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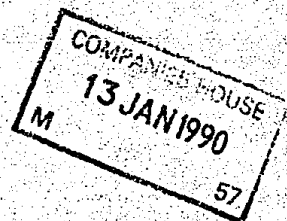
GAMES WORKSHOP LIMITED

GROUP ACCOUNTS

31st May, 1989

PEAT MARWICK McLINTOCK,

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



GAMES WORKSHOP LIMITED

GROUP ACCOUNTS

for the year ended 31st May, 1989

DIRECTORS

**B. C. Ansell
K. Pinfold**

SECRETARY

D. Lane

REGISTERED OFFICE

**Chewton Street
Hilltop
Eastwood
Nottinghamshire
NG16 3HY**

AUDITORS

**Peat Marwick McLintock
Nottingham**

GAMES WORKSHOP LIMITED

Directors' Report

The directors present their annual report and the audited accounts for the year ended 31st May, 1989.

PRINCIPAL ACTIVITIES

The group'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

The directors, who were almost totally immersed in the negotiation and completion of a management buyout during the latter half of the period under review, recognise and acknowledge the efforts of the senior and middle management of the group in making this a further successful year.

During the year under review, the group successfully expanded its U.K. retail chain and significantly increased its trade distribution turnover both in the U.S.A. and Europe. The directors expect this expansion to continue in the forthcoming year.

In the year ahead some of the plans for product diversification will reach fruition. Four games intended for a younger market were released in the Summer and four novels with a fantasy theme will be released shortly.

Also, the forthcoming year should see the release of the game Heroquest, which has been developed by MB Games in collaboration with the unique talents of the Games Workshop games designers, artists and miniature designers. Heroquest will be manufactured and distributed by MB Games in the U.K. and Germany and will be promoted with television advertising. The directors are pleased that the unique creative talents that the group has at its disposal are now being recognised and utilised by the larger toy and games companies and it is hoped that this will continue to be the case in future years.

Overall, the group continues to improve; it gets better in the way it designs and manufactures products, better in the way that these products are marketed, better in the utilisation of the creative and managerial skills that it employs and therefore better both in terms of growth and profitability.

IT IS A FAR FAR BETTER THING THAT WE DO NOW
THAN WE HAVE EVER DONE BEFORE

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:-

	Ordinary shares of £1 each			
	10p partly paid		Fully paid	
	1989	1988	1989	1988
B. C. Ansell (Chairman)	-	-	-	-
K. Pinfold	-	-	-	-
S. P. Jackson resigned 20th April 1989	-	-	-	62,500
I. Livingstone resigned 20th April 1989	-	-	-	62,500

During the year a further 97,222 shares (representing 70% of the total share capital) of the company were acquired by Hurnwell Limited. The interests of the directors in Hurnwell Limited at 31st May 1989 were as follows:-

	Ordinary shares of £1 each
B. C. Ansell	100
K. Pinfold	66

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,

D. LANE

Secretary.

Diane Lane

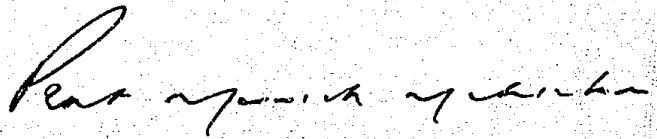
REPORT of the AUDITORS to the MEMBERS of

GAMES WORKSHOP LIMITED

We have audited the accounts on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st May, 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham.



4th September 1989

Chartered Accountants.

GAMES WORKSHOP LIMITED

Consolidated Profit and Loss Account

for the year ended 31st May, 1989

	Notes	1989		Company only 1988	
		£	£	£	£
TURNOVER	2		9,016,325		7,868,501
Cost of sales			(6,285,144)		(5,643,292)
GROSS PROFIT			2,731,181		2,225,209
Distribution costs		551,985		514,837	
Administrative expenses		1,529,653		1,136,547	
			(2,081,638)		(1,651,384)
			649,543		573,825
Other operating income	3		58,780		54,436
OPERATING PROFIT			708,323		628,261
Interest receivable			-		4,741
Interest payable	4		(151,421)		(166,479)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5		556,902		466,523
Tax on profit on ordinary activities	7		(287,673)		(165,537)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	17		£ 269,229		£ 300,986

The notes on pages 8 to 15 form part of these accounts.

GAMES WORKSHOP LIMITED

Consolidated Balance Sheet at 31st May, 1989

	Notes	1989	Company only 1988
		£	£
FIXED ASSETS			
Tangible assets	8	789,060	769,812
CURRENT ASSETS			
Stocks	10	1,937,611	1,462,452
Debtors	11	1,149,922	1,041,611
Cash at bank and in hand		49,911	32,419
		<u>3,137,444</u>	<u>2,536,482</u>
CREDITORS: Amounts falling due within one year	12	<u>(2,733,587)</u>	<u>(2,257,299)</u>
NET CURRENT ASSETS		<u>403,857</u>	<u>279,183</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,192,917</u>	<u>1,048,995</u>
CREDITORS: Amounts falling due after more than one year	13	<u>(167,790)</u>	<u>(177,821)</u>
		<u>1,025,127</u>	<u>871,174</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(2,298)</u>	<u>(70,000)</u>
NET ASSETS		<u>£1,022,829</u>	<u>£ 801,174</u>
CAPITAL AND RESERVES			
Called up share capital	15	138,889	126,389
Revaluation reserve	16	117,251	117,251
Profit and loss account	17	766,689	557,534
		<u>£1,022,829</u>	<u>£ 801,174</u>

B. C. ANSELL

K. PINFOLD

Directors

The accounts were approved by the directors
on 4th September 1989

The notes on pages 8 to 15 form part of these accounts.

GAMES WORKSHOP LIMITED

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Balance Sheet at 31st May, 1989

	Notes	1989		1988	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		733,493		769,812
Investments	9		268,819		-
			<u>1,002,312</u>		<u>769,812</u>
CURRENT ASSETS					
Stocks	10	1,309,909		1,462,452	
Debtors	11	1,738,024		1,041,611	
Cash at bank and in hand		4,700		32,419	
			<u>3,052,633</u>		<u>2,536,482</u>
CREDITORS: Amounts falling due within one year	12	(2,629,573)		(2,257,299)	
NET CURRENT ASSETS			<u>423,060</u>		<u>279,183</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,425,372</u>		<u>1,048,995</u>
CREDITORS: Amounts falling due after more than one year	13	(161,472)		(177,821)	
			<u>1,263,900</u>		<u>871,174</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	(58,298)		(70,000)	
NET ASSETS			<u>£1,205,602</u>		<u>£ 801,174</u>
CAPITAL AND RESERVES					
Called up share capital	15		138,889		126,389
Revaluation reserve	16		117,251		117,251
Profit and loss account	17		949,462		557,534
			<u>£1,205,602</u>		<u>£ 801,174</u>

B. C. ANSELL

K. PINFOLD

Directors

The accounts were approved by the directors
on 4th September 1989

The notes on pages 8 to 15 form part of these accounts.

GAMES WORKSHOP LIMITED

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Consolidated Statement of Source and Application of Funds
for the year ended 31st May, 1989

SOURCE OF FUNDS	1989		Company only 1988	
	£	£	£	£
Profit on ordinary activities before taxation		556,902		466,523
Adjustments for items not involving the movement of funds:				
Depreciation		192,275		173,551
Loss/(profit) on sale of tangible fixed assets		4,892		(18,399)
Exchange movements		(64,577)		-
TOTAL GENERATED FROM OPERATIONS		689,492		621,675
FUNDS FROM OTHER SOURCES				
Share issue	12,500		-	
Proceeds of sale of tangible fixed assets	54,673		337,271	
Other loans	-		5,260	
		67,173		342,531
		756,665		964,206
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	266,585		236,494	
Tax paid	122,500		51,677	
Repayment of term loans	-		187,127	
Repayment of other loans	25,000		50,280	
Repayment of directors loans	15,520		22,127	
Change in other creditors due after more than one year	10,031		76,613	
		439,636		624,318
INCREASE IN WORKING CAPITAL		£317,029		£339,888
COMPONENTS OF INCREASE IN WORKING CAPITAL				
Stocks	475,159		459,280	
Debtors	108,311		10,188	
Creditors	(532,128)		365,288	
		51,342		834,756
Movement in net liquid funds:				
Cash at bank and in hand	17,492		5,513	
Bank overdraft	248,195		(500,381)	
		265,687		(494,868)
		£317,029		£339,888

Notes to the Accounts

for the year ended 31st May, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group'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) Basis of consolidation:

The accounts consist of the holding company and its subsidiaries for the year ended 31st May, 1989. The company has not published its profit and loss account as allowed by S228 of the Companies Act 1985.

(c) Depreciation:

The depreciation policy was changed during the year to a straight line calculation to reflect more accurately the useful economic lives of the assets. It is the directors' opinion that the change in policy will have a negligible effect on the charge for the year.

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 straight line basis:-

Freehold buildings	2%
Office equipment	20% - 50%
Fixtures and fittings	15%
Motor vehicles	25%
Short leasehold premises	over the period of the lease

(d) 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 production run of the product.

(e) 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.

(f) Foreign exchange:

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

GAMES WORKSHOP LIMITED

Page 9

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:-

	1989 £	Company only 1988 £
United Kingdom	5,097,261	5,534,991
United States of America	2,847,106	1,532,239
Rest of Europe	852,157	574,931
Other	219,801	226,340
	<u>£9,016,325</u>	<u>£7,868,501</u>

3. OTHER OPERATING INCOME

Royalties	£ 58,780	£ 54,436
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4. INTEREST PAYABLE

On bank overdraft and loans repayable within five years	£ 98,806	£ 100,250
On other loans	27,683	23,811
On hire purchase agreements	24,932	42,418
	<u>£151,421</u>	<u>£166,479</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):-

Directors' emoluments	£ 311,390	£ 119,634
Auditors' remuneration	21,250	15,700
Depreciation	192,275	173,551
Hire of equipment	3,075	51,922
Other operating leases	8,245	-
Exchange (gain)/loss	<u>(136,529)</u>	<u>28,518</u>

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

The remuneration of the chairman and highest paid director was £121,858 (1988, chairman only - £28,734). In 1988 the remuneration of the highest paid director was £35,191.

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

	1989	1988
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the group (including directors) during the year was 246 (1988 - 252).

	1989	Company only 1988
	£	£
The costs of employment were:-		
Wages and salaries	2,398,537	1,982,411
Social security costs	208,757	181,204
Other pension costs	12,857	7,027
	<u>£2,620,151</u>	<u>£2,170,642</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:-

	£	£
UK corporation tax at 35%	337,828	211,970
Under/(over)provision in previous years	17,547	(13,661)
Deferred taxation at 35%	(67,702)	(32,772)
	<u>£287,673</u>	<u>£165,537</u>

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

8. TANGIBLE FIXED ASSETS

GROUP	Freehold premises £	Short leasehold premises £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or Valuation:					
At 1st June 1988	300,000	18,219	564,181	276,552	1,158,952
Exchange difference	-	-	5,111	2,288	7,399
Additions	-	2,500	219,088	44,997	266,585
Disposals	-	-	(85,436)	-	(85,436)
At 31st May 1989	300,000	20,719	702,944	323,837	1,347,500
Depreciation:					
At 1st June 1988	-	2,850	266,910	119,380	389,140
Exchange difference	-	-	2,291	605	2,896
Charge for year	4,800	3,936	122,892	60,647	192,275
Disposals	-	-	(25,871)	-	(25,871)
At 31st May 1989	4,800	6,786	366,222	180,632	558,440
Net book value:					
At 31st May 1989	£295,200	£ 13,933	£336,722	£143,205	£ 789,060
At 31st May 1988	£300,000	£ 15,369	£297,271	£157,172	£ 769,812
COMPANY					
Cost or Valuation:	£	£	£	£	£
At 1st June 1988	300,000	18,219	564,181	276,552	1,158,952
Additions	-	2,500	173,656	44,997	221,153
Disposals	-	-	(75,699)	-	(75,699)
Intergroup transfers	-	-	(13,274)	(28,511)	(41,785)
At 31st May 1989	300,000	20,719	648,864	293,038	1,262,621
Depreciation:					
At 1st June 1988	-	2,850	266,910	119,380	389,140
Charge for year	4,800	3,936	104,559	58,256	171,551
Disposals	-	-	(25,871)	-	(25,871)
Intergroup transfers	-	-	(1,145)	(4,547)	(5,692)
At 31st May 1989	4,800	6,786	344,453	173,089	529,128
Net book value:					
At 31st May 1989	£295,200	£13,933	£304,411	£119,949	£ 733,493
At 31st May 1988	£300,000	£15,369	£297,271	£157,172	£ 769,812

Notes to the Accounts (continued)

8. TANGIBLE FIXED ASSETS (continued)

Freehold premises includes land valued at £60,000 (1988 - £60,000) which is not depreciated.

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

	1989 £	1988 £
Cost	195,238	195,238
Accumulated depreciation	(16,401)	(12,496)
Net book value	£178,837	£182,742

Included in the above for the group and the company, are assets acquired under hire purchase agreements with a net book value of £195,734 (1988 : £134,601). The depreciation charged on these assets was £71,489 (1988 : £84,698).

9. INVESTMENTS

COMPANY	£
At 1st June 1988	-
Shares in group companies acquired during the year at cost	268,819
At 31st May 1989	£268,819

10. STOCKS

	1989 Group £	Company £	1988 Group & Company £
Raw materials	316,393	316,393	254,955
Work in progress	340,031	340,031	258,127
Finished goods	1,281,187	653,485	949,370
	£1,937,611	£1,309,909	£1,462,452

11. DEBTORS

	£	£	£
Trade debtors	874,493	542,797	851,065
Amounts owed by group companies	-	933,698	-
Other debtors	38,957	38,957	24,024
Prepayments and accrued income	236,472	222,572	166,522
	£1,149,922	£1,738,024	£1,041,611

GAMES WORKSHOP LIMITED

Notes to the Accounts (continued)

12. CREDITORS: Amounts falling due within one year

	1989		1988
	Group	Company	Group & Company
	£	£	£
Bank loans and overdraft	557,824	557,824	806,019
Other loans	70,000	70,000	95,000
Directors' loan accounts	-	-	15,520
Trade creditors	981,088	944,921	413,933
Amounts owed to group companies	-	1,038	1,038
Other creditors	149,690	137,167	202,569
Corporation and overseas tax	444,845	393,805	211,970
Other taxes and social security	102,440	103,450	145,368
Accruals	427,700	421,368	365,882
	<u>£2,733,587</u>	<u>£2,629,573</u>	<u>£2,257,299</u>

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

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

	1989		1988
	Group	Company	Group & Company
	£	£	£
Bank loans	97,870	97,870	120,400
Other creditors	69,920	63,602	57,421
	<u>£167,790</u>	<u>£161,472</u>	<u>£177,821</u>

The amount shown under bank loans is not wholly repayable within five years. Interest is charged at 3% above base rate with a minimum rate of 10%. The loan is secured by a legal mortgage on the freehold property of the group.

14. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:	Group	Company
	£	£
Balance at 1st June, 1988	70,000	70,000
Movement during the year	(67,702)	(11,702)
Balance at 31st May, 1989	<u>£ 2,298</u>	<u>£ 58,298</u>

Notes to the Accounts (continued)

14. PROVISION FOR LIABILITIES AND CHARGES (continued)

The amounts provided and not provided for deferred taxation using the liability method are as set out below:-

GROUP	1989		1988	
	Not provided £	Provided £	Not provided £	Provided £
Accelerated capital allowances	-	58,298	-	70,000
Other timing differences	(22,352)	(56,000)	-	-
Revaluation of asset	41,038	-	41,038	-
	<u>£ 18,686</u>	<u>£ 2,298</u>	<u>£ 41,038</u>	<u>£70,000</u>
COMPANY	£	£	£	£
Accelerated capital allowances	-	58,298	-	70,000
Revaluation of asset	41,038	-	41,038	-
	<u>£ 41,038</u>	<u>£58,298</u>	<u>£ 41,038</u>	<u>£70,000</u>

15. SHARE CAPITAL

	1989		1988	
	Number	Value	Number	Value
Authorised:				
Ordinary shares of £1 each		£1,000,000		£1,000,000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	138,889	£138,889	125,000	£125,000
Allotted and 10p partly paid:				
Ordinary shares of £1 each	-	-	13,889	1,389
	<u>138,889</u>	<u>£138,889</u>	<u>138,889</u>	<u>£126,389</u>

During the year the remaining 90p was paid up on each 10p partly paid share.

16. REVALUATION RESERVE

GROUP AND COMPANY

Balance at 1st June 1988
and 31st May 1989

£117,251

Notes to the Accounts (continued)

17. MOVEMENT ON RESERVES

	1989		1988
	<u>Group</u>	<u>Company</u>	<u>Group & Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Profit brought forward	557,534	557,534	256,548
Profit in the year	269,229	391,928	300,986
Exchange movement	(60,074)	-	-
Balance at 31st May 1989	£766,689	£949,462	£557,534

18. FINANCIAL COMMITMENTS

Capital

There were no capital commitments at 31st May, 1989 (1988 - fnil).

Operating leases

The company has the following annual commitments under non-cancellable operating leases:-

	£
Expiring with one year	23,850
Within two to five years	58,110
Within more than five years	240,800
	£322,760

19. SUBSIDIARIES

<u>Name</u>	<u>Country of Incorporation</u>	<u>Proportion of shares held</u>	<u>Nature of Business</u>
Games Workshop Inc.	United States of America	100%	Retailer and wholesale distributor of games and miniatures
Citadel Miniatures Limited	Great Britain	100%	Dormant

20. TRANSACTIONS WITH DIRECTORS

B. C. Ansell was paid a fee of £6,439 (1988 - £32,235) in respect of rights on games.

21. ULTIMATE HOLDING COMPANY

The ultimate holding company is Hurnwell Limited, a company incorporated in England.