



ARTHUR ANDERSEN

Games Workshop Limited

Accounts for the year ended 28 May 2000
together with directors' and auditors' reports

Registered number: 1467092



Directors' report

For the year ended 28 May 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 28 May 2000.

Principal activities

The principal activities of the company are the manufacture of miniature figures and games and retail and wholesale distribution of these products.

Business review

Both the level of business and the year end financial position were satisfactory and the directors expect the present level of activity to continue in the foreseeable future.

Results and dividends

The audited accounts for the year ended 28 May 2000 are set out on pages 6 to 19. The profit for the year after taxation was £4,098,000 (1999 - £7,770,000).

The directors declared and paid an interim dividend of £1.67 (1999 - £14.40) per ordinary share and a final dividend of £36.00 (1999 - £37.20) per ordinary share, resulting in a total dividend for the year of £37.67 (1999 - £51.60) per ordinary share.

Employees

The company's policy is to consult and discuss with employees, at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company promotes participation in the 1995 Games Workshop Group PLC employee sharesave scheme as a means of further encouraging the involvement of employees in the company's performance.

The company's policy is to consider, for recruitment, disabled workers for those vacancies that they are able to fill. All necessary assistance with training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The company's policy is to achieve and maintain a high standard of health and safety and the active involvement of employees in all matters of health and safety is encouraged.

Directors' report (continued)

Directors and their interests

The directors who served during the year, and subsequently, were as follows:

T J M Wilson

J A J Stallard

R J Renton (appointed 13 August 1999)

S James (appointed 1 October 1999)

M Sherwin (appointed 30 April 2000)

M Cole (resigned 14 July 1999)

S A Godber (resigned 19 November 1999)

N P Fleming (resigned 7 January 2000)

No director had any beneficial interest in the shares of the company at 28 May 2000.

The interests of J A J Stallard, M Sherwin and S A Godber in the shares of the ultimate parent company, including details of share options held, are disclosed in the consolidated accounts of Games Workshop Group PLC.

The interests of other directors in the shares of the ultimate parent company are as follows:

	Ordinary shares of 5p each	
	2000 Number	1999 Number
T J M Wilson	1,500	9,935
R J Renton	49,333	-

Directors' report (continued)

Directors and their interests (continued)

Share options in existence at the end of the year over ordinary shares of 5p each in the ultimate parent company are as follows:

	31 May 1999 Number	Granted* Number	28 May 2000 Number	Exercise dates		Exercise price
				Commence- ment	Expiry	
T J M Wilson						
Share options	3,154	-	3,154	Aug 1998	Aug 2005	208p
	5,000	-	5,000	Sept 1999	Sept 2006	463p
Sharesave scheme	3,538	-	3,538	Nov 2000	Apr 2001	195p
	2,982	-	2,982	Nov 2001	Apr 2002	347p
R J Renton						
Share options	-	3,154	3,154	Aug 1998	Aug 2005	208p
	-	10,000	10,000	Sept 1999	Sept 2006	463p
Sharesave scheme	-	3,184	3,184	Nov 2000	Apr 2001	195p
	-	3,181	3,181	Nov 2001	Apr 2002	347p

*Number of options granted during the year, or already held on appointment as a director.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Directors' report (continued)

Year 2000

The company's plans to address the Year 2000 issue were fully implemented which ensured that all the business critical systems were unaffected. The costs of compliance with the Year 2000 issue were not material.

Creditor payment policy

The company's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Better Payment Practice Code. For other suppliers, the company's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments of creditors for revenue and capital supplies of goods and services without exception.

The number of days credit taken by the company from its suppliers at the year end is 32 days (1999 – 41 days).

Auditors

During the year, PricewaterhouseCoopers resigned as auditors of the company and Arthur Andersen were appointed to fill the resulting casual vacancy arising. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Willow Road
Lenton
Nottingham
NG7 2WS

By order of the Board



M Sherwin

Director

1 December 2000



To the Shareholders of Games Workshop Limited:

We have audited the accounts on pages 6 to 19 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 28 May 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

1 December 2000

Profit and loss account

For the year ended 28 May 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	43,138	43,130
Cost of sales	4	(20,466)	(18,227)
Gross profit		22,672	24,903
Other operating expenses (net)	3, 4	(16,514)	(14,424)
Operating profit		6,158	10,479
Income from shares in group undertakings		232	671
Interest receivable and similar income		87	64
Interest payable and similar charges	5	(537)	(475)
Profit on ordinary activities before taxation	6	5,940	10,739
Tax on profit on ordinary activities	9	(1,842)	(2,969)
Profit on ordinary activities after taxation		4,098	7,770
Dividends paid on equity shares	10	(5,232)	(7,167)
Retained (loss) profit for the year	19	(1,134)	603

There are no recognised gains or losses in either year other than the profit for that year.

Turnover and operating profit derive entirely from continuing operations.

Note of historical cost profits and losses

For the year ended 28 May 2000

	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	5,940	10,739
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	4	4
Historical cost profit on ordinary activities before taxation	5,944	10,743
Historical cost (loss) profit for the year retained after taxation and dividends	(1,130)	607

The accompanying notes are an integral part of this profit and loss account and this note of historical cost profits and losses.

Balance sheet

28 May 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	10,915	10,964
Investments	12	-	-
		<u>10,915</u>	<u>10,964</u>
Current assets			
Stocks	13	7,363	7,733
Debtors	14	3,754	4,978
Cash at bank and in hand		400	80
		<u>11,517</u>	<u>12,791</u>
Creditors: Amounts falling due within one year	15	<u>(12,299)</u>	<u>(13,139)</u>
Net current liabilities		<u>(782)</u>	<u>(348)</u>
Total assets less current liabilities		10,133	10,616
Creditors: Amounts falling due after more than one year	16	(3,312)	(3,161)
Provisions for liabilities and charges	17	<u>(500)</u>	<u>-</u>
Net assets		<u>6,321</u>	<u>7,455</u>
Capital and reserves			
Called-up share capital	18	139	139
Revaluation reserve	19	205	209
Profit and loss account	19	<u>5,977</u>	<u>7,107</u>
Equity shareholders' funds	20	<u>6,321</u>	<u>7,455</u>

The accounts on pages 6 to 19 were approved by the board of directors and signed on its behalf by:

M Sherwin

Director



1 December 2000

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

28 May 2000

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Games Workshop Group PLC which prepared publicly available consolidated accounts that incorporate the results of the company. The company is also, on this basis, exempt from the requirement of Financial Reporting Standard 1 "Cash flow statements" to present a cash flow statement.

b) Development expenditure

Product development and design expenditure is written off as it is incurred.

c) Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold land and buildings	- 2%
Plant and equipment	- 20% to 33%
Motor vehicles	- 33%
Fixtures and fittings	- 15% to 33%
Moulding tools	- 25%

Leasehold premises are amortised over the period of the lease.

e) Revaluation of properties

The company has taken advantage of the transitional provisions of Financial Reporting Standard 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to the implementation of the standard.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Operating leases and hire purchase contracts

Costs in respect of operating leases and any benefits received as an incentive to sign a lease, are charged or credited on a straight line basis over the lease term.

Hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the hire purchase commitment is shown as obligations under hire purchase contracts. The capital element of the payment is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

g) Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of finished goods, cost includes appropriate production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

h) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or at rates of exchange fixed using forward currency contracts where they exist. Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction and exchange differences are taken to the profit and loss account in the year in which they arise.

i) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

j) Taxation

UK Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

k) Pension costs

The company participates in the Games Workshop Group PLC group personal pension plan. Pension contributions are charged to the profit and loss account as they accrue.

Notes to accounts (continued)

2 Turnover

The geographical analysis of turnover by destination, which arose wholly from the company's principal activity in the UK, is as follows:

	2000 £'000	1999 £'000
United Kingdom	21,594	22,897
Continental Europe	14,044	13,480
The Americas	5,126	4,999
Asia Pacific	2,200	1,617
Other	174	137
	<u>43,138</u>	<u>43,130</u>

3 Other operating expenses (net)

	2000 £'000	1999 £'000
Selling and distribution costs	12,069	10,833
Administrative expenses	5,197	4,068
Design and development costs	2,362	2,138
Other operating income - royalty income	(3,114)	(2,615)
	<u>16,514</u>	<u>14,424</u>

Design and development costs represent the administration and running costs of the design studio.

4 Operating exceptional items reported before operating profit

Cost of sales, administrative expenses and selling and distribution costs include £1,060,000 (1999 - £nil), £1,286,000 (1999 - £nil) and £220,000 (1999 - £nil) respectively in relation to operating exceptional items. The operating exceptional items relate to the plan, announced by Games Workshop Group PLC in January 2000, to restructure the business and include costs incurred in simplifying the supply chain together with related property and people costs.

Taxation credits on the operating exceptional items were £523,000 (1999 - £nil).

5 Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	292	237
Hire purchase contracts	18	13
Discount on convertible loan stock	225	225
Other interest	2	-
	<u>537</u>	<u>475</u>

Notes to accounts (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	2,399	1,968
- held under finance leases and hire purchase contracts	71	55
Operating lease rentals		
- plant and machinery	156	173
- other	2,268	2,124
Auditors' remuneration for audit services	27	22
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Amounts payable to Arthur Andersen and PricewaterhouseCoopers by the company in respect of non-audit services were £11,000 (1999 - £nil) and £nil (1999 - £13,000) respectively.

7 Staff costs

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

	2000 Number	1999 Number
Production	442	461
Selling and distribution	707	667
Administration	97	77
	<hr/>	<hr/>
	1,246	1,205
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2000 £'000	1999 £'000
Wages and salaries	12,488	11,275
Social security costs	981	977
Other pension costs (see note 22)	198	181
	<hr/>	<hr/>
	13,667	12,433
	<hr/>	<hr/>

Notes to accounts (continued)

8 Directors' remuneration

Remuneration

	2000 £'000	1999 £'000
Emoluments	229	196
Company contributions to money purchase schemes	7	9
	<u>236</u>	<u>205</u>
Compensation for loss of office	31	-
	<u>31</u>	<u>-</u>

The services of M Sherwin are provided by Games Workshop Group PLC and the services of J A J Stallard and S A Godber by Games Workshop Group PLC and Games Workshop International Limited. No part of their remuneration is specifically attributed to their services to Games Workshop Limited.

Pensions

The number of directors who were members of pension schemes was as follows:

	2000 Number	1999 Number
Money purchase schemes	<u>4</u>	<u>3</u>

Highest-paid director

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

	2000 £'000	1999 £'000
Emoluments	55	58
Company contributions to money purchase schemes	2	2
	<u>57</u>	<u>60</u>

Notes to accounts (continued)

9 Tax on profit on ordinary activities

The tax charge comprises:

	2000 £'000	1999 £'000
UK corporation tax	1,209	2,528
Adjustments in respect of prior years UK corporation tax	(130)	(56)
	<u>1,079</u>	<u>2,472</u>
Amounts due to group undertaking in respect of group relief surrendered	763	497
	<u>1,842</u>	<u>2,969</u>

10 Dividends paid on equity shares

	2000 £'000	1999 £'000
Interim paid of £1.67 (1999 - £14.40) per ordinary share	232	2,000
Final paid of £36.00 (1999 - £37.20) per ordinary share	5,000	5,167
	<u>5,232</u>	<u>7,167</u>

Notes to accounts (continued)

11 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Fixtures and fittings £'000	Moulding tools £'000	Total £'000
Cost or valuation							
At 31 May 1999	765	6,289	97	3,876	3,242	4,031	18,300
Additions	-	-	-	949	446	1,078	2,473
Disposals	-	-	-	(140)	(4)	-	(144)
Group transfers	-	-	-	(17)	-	-	(17)
Reclassifications	-	-	-	8	(8)	-	-
At 28 May 2000	765	6,289	97	4,676	3,676	5,109	20,612
Depreciation							
At 31 May 1999	425	225	97	2,341	2,342	1,906	7,336
Charge for the year	8	128	-	723	414	1,197	2,470
Disposals	-	-	-	(103)	(1)	-	(104)
Group transfers	-	-	-	(5)	-	-	(5)
Reclassifications	-	-	-	3	(3)	-	-
At 28 May 2000	433	353	97	2,959	2,752	3,103	9,697
Net book value							
At 30 May 1999	340	6,064	-	1,535	900	2,125	10,964
At 28 May 2000	332	5,936	-	1,717	924	2,006	10,915

The net book value of tangible fixed assets includes an amount of £251,000 (1999 - £322,000) in respect of assets held under hire purchase contracts.

Certain freehold land and buildings were professionally valued on an open market basis in December 1991 at £400,000, with subsequent additions at cost.

If land and buildings had not been revalued they would have been included at the following amounts:

	2000 £'000	1999 £'000
Cost	580	580
Depreciation	(439)	(435)
Net book value	141	145

Notes to accounts (continued)

12 Fixed asset investments

	2000 £	1999 £
Subsidiary undertakings	<u>78</u>	<u>78</u>

The company has investments in the following subsidiary undertakings. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of shares held	Principal business activity
Games Workshop Deutschland Limited	England and Wales	£1 ordinary	100%	Distributor of games and miniatures
Games Workshop Retail Limited	England and Wales	£1 ordinary	100%	Supplier of casual retail labour
Warhammer Historical Wargames Limited	England and Wales	£1 ordinary	76%	Manufacturer and distributor of historical wargame books

The subsidiary undertakings operate principally in their country of incorporation or registration, with the exception of Games Workshop Deutschland Limited which operates in Germany.

13 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	1,235	1,716
Finished goods and goods for resale	<u>6,128</u>	<u>6,017</u>
	<u>7,363</u>	<u>7,733</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	1,449	1,975
Amounts owed by group undertakings	1,793	2,269
Other debtors	177	479
Prepayments and accrued income	<u>335</u>	<u>255</u>
	<u>3,754</u>	<u>4,978</u>

Notes to accounts (continued)

15 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	73	73
Bank overdrafts	5,230	2,980
Trade creditors	1,967	1,745
Amounts owed to group undertakings	2,180	3,142
Corporation tax	855	2,342
Other taxation and social security	457	675
Other creditors and accruals	1,537	2,182
	<u>12,299</u>	<u>13,139</u>

16 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	145	219
Amounts owed to group undertakings	3,167	2,942
	<u>3,312</u>	<u>3,161</u>

Amounts owed to group undertakings relates to £3,900,000 unsecured convertible redeemable loan stock 1997-2002, issued in 1997/98 at a discount of £1,334,000. Accrued finance costs at the year end amounted to £601,000 (1999 - £376,000). The loan stock is repayable on or at any time after 29 September 2002 and each holder is entitled to require the issuer to convert each £1 nominal value of loan stock into £1 ordinary shares.

Obligations under finance leases and hire purchase contracts are repayable as follows:

	2000 £'000	1999 £'000
Within one year	73	73
Between one and two years	145	219
	<u>218</u>	<u>292</u>

Notes to accounts (continued)

17 Provisions for liabilities and charges

	Property £'000
At 31 May 1999	-
Charged to profit and loss account	500
	<hr/>
At 28 May 2000	500
	<hr/>

The company had no deferred tax liability at either year end.

18 Called-up share capital

	2000 £'000	1999 £'000
<i>Authorised</i>		
3,900,000 preference shares of £1 each	3,900	3,900
1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called-up and fully paid</i>		
138,889 ordinary shares of £1 each	139	139
	<hr/>	<hr/>

19 Reserves

	Profit and loss account £'000	Revaluation reserve £'000
At 31 May 1999	7,107	209
Retained loss for the year	(1,134)	-
Transfer from revaluation reserve	4	(4)
	<hr/>	<hr/>
At 28 May 2000	5,977	205
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Notes to accounts (continued)

20 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the year	4,098	7,770
Dividends paid on equity shares	(5,232)	(7,167)
Net movement in shareholders' funds	(1,134)	603
Opening shareholders' funds	7,455	6,852
Closing shareholders' funds	6,321	7,455

21 Financial commitments

a) Capital commitments

The company had no capital commitments at either year end.

b) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	247	149	135	50
- between two and five years	486	95	341	92
- after five years	1,469	-	1,638	-
	<u>2,202</u>	<u>244</u>	<u>2,114</u>	<u>142</u>

22 Pension arrangements

The company makes contributions to the Games Workshop Group PLC group personal pension plan for which the pension cost charge for the year amounted to £198,000 (1999 - £181,000).

23 Contingent liabilities

The company has guaranteed the bank overdrafts and loans of certain other group undertakings. The aggregate amount outstanding under these arrangements at the balance sheet date was £3,446,000 (1999 - £950,000).

Notes to accounts (continued)

24 Related party disclosures

In accordance with the exemption permitted by Financial Reporting Standard 8 "Related party disclosures", related party transactions between members of the group, headed by Games Workshop Group PLC, are not disclosed as more than 90% of the company's voting rights are controlled within the group and consolidated accounts, which incorporate the results of the company, are publicly available.

During the year the company recharged £5,000 (1999 -£nil) to Warhammer Historical Wargames Limited, a subsidiary in which the company has 76 per cent ownership of share capital. The directors consider that these transactions were conducted on an arms-length basis.

25 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 accounts are drawn up. Copies of group accounts are available from The Secretary, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS.

26 Prior period information

The prior period information is presented for comparative purposes only and was audited by a firm of Chartered Accountants other than Arthur Andersen.