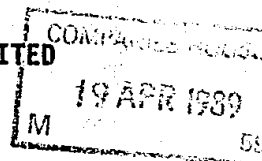


GAHES WORKSHOP LIMITED

ACCOUNTS

31st May, 1988

1467092.



PEAT MARWICK McLINTOCK,

St. Nicholas House,
31 Park Row,
Nottingham,
NG1 6GR.

GAMES WORKSHOP LIMITED

Directors' Report

The directors present their annual report and the audited accounts for the year ended 31st May, 1988.

PRINCIPAL ACTIVITIES

The company's principal activities during the year were the manufacture of miniature metal figures and games and the retail and wholesale distribution of these products together with other games.

BUSINESS REVIEW

During the period under review all areas of the company, both in terms of turnover and profitability, experienced expansion.

The company expanded its product range and, more importantly, increased its core of wholly owned quality products - products which will provide the springboard for diversification in future years.

Expansion in UK retail continued with the addition of four shops - one of which is located in the prestigious Plaza Centre on Oxford Street, London - and it is hoped that a further six shops will be added before the end of the calendar year to bring the total to twenty.

The rate of expansion in the USA exceeded all expectations to the extent that the supply of products from the UK barely satisfied demand. The company has now gone through the learning curve as regards the supply logistics and intends to ensure, as part of the plan to diversify its geographical markets, that the growth experienced in the current year will continue.

The directors recognise that, as well as diversifying its geographical markets, the company also needs to diversify its product base in order to maintain growth and to minimise the variability of returns and hence risk. The company over the last year has successfully experimented with plastics to augment products and has also released plastic models and kits as products in their own right. This success, coupled with other projects currently underway as part of their diversification strategy, makes the directors look forward to the future with optimism.

Unfortunately, optimism on its own is not enough for success; the rapid rate of expansion experienced in the current year has taken a toll of the financial resources of the company and it is vital that funding be obtained in the next twelve months for the current growth to be maintained.

The directors are confident that with its current product base, its plans for future products and diversification and a suitable financial package, the company will be a strong force in any of the markets in which it operates currently or will operate in, in the future.

MAY THE FORCE BE WITH US!

GAMES WORKSHOP LIMITED

Directors' Report (continued)

RESULTS

The results for the year are shown in the attached profit and loss account.

DIVIDENDS

The directors recommend that no dividend be paid.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:-

	<u>Ordinary shares of £1 each</u>			
	<u>10p partly paid</u>		<u>Fully paid</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
S. P. Jackson	-	-	62,500	62,500
I. Livingstone (Chairman)	-	-	62,500	62,500
B. Ansell	13,889	13,889	-	-
K. Pinfold	-	-	-	-

FIXED ASSETS

The movements in fixed assets are shown in the notes to the accounts.

DONATIONS

No political or charitable donations were made during the year.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution concerning the re-appointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board,

DIANE HANE

Secretary.

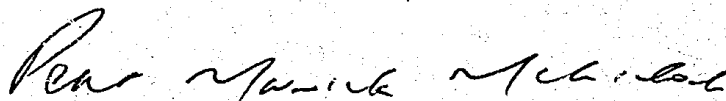
REPORT of the AUDITORS to the MEMBERS of

GAMES WORKSHOP LIMITED

We have audited the accounts on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st May, 1988 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham.



16th August, 1988

Chartered Accountants.

GAMES WORKSHOP LIMITED

Profit and Loss Account

for the year ended 31st May, 1988

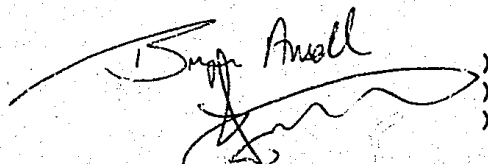
	Notes	1988		1987	
		£	£	£	£
TURNOVER	2		7,805,402		6,212,264
Cost of sales			<u>5,918,329</u>		<u>4,767,998</u>
GROSS PROFIT			1,887,073		1,444,266
Distribution costs		326,687		279,191	
Administrative expenses		<u>922,074</u>		<u>636,350</u>	
			<u>1,248,761</u>		<u>915,541</u>
OPERATING PROFIT			638,312		528,725
Interest receivable			4,741		307
Interest payable			(176,530)		(164,269)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3		<u>466,523</u>		<u>364,763</u>
Tax on profit on ordinary activities	5		(165,537)		(128,438)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			<u>300,986</u>		<u>236,325</u>
Retained profit brought forward			<u>256,548</u>		<u>20,223</u>
RETAINED PROFIT CARRIED FORWARD		£	<u><u>557,534</u></u>	£	<u><u>256,548</u></u>

The notes on pages 7 to 12 form part of these accounts.

GAMES WORKSHOP LIMITED

Balance Sheet at 31st May, 1988

	Notes	1988 £	1987 £
FIXED ASSETS			
Tangible assets	6	769,812	908,490
CURRENT ASSETS			
Stocks	7	1,462,452	1,003,172
Debtors	8	1,041,611	1,040,940
Cash at bank and in hand		<u>32,419</u>	<u>26,906</u>
		2,536,482	2,071,018
CREDITORS: Amounts falling due within one year	9	<u>2,257,299</u>	<u>2,001,958</u>
NET CURRENT ASSETS		279,183	69,060
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,048,995</u>	<u>977,550</u>
CREDITORS: Amounts falling due after more than one year	10	(<u>177,821</u>)	(<u>491,841</u>)
		871,174	485,709
PROVISIONS FOR LIABILITIES AND CHARGES	11	(<u>70,000</u>)	(<u>102,772</u>)
NET ASSETS		<u>£ 801,174</u>	<u>£382,937</u>
CAPITAL AND RESERVES			
Called up share capital	12	126,389	126,389
Revaluation reserve	13	117,251	-
Profit and loss account		<u>557,534</u>	<u>256,548</u>
		<u>£ 801,174</u>	<u>£382,937</u>



Directors

The accounts were approved by the directors
on 16th August 1988

The notes on pages 7 to 12 form part of these accounts.

GAMES WORKSHOP LIMITED

Statement of Source and Application of Funds
for the year ended 31st May, 1988

SOURCE OF FUNDS	1988		1987	
	£	£	£	£
Profit on ordinary activities before taxation		466,523		364,763
Adjustments for items not involving the movement of funds:				
Depreciation		173,551		127,673
Profit on sale of tangible fixed assets		(18,399)		(4,539)
TOTAL GENERATED FROM OPERATIONS		621,675		487,897
FUNDS FROM OTHER SOURCES				
Share issue		-		1,389
Proceeds of sale of tangible fixed assets	337,271		50,409	
Other loans	5,260		70,000	
		<u>342,531</u>		<u>121,798</u>
		964,206		609,695
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	236,494		270,187	
Tax paid	51,677		2,023	
Repayment of bank loans	17,927		11,046	
Repayment of term loans	187,127		1,173	
Repayment of other loans	50,280		7,882	
Repayment of directors loans	32,127		26,765	
Decrease in other creditors due after more than one year	58,686		26,339	
		<u>624,318</u>		<u>345,415</u>
INCREASE IN WORKING CAPITAL		£339,888		£264,280
COMPONENTS OF INCREASE IN WORKING CAPITAL				
Stocks		459,280		262,448
Debtors		10,188		434,090
Creditors		<u>365,288</u>		<u>(465,166)</u>
		834,756		231,372
Movement in net liquid funds:				
Cash at bank and in hand	5,513		13,572	
Bank overdraft	(500,381)		19,336	
		<u>(494,868)</u>		<u>32,908</u>
		£339,888		£264,280

GAMES WORKSHOP LIMITED

Notes to the Accounts

1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Basis of accounting:

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

(b) Depreciation:

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life. The following rates are used, calculated on the reducing balance method except where otherwise stated:-

Freehold buildings	2% on cost
Office equipment	20% - 50%
Fixtures and fittings	15%
Motor vehicles	25%

(c) Stocks and work in progress:

Stocks and work in progress are valued on a first in first out basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses. Product development and design costs are carried forward on games projects where the outcome of the game has been assessed with reasonable certainty as to its commercial viability and are recovered over the first product run of the product.

(d) Deferred taxation:

Deferred taxation is provided using the liability method. Provision is made for long term timing differences where it is considered that such liabilities will become payable within the foreseeable future.

(e) Foreign exchange:

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date.

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

2. TURNOVER

Turnover represents amounts invoiced in respect of goods sold during the year, excluding value added tax. The analysis of turnover by geographical area is as follows:-

	1988 £	1987 £
United Kingdom	5,471,892	4,810,199
United States of America	1,532,239	697,448
Rest of Europe	574,931	567,580
Other	226,340	137,037
	<u>£7,805,402</u>	<u>£6,212,264</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:-

	£	£
Directors' emoluments	119,634	106,373
Auditors' remuneration	15,700	10,000
Depreciation	173,551	127,673
Hire of equipment	51,922	21,237
	<u>£351,807</u>	<u>£265,283</u>

The remuneration of the chairman was £28,734 (1987 - £29,266) and the highest paid director £35,191 (1987 - £29,266).

The remuneration of the other directors in bands of £5,000 is as follows:-

	1988	1987
£20,001 - £25,000	-	1
£25,001 - £30,000	2	1

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was 252 (1987 - 216).

The costs of employment were:-

	1988 £	1987 £
Wages and salaries	1,982,411	1,360,864
Social security costs	181,204	104,414
Other pension costs	7,027	7,242
	<u>£2,170,642</u>	<u>£1,472,520</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:-

	£	£
UK corporation tax at 35%	211,970	63,878
Overseas taxation	-	48,000
Double taxation relief	-	(35,000)
		<u>13,000</u>
Overprovision in previous years	(13,661)	-
Deferred taxation @ 35%	(32,772)	51,560
	<u>£165,537</u>	<u>£128,438</u>

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

6. TANGIBLE FIXED ASSETS

	<u>Freehold premises</u> £	<u>Short leasehold premises</u> £	<u>Plant and machinery</u> £	<u>Fixtures and fittings</u> £	<u>Total</u> £
Cost or Valuation:					
At 1st June 1987	425,662	6,000	573,504	186,174	1,191,340
Revaluation	104,762	-	-	-	104,762
Additions	-	12,219	133,522	90,753	236,494
Disposals	(230,424)	-	(142,845)	(375)	(373,644)
At 31st May 1988	300,000	18,219	564,181	276,552	1,158,952
Depreciation:					
At 1st June 1987	15,949	400	187,157	79,344	282,850
Charge for year	6,642	2,450	124,096	40,363	173,551
On revaluation	(12,489)	-	-	-	(12,489)
Disposals	(10,102)	-	(44,343)	(327)	(54,772)
At 31st May 1988	-	2,850	266,910	119,380	389,140
Net book value:					
At 31st May 1988	£300,000	£15,369	£297,271	£157,172	£ 769,812
At 31st May 1987	£409,713	£ 5,600	£386,347	£106,830	£ 908,490

The company's freehold property at Eastwood was revalued at the year end by a firm of Chartered Valuation Surveyors, on a fair open market basis.

The amounts at which the property stated would be in accordance with the historical cost convention are as follows:-

	<u>1988</u> £	<u>1987</u> £
Cost	195,238	195,238
Accumulated depreciation	12,496	9,372
Net book value	£182,742	£185,866

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

7. STOCKS

	1988 £	1987 £
Raw materials	22,318	20,639
Work in progress	258,127	154,980
Finished goods	<u>1,182,007</u>	<u>827,553</u>
	<u>£1,462,452</u>	<u>£1,003,172</u>

8. DEBTORS

	£	£
Trade debtors	851,065	794,304
Other debtors	24,024	80,329
Prepayments and accrued income	166,522	156,790
Corporation tax repayment due	-	9,517
	<u>£1,041,611</u>	<u>£1,040,940</u>

9. CREDITORS: Amounts falling due within one year

	£	£
Bank loans and overdraft	806,019	305,638
Other loans	95,000	89,740
Directors' loan accounts	15,520	37,647
Trade creditors	413,933	859,021
Amounts owed to group companies	1,038	1,038
Other creditors	202,569	272,278
Corporation and overseas tax	211,970	74,855
Other taxes and social security	145,368	109,221
Accruals	<u>365,882</u>	<u>252,520</u>
	<u>£2,257,299</u>	<u>£2,001,958</u>

10. CREDITORS: Amounts falling due after more than one year

	£	£
Term loan	-	187,127
Bank loans	120,400	138,327
Other loans	-	50,280
Other creditors	<u>57,421</u>	<u>116,107</u>
	<u>£177,821</u>	<u>£491,841</u>

Notes to the Accounts (continued)

10. CREDITORS: Amounts falling due after more than one year (continued)

Details of loans not wholly repayable within five years are as follows:-	<u>1988</u> £	<u>1987</u> £
Term loan at 3% above base rate repayable 2009 and secured by a first legal charge over specific properties of the company	-	96,496
Term loan at 3% above base rate repayable 2010 and secured by a first legal charge over specific properties of the company	-	90,631
	<u>£ -</u>	<u>£187,127</u>

Bank loans and overdrafts are secured by charges over all the company's assets. Other loans are secured by a legal charge against specific properties.

11. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:	£
Balance at 1st June, 1987	102,772
Released during the year	(32,772)
Balance at 31st May, 1988	<u>£ 70,000</u>

The amounts provided for deferred taxation and the full potential liability, calculated using the liability method are as set out below:-

	<u>1988</u>		<u>1987</u>	
	Full potential £	Provided £	Full potential £	Provided £
Accelerated capital allowances	70,000	70,000	102,772	102,772
Revaluation of asset	41,038	-	-	-
	<u>£111,038</u>	<u>£70,000</u>	<u>£102,772</u>	<u>£102,772</u>

12. SHARE CAPITAL

	<u>1988</u>		<u>1987</u>	
Authorised:				
Ordinary shares of £1 each		£1,000,000		£1,000,000
		<u> </u>		<u> </u>
	Number	Value	Number	Value
Allotted, called up and fully paid:				
Ordinary shares of £1 each	125,000	£125,000	125,000	£125,000
Allotted and 10p partly paid:				
Ordinary shares of £1 each	13,889	1,389	13,889	1,389
	<u>138,889</u>	<u>£126,389</u>	<u>138,889</u>	<u>£126,389</u>

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

13. REVALUATION RESERVE

	£
Balance at 1st June 1987	-
Add: Surplus on revaluation	<u>117,251</u>
Balance at 31st May 1988	<u><u>£117,251</u></u>

14. CAPITAL COMMITMENTS

There were no capital commitments at 31st May, 1988 (1987 - fnil).

15. SUBSIDIARY

The company has the following wholly owned subsidiary which does not trade. It is incorporated in the United Kingdom and has a share capital consisting solely of ordinary shares:-

Citadel Miniatures Limited

Group accounts have not been prepared as the net assets of Citadel Miniatures Limited are not material within the context of the group.

16. TRANSACTIONS WITH DIRECTORS

B. Ansell was paid a fee of £32,235 (1987 - £26,100) in respect of rights on games.