,780**
Accumulated depreciation					
At 3 June 2018 and 4 June 2018	(6,174)	(13,461)	(8,155)	(26,597)	(54,387)
Charge for the year	(868)	(2,653)	(740)	(3,501)	(7,762)
Exchange differences	-	(3)	(16)	-	(19)
Impairment charge	-	(1)	(1)	-	(2)
Disposals	7	472	292	-	771
At 2 June 2019 and 3 June 2019	(7,035)	(15,646)	(8,620)	(30,098)	(61,399)
Charge for the year	(398)	(3,025)	(732)	(3,352)	(7,507)
Exchange differences	-	(2)	(6)	-	(8)
Impairment charge	(138)	(1)	(2)	-	(141)
Disposals	-	1,356	479	1,336	3,171
At 31 May 2020	**(7,571)**	**(17,318)**	**(8,881)**	**(32,114)**	**(65,884)**
Net book amount					
2 June 2019	14,525	10,202	2,013	4,755	31,495
31 May 2020	**17,659**	**10,602**	**2,363**	**5,272**	**35,896**

Depreciation expense of £6,152,000 (2019: £6,333,000) has been charged in cost of sales, £493,000 (2019: £395,000) in selling costs and £862,000 (2019: £1,034,000) in administrative expenses.

Freehold land amounting to £5,569,000 (2019: £5,569,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £7,092,000 (2019: £5,413,000). £1,329,000 (2019: £1,242,000) of these are included in moulding tools, £3,210,000 (2019: £1,450,000) is included in plant and equipment and vehicles, £2,321,000 (2019: £2,502,000) is included in freehold land and buildings, and £231,000 (2019: £219,000) is included in fixtures and fittings above.

13. Right-of-use assets

	2020 £'000	2019 £'000
Buildings	**13,315**	-
Plant and equipment and vehicles	**136**	-
	13,451	-

Additions to the right-of-use assets during the financial year were £16,384,000, including £12,708,000 of assets recognised on transition to IFRS 16 (note 3).

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

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000
Buildings	**2,907**	-
Plant and equipment and vehicles	**60**	-
	2,967	-

NOTES TO THE FINANCIAL STATEMENTS continued

14. Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts are as follows:

	2020	2019
	£'000	£'000
Deferred tax assets:		
- deferred tax asset to be recovered after more than 12 months	**1,779**	1,232
- deferred tax asset to be recovered within 12 months	**1,460**	1,384
	3,239	2,616

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

	2020	2019
	£'000	£'000
Beginning of year	**2,616**	1,510
Credited to the income statement	**612**	833
Credited directly to equity	**11**	273
End of year	**3,239**	2,616

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

	Accelerated depreciation	Other	Total
	£'000	£'000	£'000
At 3 June 2018 and 4 June 2018	843	667	1,510
(Charged)/credited to the income statement	(48)	881	833
Credited directly to equity	-	273	273
At 2 June 2019 and 3 June 2019	795	1,821	2,616
Credited to the income statement	371	241	612
Credited directly to equity	-	11	11
At 31 May 2020	**1,166**	**2,073**	**3,239**

Other deferred tax assets include deferred tax on adjustments for tax relief on exercise of share options of £1,707,000 (2019: £1,627,000).

Deferred tax assets are recognised in respect of tax losses and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. This is based on a review of the track record of profitability of the Company in the country concerned. There was no unrecognised deferred tax at 31 May 2020 or 2 June 2019.

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

15. Inventories

	2020	2019
	£'000	£'000
Raw materials	**556**	807
Work in progress	**1,196**	949
Finished goods and goods for resale	**12,716**	14,548
	14,468	16,304

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

During the year, the Company utilised an inventory provision of £2,850,000 (2019: £3,735,000) and £2,735,000 (2019: £4,002,000) has been charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS continued

16. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**5,839**	4,250
Less allowance for expected credit losses	**(385)**	(82)
Trade receivables – net	**5,454**	4,168
Prepayments and accrued income	**5,849**	6,606
Receivables from related parties (note 28)	**7,880**	16,021
Other receivables	**10,679**	4,859
Total trade and other receivables	**29,862**	31,654
Non-current receivables:		
Other receivables	**6,659**	2,157
Non-current portion	**6,659**	2,157
Current portion	**23,203**	29,497

Included within prepayments and accrued income are contract assets relating to uninvoiced royalty income amounting to £797,000 (2019: £822,000m).

Trade receivables are recorded at amortised cost, less allowance for expected credit losses. The fair value of trade and other receivables does not differ materially from the book value. There is no significant concentration of credit risk with respect to trade receivables as the Company has a large number of customers which are internationally dispersed. The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of asset above. The Company does not hold any collateral over these balances.

Included within other receivables is invoiced royalty income of £9,867,000 (2019: £4,321,000) of which £6,330,000 (2019: £1,855,000) is non-current, being in respect of guarantee instalments due in over one year. Royalties receivable have been assessed for impairment, and are recognised less allowance for expected credit losses.

Receivables due from related parties to the Company are interest free and immediately repayable on demand. These amounts pose no material liquidity or credit risk as they are owed by members of the group to which the Company belongs and are expected to be settled by group transactions.

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

	2020			2019		
	Gross value £'000	**Loss allowance £'000**	**Net £'000**	Gross value £'000	Loss allowance £'000	Net £'000
Up to 3 months past due	**109**	**(45)**	**64**	912	(3)	909
3 to 12 months past due	**302**	**(174)**	**128**	74	(74)	-
Over 12 months past due	**33**	**(17)**	**16**	5	(5)	-
	444	**(236)**	**208**	991	(82)	909

In addition to the above there is a loss allowance of £149,000 against current debt (2019: £nil).

Loss allowance against trade receivables

Movements on the loss allowance against trade receivables are as follows:

	£'000
At 3 June 2018 and 4 June 2018	54
Charge for the year	134
Receivables written off during the year as uncollectible	(106)
At 2 June 2019 and 3 June 2019	82
Charge for the year	346
Receivables written off during the year as uncollectible	(43)
At 31 May 2020	**385**

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

	2020 £'000	2019 £'000
Sterling	**8,639**	9,144
Euro	**3,205**	3,679
US dollar	**14,320**	14,539
Other currencies	**3,698**	4,292
Total trade and other receivables	**29,862**	31,654

17. **Cash and cash equivalents**

	2020 £'000	2019 £'000
Cash at bank and in hand	**43,941**	21,640
Cash and cash equivalents	**43,941**	21,640

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

18. **Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Company's financial risk management objective is to understand the nature and impact of the financial risks and exposures facing the business.

Foreign currency risk

The majority of the Company's business is transacted in sterling, euros and US dollars. The principal currency of the Company is sterling. The Company is exposed to foreign exchange risk principally via transactional exposure arising from the future sales and purchases that are denominated in a currency other than the functional currency of the Company.

The Group to which the Company belongs does not use foreign currency borrowings or forward foreign currency contracts to hedge foreign currency risk. The level of the Group's exposure to foreign currency risk is regularly reviewed by the Group's finance director and the Group's treasury policies, including hedging policies, are reviewed to ensure they remain appropriate.

Foreign exchange sensitivity

The impact on the Company's financial assets and liabilities from foreign currency volatility is shown in the sensitivity analysis below.

The sensitivity analysis has been prepared based on all material financial assets and liabilities held at the balance sheet date and does not reflect all the changes in revenue or expenses that may result from changing exchange rates. The analysis is prepared for the euro and US dollar given that these represent the major foreign currencies in which financial assets and liabilities are denominated. The sensitivities shown act as a reasonable benchmark considering the movements in currencies over the last two financial years.

The following assumptions were made in calculating the sensitivity analysis:
- financial assets and liabilities (including financial instruments) are only considered sensitive to movements in foreign currency exchange rates where they are not in the functional currency of the Company.
- translation of results of overseas branches is excluded.

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

	2020 Income gain/(loss) £'000	2019 Income gain £'000
15% appreciation of the US dollar (2019: 15%)	**2,203**	1,915
15% appreciation of the euro (2019: 15%)	**(1,216)**	776

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

There is no impact on equity gains or losses.

Interest rate risk

The Company has no significant exposure to interest rate risk and hence no interest rate sensitivity has been shown.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to independent retailers.

The Company controls credit risk from a treasury perspective by only entering into transactions involving financial instruments with authorised counter-parties with a credit rating of at least 'A', and by ensuring that such positions are monitored regularly. Credit risk on cash and short term deposits is limited because the counter-parties are banks with high credit ratings assigned by international credit rating agencies.

There is no significant concentration of credit risk with respect to trade receivables, as the Company has a large number of customers that are internationally dispersed. Policies are also in place to ensure the wholesale sales of products are made to customers with an appropriate credit history and credit limits are periodically reviewed. Amounts recoverable from customers are reviewed on an ongoing basis and appropriate loss allowances are provided for (note 16). Loss allowances are determined with reference to ageing of invoices, credit history and other available information. Trade receivables are written off when there is no reasonable expectation of recovery, such as when the customer has been declared insolvent.

Sales made through our own retail stores or our global web stores are made in cash or with major credit cards.

18. Financial risk factors continued

Capital risk
The capital structure of the Company consists of net funds (see note 27) and owners' equity (see notes 23 to 25). The Company manages its capital to safeguard the ability to operate as a going concern and to optimise returns to shareholders. The Company's objective is not to use long term debt to finance the business. Overdraft facilities will be used to finance the working capital cycle if required.

The Company manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives.

Liquidity risk
Liquidity is managed by maintaining sufficient cash balances to meet working capital needs. Cash flow requirements are monitored by short and long term rolling forecasts. In addition, the Company's liquidity management policy involves projecting cash flows in the major currencies and considers the level of liquid assets necessary to meet these, monitoring working capital levels and liquidity ratios.

The undiscounted contractual cash flows of the Company's financial liabilities, including interest charges where applicable, are shown below. All trade payables are contractually due within 12 months and therefore the fair values do not differ from their carrying values.

	2020				2019			
	Within 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**More than 5 years £'000**	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Trade and other payables	**11,874**	**-**	**-**	**-**	9,583	-	-	-
Amounts due to related parties	**6,933**	**-**	**3,900**	**-**	3,722	-	3,900	-
Provisions for property	**-**	**-**	**-**	**-**	207	32	41	-
Lease liabilities	**2,848**	**2,698**	**5,594**	**3,374**	-	-	-	-
	21,655	**2,698**	**9,494**	**3,374**	13,512	32	3,941	-

Financial instruments by category

	Financial assets at amortised cost	
	2020 £'000	2019 £'000
Financial assets as per balance sheet		
Trade receivables	**5,454**	4,168
Accrued income	**797**	822
Other receivables	**10,679**	4,859
Receivables from related parties	**7,880**	16,021
Cash and cash equivalents	**43,941**	21,640
Total	**68,751**	47,510

	Financial liabilities at amortised cost	
	2020 £'000	2019 £'000
Financial liabilities as per balance sheet		
Trade payables	**4,512**	6,074
Payables to related parties	**10,833**	7,622
Accruals	**2,810**	2,206
Other payables	**4,553**	1,303
Total	**22,708**	17,205

Prepayments, deferred income balances and other taxes and social security payables have been excluded from the above as they are not financial assets or liabilities.

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

18. Financial risk factors continued

Financing arrangements

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

	2020 £'000	2019 £'000
Floating rate		
- Expiring within one year (bank overdraft facility)	**25,000**	-

19. Lease liabilities

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

	2020 £'000	2019 £'000
Current	**2,597**	-
Non-current	**10,981**	-
	13,578	-

The Company's leasing activity consists of leases on property, production equipment, IT equipment and motor vehicles. The majority of these leases relate to retail stores. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments to be made under reasonably certain extension options.

Variable lease payments not dependent on an index or a rate (such as turnover rent) are excluded from the measurement of the lease liability and asset.

Leases of retail property generally have a lease term ranging from 1 year to 10 years with a break option after no more than 5 years. Leases of other property, which includes warehouses and offices, generally have a lease term ranging from 2 years to 10 years. Leases of production equipment generally have a lease term ranging from 1 year to 5 years. Leases of vehicles and IT equipment are generally limited to a lease term of 1 to 3 years.

Amounts recognised in the income statement relating to leases:	Year ended 31 May 2020 £'000	Year ended 2 June 2019 *£'000*
Interest on lease liabilities	**264**	-
Expenses relating to short-term leases and low-value assets	**143**	-

Amounts recognised in the statement of cash flows relating to leases:

	Year ended 31 May 2020 £'000	Year ended 2 June 2019 £'000m
Total cash outflow for leases	**3,064**	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at the balance sheet date were due as follows:

	2020				2019			
	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000
Lease payments	**2,848**	**2,698**	**5,594**	**3,374**	-	-	-	-
Finance charges	**(251)**	**(203)**	**(356)**	**(126)**	-	-	-	-
Net present value	**2,597**	**2,495**	**5,238**	**3,248**	-	-	-	-

20. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**4,512**	6,074
Payables due to related parties	**6,933**	3,722
Other taxes and social security	**2,226**	503
Other payables	**7,768**	3,880
Accruals	**4,344**	2,258
Deferred income	**3,402**	827
	29,185	17,264

The fair value of trade and other payables does not materially differ from the book value.
Payables due to related parties are interest free and immediately payable on demand.

NOTES TO THE FINANCIAL STATEMENTS continued

21. Other non-current liabilities

	2020 £'000	2019 £'000
Accruals	**122**	276
Loans due to related parties (note 30)	**3,900**	3,900
	4,022	4,176

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

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

	2020 £'000	2019 £'000
Sterling	**25,624**	17,605
Euro	**2,940**	870
US dollar	**1,964**	1,615
Other currencies	**2,679**	1,350
Total trade and other payables and other non-current liabilities	**33,207**	21,440

22. Provisions for liabilities and charges

Analysis of total provisions:

	2020 £'000	2019 £'000
Current	**1,158**	620
Non-current	**976**	432
	2,134	1,052

	Employee benefits £'000	Property £'000	Other £'000	Total £'000
At 3 June 2019	806	246	-	1,052
Effect of transition to IFRS 16 (note 3)	-	(105)	-	(105)
Charged/(credited) to the income statement:				
- Additional provisions	245	23	947	1,215
- Unused amounts reversed	(1)	(105)	-	(106)
Utilised	102	(24)	-	78
At 31 May 2020	**1,152**	**35**	**947**	**2,134**

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

Employee benefits
The Company participates in the Games Workshop Group PLC long service incentive scheme under which employees receive a one off additional holiday entitlement of two weeks when they reach 10, 20 and 30 years of employment (Veterans scheme). The cost of this benefit is accrued over the period of employment based on expected staff retention rates and the anticipated employment costs and are utilised once an employee reaches 10, 20 or 30 years of employment.

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

Other
There is an onerous contract provision in respect of inventory purchase commitments where the value of orders is in excess of the expected utilisation of those materials as a result of revised forecasts.

NOTES TO THE FINANCIAL STATEMENTS continued

23. Share capital

	2020 £'000	2019 £'000
Authorised		
1,000,000 ordinary share of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
138,889 ordinary share of £1 each	**139**	139

24. Translation reserve

	£'000
At 3 June 2018 and 4 June 2018	356
Exchange differences on translation of foreign operations	31
At 2 June 2019 and 3 June 2019	387
Exchange differences on translation of foreign operations	56
At 31 May 2020	**443**

25. Retained earnings

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

NOTES TO THE FINANCIAL STATEMENTS continued

26. Notes to the statement of cash flows

Reconciliation of profit to net cash from operating activities

	2020 £'000	2019 £'000
Operating profit	**81,475**	84,600
Depreciation of property, plant and equipment	**7,507**	7,762
Depreciation of right-of-use assets	**2,967**	-
Net impairment charge of property, plant and equipment	**141**	2
Net impairment charge of intangible assets	**250**	-
(Profit)/Loss on disposal of property, plant and equipment (see below)	**(32)**	76
Loss on disposal of intangible assets (see below)	**296**	188
Amortisation of capitalised development costs	**4,916**	5,341
Amortisation of computer software and other intangibles	**1,247**	1,606
Changes in working capital:		
- Decrease/(increase) in inventories	**2,169**	(2,120)
- Decrease/(increase) in trade and other receivables	**1,529**	(9,276)
- Increase/(decrease) in trade and other payables	**1,312**	(1,944)
- Increase in provisions	**1,084**	393
Net cash from operating activities	**114,861**	86,628

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

	2020 £'000	2019 £'000
Net book amount	**46**	76
Profit/(Loss) on sale of property, plant and equipment	**32**	(66)
Proceeds from sale of property, plant and equipment	**78**	10

The Company disposed of intangible assets with net book amount of £296,000 (2019: £188,000). There were no proceeds on disposal in either year and hence a loss on disposal equivalent to the net book value was recorded.

The Company sold no intangible assets during either year.

27. Analysis of net funds

	2020 £'000	2019 £'000
Cash at bank and in hand	**43,941**	21,640
Lease liabilities	**(13,578)**	-
Net funds	**30,363**	21,640

	Liabilities from financing activities £'000	Cash at bank £'000	Total £'000
Net funds as at 3 June 2018 and 4 June 2018	-	19,015	19,015
Cash flows	-	2,598	2,598
Foreign exchange movement	-	27	27
Net funds as at 2 June 2019 and 3 June 2019	-	21,640	21,640
Recognised on adoption of IFRS 16	(12,278)	-	(12,278)
Cash flows	3,065	22,158	25,223
Acquisition - leases	(4,133)	-	(4,133)
Disposals - leases	13	-	13
Interest expense	(265)	-	(265)
Remeasurement adjustments	20	-	20
Foreign exchange movement	-	143	143
At 31 May 2020	**(13,578)**	**43,941**	**30,363**

NOTES TO THE FINANCIAL STATEMENTS continued

28. Commitments

Capital commitments

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

	2020	2019
	£'000	£'000
Property, plant and equipment	**1,394**	2,744
Intangible assets	**378**	120

Leases

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

	2020	2019
	£m	£m
Within 1 year	**50**	-
Between 1 and 5 years inclusive	**4,800**	-
In over 5 years	**6,100**	-
	10,950	-

Prior to the transition to IFRS 16 on 3 June 2019 (note 3), the future aggregate minimum lease payments under non-cancellable operating leases were payable as follows:

	2020		2019	
	Retail stores	**Other**	Retail stores	Other
	£'000	**£'000**	£'000	£'000m
Within 1 year	-	-	2,988	61
Between 1 and 5 years inclusive	-	-	7,529	24
In over 5 years	-	-	1,850	-
	-	-	12,367	85

Inventory purchase commitments

	2020	2019
	£'000	£'000
Finished goods	**1,974**	2,317
Components	**1,229**	1,237
Raw materials	-	562

Pension arrangements

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

29. Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

30. Related party transactions

Sales to related parties amounted to £62,036,000 (2019: 74,425,000).
During both years the Company was provided with management and similar services by Games Workshop Group PLC.

Transactions between the Company and its related parties are shown below:

Related party	Nature of transaction	2020 £'000	2019 £'000
EURL Games Workshop	Marketing services fee	-	(352)
Games Workshop Italia SRL	Marketing services fee	-	(104)
Games Workshop Deutschland GmbH	Marketing services fee	**(288)**	(530)
Games Workshop SL	Marketing services fee	-	(121)
Games Workshop International Ltd	Interest payable	**(18)**	(31)
Games Workshop Group PLC	Dividends payable	**(48,500)**	(48,000)
Games Workshop Group PLC	Recharges	**(120)**	(120)
Games Workshop Group PLC	Interest payable	**(23)**	(23)

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

Related party	Amount owed by related parties 2020 £'000	Amount owed by related parties 2019 £'000	Amount owed to related parties 2020 £'000	Amount owed to related parties 2019 £'000
Games Workshop Group PLC	-	-	**(3,652)**	(2,548)
Games Workshop International Ltd	-	-	**(251)**	(236)
SARL Games Workshop	-	-	**(492)**	(57)
Games Workshop Italia SRL	-	-	**(279)**	(201)
Games Workshop Deutschland GmbH	-	292	**(809)**	-
Games Workshop SL	**280**	160	-	-
Games Workshop Stockholm AB	-	-	**(410)**	(167)
Games Workshop Retail Inc	**5,273**	12,368	-	-
Games Workshop (Queen Street) Limited	-	835	**(66)**	-
Games Workshop Oz Pty Limited	-	-	**(879)**	(411)
Games Workshop Limited	-	-	**(95)**	(102)
Games Workshop Good Hobby (Shanghai) Commercial Co. Ltd	**1,318**	1,303	-	-
Games Workshop Hobby Pte. Limited	**291**	281	-	-
Games Workshop Hong Kong Limited	**497**	547	-	-
Games Workshop Malaysia Sdn. Bhd.B	**221**	235	-	-
	7,880	16,021	**(6,933)**	(3,722)

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

Related party	Amount owed by related parties 2020 £'000	Amount owed by related parties 2019 £'000	Amount owed to related parties 2020 £'000	Amount owed to related parties 2019 £'000
Games Workshop Group PLC	-	-	**(3,900)**	(3,900)

31. Subsequent events
A dividend of £46,500,000 was declared after the balance sheet date and was paid before the signing of these financial statements.

32. 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.