

COMPANY REGISTRATION NUMBER: 04201151

# **GRAINGER GAMES LIMITED**

## **Financial Statements**

**25th March 2017**

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# **GRAINGER GAMES LIMITED**

## **Financial Statements**

**Year ended 25th March 2017**

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<b>Contents</b>	<b>Pages</b>
Officers and professional advisers	<b>1</b>
Strategic report	<b>2 to 5</b>
Directors' report	<b>6 to 7</b>
Independent auditor's report to the members	<b>8 to 9</b>
Income statement	<b>10</b>
Statement of financial position	<b>11</b>
Statement of changes in equity	<b>12</b>
Notes to the financial statements	<b>13 to 24</b>

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# **GRAINGER GAMES LIMITED**

## **Officers and Professional Advisers**

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**The board of directors**

S. Bowyer  
P.H. Moore  
J. Fellows

**Company secretary**

S. Bowyer

**Registered office**

Unit 4  
North Tyne Industrial Estate  
Whitley Road  
Benton  
Newcastle upon Tyne  
NE12 9SZ

**Auditor**

Tait Walker LLP  
Chartered accountant & statutory auditor  
Bulman House  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3LS

**Bankers**

Lloyds Bank plc  
102 Grey Street  
Newcastle upon Tyne  
NE99 1SL

**Solicitors**

DWF LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DY

# **GRAINGER GAMES (HOLDINGS) LIMITED**

## **Strategic Report**

**Year ended 25th March 2017**

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Grainger Games is the UK's leading independent specialist retailer of video game consoles, software, accessories and related merchandise. It also trades in, sells and repairs a range of complementary products, including smartphones, tablet computers and digital cameras.

The company's headquarters are located in Newcastle upon Tyne and the company currently operates from 68 stores ranging between Berwick on Tweed and Derby, operating under the Grainger Games and Trade Nation brands. The company also sells products via its website, [www.graingergames.co.uk](http://www.graingergames.co.uk) and through Amazon and eBay marketplaces.

The year ended March 2017 was a challenging year for Grainger Games and the wider UK games retail market. The crucial trading period in the lead up to Christmas saw key software franchises underperform expectations which led to discounting across the market and pressure on margins.

The business' pre-owned model of customer's trading in old product for new suffered during the year as a direct result of the poor performance of mint software sales. Heavy discounting of some new software titles in the market further damaged the pre-owned market for those titles.

Overall, the UK video games market fell by 11.7% in the year to March 2017, while Grainger Games saw a 10.4% decline in gaming sales. Total turnover decreased by 4.9%, assisted by non-gaming revenues which continue to grow.

The business saw growth in digital sales and strong performance on console and virtual reality hardware during the Christmas period, however, VR stock shortages across the market limited sales throughout that period. The relatively strong performance in these areas compared to mint software and pre-owned product resulted in a 221 BPS decline in overall gross margin.

Whilst the management team believe the business has a market leading offer on pre-owned sell prices, and for those customers wishing to trade old product for store credit, it acknowledges that this closely links pre-owned stock to fluctuations in the mint software market. As a result, the business has reviewed its pricing model for pre-owned trade ins to ensure it has a leading position on pricing for cash trades. This is expected to result in a small reduction in pre-owned margin going forward but management anticipate increased pre-owned volume will result in an overall net benefit to the business.

Following a thorough operational review performed in 2015-16, management targeted a number of efficiencies across the supply chain and in store processes. Continuing on from the £380k of savings delivered in 2015-16, the business achieved a further £770k of overhead savings during 2016-17, resulting from the annualised impact of actions taken in 2015-16 and further process efficiencies made during 2016-17. Against a backdrop of the introduction of the National Living Wage, and the removal of retail relief on business rates in 2016-17, the £1.15m reduction in overheads during the two year process exceeds the targets set by management and represents an 8.4% reduction in total overheads. After removing fixed property costs, the savings represent a 13.5% reduction in controllable overheads.

During the second half of 2016-17, management took further actions to address the strategic direction of the business and concerns around the longer term decline in physical software sales. Whilst console gaming remains a core part of the product offer, actions continue to be taken to diversify the products and services offered, to remove the reliance on both the sale of physical software overall and more specifically on the October-December new software release period.

# GRAINGER GAMES LIMITED

## Strategic Report *(continued)*

### Year ended 25th March 2017

Store layouts and space have been redesigned to give greater presence to new, complimentary product ranges that are less seasonally driven. Further training has been provided to store staff, supported by the recruitment of trained technicians, to enhance the in-store "fixed while you wait" repair service offered on console and mobile phone repairs under the Smartfix brand.

A further review and restructuring of the central support function was performed in January 2017 to reflect the changing nature of the business. Prior to the end of the financial year, commitments were made that will deliver £0.5m of additional savings to central payroll from the 2017-18 financial year onwards, this comes from a reduction in head office headcount and a senior management salary review. This resulted in some one off restructuring costs during the final quarter of 2016-17 with the process being concluded by the end of June 2017.

Alongside the operational review, on 24 March 2017, the business and loan note holder agreed to recapitalise £2.9m of loan notes at parent company level, strengthening the parent company and Group Balance Sheet. Under the agreement, the loan note holder waived all rights to the accrued interest on the loan notes, resulting in a large one off interest credit for the year in the parent company and group, and for £2.9m of redeemable shares to be issued in consideration for the £2.9m loan notes that had been due to mature in June 2018.

KPIs Year ended March	2017	2016
Turnover	£48.7m	£51.1m
Gross margin	22.3%	24.5%
EBITDA	(£0.42m)	£0.65m
Stock turnover	9.7x	10.0x
Cash at bank	£0.08m	£0.72m
Average length of property leases	35 months	43 months

The main risks to achieving the business strategy have been assessed by the directors and can be summarised as follows:

Risk	Potential impact	Mitigation
Financing	A significant change in either bank borrowing facilities or in supplier credit terms would affect the ability to maintain the range and depth of the current product offer and increased seasonal working capital requirements.	The business maintains a regular dialogue with key suppliers and their credit insurers aimed at agreeing establishing credit arrangements in advance of peak trading periods. The business also maintains regular communication with Lloyds Bank to agree bank borrowing facilities that, when combined with supplier credit arrangement, aim to provide the support required to deliver the budgeted performance over the next twelve months.
Technological Change	Although the current generation of hardware and software is forecast to drive growth in the short term, over time the UK video games market is cyclical in nature and is likely to see an increasing move towards digital delivery.	The business maintains a strong share of digital code sales and continues to grow new revenue streams away from gaming through additions to its product offer and in store repair service.

# GRAINGER GAMES LIMITED

## Strategic Report *(continued)*

Year ended 25th March 2017

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Retail Conditions	The last few years have seen many retailers experiencing difficulties and some established names vanish from the high street entirely.	Grainger Games continues to grow its market share of the UK video games market, both overall and in particular in its heartland territories, through its focus on building customer awareness of its best value retail offer. To help reduce reliance on the seasonal peak demand for video games, the business has continued to expand its technology offering, both through trading in, selling and repairing a range of gadgets including phones and tablets, as well as by continuing to trial and then introduce other new products into its offering that are designed to appeal to its core customer base.
People	The business could be impacted by the loss of key individuals, particularly in light of the recent head office restructuring.	The business looks to increase staff engagement through regular opportunities to give feedback and to influence future business developments; and to develop and retain staff by offering training, progression opportunities and competitive remuneration and incentive arrangements.

The management team consider the range of actions taken will return the business to positive EBITDA in the year ahead and are encouraged by early trading for the year. Cost savings are being delivered in line with expectations. Both sales and EBITDA performance in the first quarter of FY17-18 track ahead of budget, with a return to LFL growth, and a reduction in the reliance on physical software sales within the overall sales mix.

The successful launch of Nintendo Switch in March 2017 has been followed by strong ongoing demand and, along with the planned launch of Xbox One X in November 2017, will bring new console opportunities heading into the peak Christmas period. A number of strong software franchises missing from 2016 will return in 2017-18 and early consumer reaction and pre-order activity suggest the underperformance seen across some titles in 2016 will not be repeated in 2017.

Management see opportunities to improve the online performance of the business; on gaming product via the relaunch of the [graingergames.co.uk](http://graingergames.co.uk) website in the second half of 2017, and; on non-gaming product, through both direct online sales and the increased use of 3rd party marketplaces.

# GRAINGER GAMES LIMITED

## Strategic Report *(continued)*

**Year ended 25th March 2017**

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The property portfolio of the business remains under constant review and management foresee a small number of loss making store closures in the year ahead, in line with lease break options. Whilst not ruling out further store expansion in the future, the focus in the current year will be on managing the ongoing transformation instore, returning the existing retail estate to a profitable position and extending the Grainger Games offer to a wider customer base through online growth.

This report was approved by the board of directors on 7<sup>th</sup> July 2017 and signed on behalf of the board by:



J. Fellows  
Director

# **GRAINGER GAMES LIMITED**

## **Directors' Report**

**Year ended 25th March 2017**

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The directors present their report and the financial statements of the company for the year ended 25th March 2017.

### **Directors**

The directors who served the company during the year were as follows:

S. Bowyer  
P.H. Moore  
J. Fellows

### **Dividends**

The directors do not recommend the payment of a dividend.

### **Future developments**

Details of future developments can be found in the Strategic Report.

### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee involvement**

During the period, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### **Financial instruments**

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity and cash flow, and interest rate risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors and hire purchase agreements.

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company sells to the public and the risk is mitigated by having a very large customer base.

Liquidity and cash flow risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies.

Interest rate risk re unfavourable movements in interest rates is not perceived as being material to the accounts due to the borrowing agreements in place.



# GRAINGER GAMES LIMITED

## Directors' Report *(continued)*

**Year ended 25th March 2017**

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### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to reappoint Tait Walker LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 7<sup>th</sup> July 2017 and signed on behalf of the board by:



J. Fellows  
Director

# **GRAINGER GAMES LIMITED**

## **Independent Auditor's Report to the Members of Grainger Games Limited**

**Year ended 25th March 2017**

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We have audited the financial statements of Grainger Games Limited for the year ended 25th March 2017, on pages 10 to 24. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25th March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements
-

# GRAINGER GAMES LIMITED

## Independent Auditor's Report to the Members of Grainger Games Limited (continued)

Year ended 25th March 2017

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)

For and on behalf of  
Tait Walker LLP  
Chartered accountant & statutory auditor  
Bulman House  
Regent Centre  
Gosforth  
Newcastle upon Tyne  
NE3 3LS

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# GRAINGER GAMES LIMITED

## Income Statement

Year ended 25th March 2017

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	Note	2017 £	2016 £
Turnover	4	48,718,621	51,107,713
Cost of sales		(37,875,968)	(38,602,330)
Gross profit		10,842,653	12,505,383
Administrative expenses		(12,454,811)	(13,223,446)
Other operating income		782,096	922,545
Operating (loss)/profit	5	(830,062)	204,482
Interest payable and similar expenses	8	(34,256)	(26,702)
(Loss)/profit before taxation		(864,318)	177,780
Tax on (loss)/profit	9	64,466	18,756
(Loss)/profit for the financial year		<u>(799,852)</u>	<u>196,536</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

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The notes on pages 13 to 24 form part of these financial statements.

# GRAINGER GAMES LIMITED

## Statement of Financial Position

25th March 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	10	4,809	6,412
Tangible assets	11	1,381,218	1,716,724
		<u>1,386,027</u>	<u>1,723,136</u>
<b>Current assets</b>			
Stocks	12	3,895,842	3,835,524
Debtors	13	1,358,977	1,235,679
Cash at bank and in hand		82,317	723,043
		<u>5,337,136</u>	<u>5,794,246</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(4,701,042)</u>	<u>(4,564,614)</u>
<b>Net current assets</b>		<u>636,094</u>	<u>1,229,632</u>
<b>Total assets less current liabilities</b>		<u>2,022,121</u>	<u>2,952,768</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(124,775)	(217,304)
<b>Provisions</b>			
Taxation including deferred tax	17	(27,346)	(65,612)
<b>Net assets</b>		<u>1,870,000</u>	<u>2,669,852</u>
<b>Capital and reserves</b>			
Called up share capital	20	50	50
Share premium account	21	38,615	38,615
Profit and loss account	21	1,831,335	2,631,187
<b>Members funds</b>		<u>1,870,000</u>	<u>2,669,852</u>

These financial statements were approved by the board of directors and authorised for issue on 14 July 2017 and are signed on behalf of the board by:



J. Fellows  
Director

Company registration number: 04201151

The notes on pages 13 to 24 form part of these financial statements.

# GRAINGER GAMES LIMITED

## Statement of Changes in Equity

Year ended 25th March 2017

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	Called up share capital £	Share premium account £	Profit and loss account £	Total £
<b>At 29th March 2015</b>	50	38,615	2,434,651	2,473,316
Profit for the year	—	—	196,536	196,536
<b>Total comprehensive income for the year</b>	—	—	196,536	196,536
<b>At 26th March 2016</b>	50	38,615	2,631,187	<b>2,669,852</b>
Loss for the year	—	—	(799,852)	<b>(799,852)</b>
<b>Total comprehensive income for the year</b>	—	—	(799,852)	<b>(799,852)</b>
<b>At 25th March 2017</b>	<u>50</u>	<u>38,615</u>	<u>1,831,335</u>	<u><b>1,870,000</b></u>

The notes on pages 13 to 24 form part of these financial statements.

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# **GRAINGER GAMES LIMITED**

## **Notes to the Financial Statements**

**Year ended 25th March 2017**

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### **1. General information**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 4, North Tyne Industrial Estate, Whitley Road, Benton, Newcastle upon Tyne, NE12 9SZ.

### **2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

### **3. Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Going concern**

The company meets its day to day funding requirements through a combination of cash generated from operations, credit terms from its suppliers and its overdraft facility. The directors have prepared forecasts for the next 12 months, including downside sensitivities, which show that the company should be able to continue in operational existence for that period. The directors have a reasonable expectation that the company has adequate access to financial resources to ensure it continues to operate for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

#### **Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Grainger Games (Holdings) Limited which can be obtained from Unit 4, North Tyne Industrial Estate, Longbenton, Newcastle NE12 9SZ. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 3. Accounting policies *(continued)*

#### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are considered to be no significant judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies which effect the amounts recognised in the financial statements.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### **Useful economic lives of tangible assets**

The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. See note 11 for the carrying amount of the carrying amount of tangible assets.

#### **Stock Provision**

The company has made an assumption of writing down the value of stock on items in which they expect the cost to exceed the net realisable value before it is fully sold/utilised. This assumption has involved looking at the historic sales patterns and expected sales in future years. See note 12 for the net carrying amount of the stock and associated provision.

#### **Revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

#### **Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.



# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 3. Accounting policies *(continued)*

#### Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the income statement.

#### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

#### Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - 20% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

#### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

#### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	-	Straight line over the term of the lease
Property improvements	-	10% straight line
Fixtures and fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 3. Accounting policies *(continued)*

#### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

#### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

#### **Finance leases and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

#### **Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 3. Accounting policies *(continued)*

#### Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

### 4. Turnover

Turnover arises from:

	2017	2016
	£	£
New product sales	31,028,461	30,695,821
Used product sales	17,677,037	20,404,633
Trade sales	13,123	7,259
	<u>48,718,621</u>	<u>51,107,713</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

### 5. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Amortisation of intangible assets	1,603	2,137
Depreciation of tangible assets	403,084	441,194
Loss on disposal of tangible assets	8,256	72,322
Impairment of trade debtors	36	37,913
Operating lease rentals	2,228,287	2,237,983
Foreign exchange differences	5,244	5,784

### 6. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	16,000	15,900
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	4,000	3,800
Other non-audit services	10,000	10,002
	14,000	13,802

Taxation fees are in respect of compliance services provided.

### 7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Distribution staff	26	25
Management staff	26	27
Retail sales staff	334	376
	386	428

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	5,821,814	6,088,839
Social security costs	344,754	352,288
Other pension costs	29,216	29,910
	6,195,784	6,471,037

The directors are remunerated by the parent company, Grainger Games (Holdings) Limited. No amounts are charged to Grainger Games Limited.

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

### 8. Interest payable and similar expenses

	2017 £	2016 £
Interest on banks loans and overdrafts	28,543	23,592
Interest on obligations under finance leases and hire purchase contracts	5,713	3,110
	<u>34,256</u>	<u>26,702</u>

### 9. Tax on (loss)/profit

#### Major components of tax income

	2017 £	2016 £
<b>Current tax:</b>		
UK current tax expense	–	26,200
Adjustments in respect of prior periods	(26,200)	(31,587)
Total current tax	<u>(26,200)</u>	<u>(5,387)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(38,266)	(13,369)
<b>Tax on (loss)/profit</b>	<u>(64,466)</u>	<u>(18,756)</u>

#### Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017 £	2016 £
(Loss)/profit on ordinary activities before taxation	(864,318)	177,780
(Loss)/profit on ordinary activities by rate of tax	(172,864)	35,556
Adjustment to tax charge in respect of prior periods	(26,200)	(31,587)
Effect of expenses not deductible for tax purposes	2,328	297
Effect of capital allowances and depreciation	3,999	23,577
Utilisation of tax losses	76,276	–
Unused tax losses	44,994	–
Group relief	7,001	(51,041)
Other adjustments	–	4,442
<b>Tax on (loss)/profit</b>	<u>(64,466)</u>	<u>(18,756)</u>

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

### 10. Intangible assets

	Development costs £
<b>Cost</b>	
At 27 Mar 2016 and 25 Mar 2017	<u>12,638</u>
<b>Amortisation</b>	
At 27th March 2016	6,226
Charge for the year	<u>1,603</u>
At 25th March 2017	<u>7,829</u>
<b>Carrying amount</b>	
At 25th March 2017	<u>4,809</u>
At 26th March 2016	<u>6,412</u>

### 11. Tangible assets

	Short leasehold improvement £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 27th March 2016	1,632,410	2,890,337	260,241	<b>4,782,988</b>
Additions	–	75,834	–	<b>75,834</b>
Disposals	–	–	(99,131)	<b>(99,131)</b>
At 25th March 2017	<u>1,632,410</u>	<u>2,966,171</u>	<u>161,110</u>	<u><b>4,759,691</b></u>
<b>Depreciation</b>				
At 27th March 2016	837,940	2,100,348	127,976	<b>3,066,264</b>
Charge for the year	160,884	210,313	31,887	<b>403,084</b>
Disposals	–	–	(90,875)	<b>(90,875)</b>
At 25th March 2017	<u>998,824</u>	<u>2,310,661</u>	<u>68,988</u>	<u><b>3,378,473</b></u>
<b>Carrying amount</b>				
At 25th March 2017	<u>633,586</u>	<u>655,510</u>	<u>92,122</u>	<u><b>1,381,218</b></u>
At 26th March 2016	<u>794,470</u>	<u>789,989</u>	<u>132,265</u>	<u><b>1,716,724</b></u>

#### Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Motor vehicles £
At 25th March 2017	<u>82,292</u>
At 26th March 2016	<u>109,723</u>

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

### 12. Stocks

	2017 £	2016 £
Raw materials and consumables	<u>3,895,842</u>	<u>3,835,524</u>

Stocks recognised as an expense in the year were £37,436,304 (2016: £38,269,299).

Stocks impaired in the year totalled £119,644 (2016: £53,638).

### 13. Debtors

	2017 £	2016 £
Prepayments and accrued income	727,925	762,008
Corporation tax repayable	75,232	–
Other debtors	<u>555,820</u>	<u>473,671</u>
	<u>1,358,977</u>	<u>1,235,679</u>

### 14. Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	107,225	–
Trade creditors	3,041,419	2,488,535
Amounts owed to group undertakings	139,284	223,404
Accruals and deferred income	340,671	417,009
Corporation tax	–	4,253
Social security and other taxes	358,401	666,361
Obligations under finance leases and hire purchase contracts	33,086	33,086
Director loan accounts	1,246	–
Other creditors	<u>679,710</u>	<u>731,966</u>
	<u>4,701,042</u>	<u>4,564,614</u>

The bank overdraft is secured by a debenture and omnibus guarantee and set off agreement dated 14th November 2011.

Obligations under hire purchase contracts are secured by related assets and bear finance charges at commercial rates of interest.

### 15. Creditors: amounts falling due after more than one year

	2017 £	2016 £
Accruals and deferred income	86,022	147,489
Obligations under finance leases and hire purchase contracts	<u>38,753</u>	<u>69,815</u>
	<u>124,775</u>	<u>217,304</u>

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 15. Creditors: amounts falling due after more than one year *(continued)*

Obligations under hire purchase contracts are secured by related assets and bear finance charges at commercial rates of interest.

### 16. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2017	2016
	£	£
Not later than 1 year	33,086	33,086
Later than 1 year and not later than 5 years	38,753	69,815
	<u>71,839</u>	<u>102,901</u>

### 17. Provisions

	Deferred tax (note 18) £
At 27th March 2016	65,612
Charge against provision	(38,266)
At 25th March 2017	<u>27,346</u>

### 18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017	2016
	£	£
Included in provisions (note 17)	<u>27,346</u>	<u>65,612</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2017	2016
	£	£
Accelerated capital allowances	<u>27,346</u>	<u>65,612</u>

### 19. Employee benefits

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £29,216 (2016: £29,910).

The amount outstanding at the year end is £6,140 (2016: £6,228) and is included in creditors.



# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 20. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
'A' Ordinary shares of £0.10 each	204	20	204	20
'B' Ordinary shares of £0.10 each	188	19	188	19
'C' Ordinary shares of £0.10 each	103	10	103	10
'D' Ordinary shares of £0.10 each	8	1	8	1
	<u>503</u>	<u>50</u>	<u>503</u>	<u>50</u>

Share rights

All shares are entitled to dividends at the discretion of the board.

The rights to capital attached to the shares are as laid out in the Articles of Association as adopted on 14th July 2009.

The holders of 'A' Ordinary, 'C' Ordinary and 'D' Ordinary Shares are not entitled to any voting rights.

### 21. Reserves

Called up share capital - This reserve records the nominal value of the shares capital issued.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 22. Operating leases

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

	2017	2016
	£	£
Not later than 1 year	2,229,137	2,334,217
Later than 1 year and not later than 5 years	5,186,589	5,978,765
Later than 5 years	303,683	601,163
	<u>7,719,409</u>	<u>8,914,145</u>

# GRAINGER GAMES LIMITED

## Notes to the Financial Statements *(continued)*

Year ended 25th March 2017

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### 23. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

2017				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
S. Bowyer	—	319,777	(321,023)	(1,246)

2016				
	Balance brought forward £	Advances/ (credits) to the directors £	Amounts repaid £	Balance outstanding £
S. Bowyer	—	—	—	—

### 24. Related party transactions

The company entered into transactions with its parent company Grainger Games Holdings Limited during the year and has taken exemption from disclosure of these transactions under Section 33 of FRS 102.

### 25. Controlling party

The ultimate parent company is Grainger Games (Holdings) Limited, a company registered in England and Wales, which owns 100% of the ordinary share capital of the company.

Grainger Games (Holdings) Limited has included the company in its group accounts, copies of which are available from Unit 4, North Tyneside Industrial Estate, Whitley Road, Benton, Newcastle upon Tyne, NE12 9SZ.

### 26. Ultimate controlling party

In the opinion of the directors, S. Bowyer is the ultimate controlling party in his capacity as Managing Director and holder of the majority of voting rights in the company's parent, Grainger Games (Holdings) Limited.