

Games Workshop Limited

Annual report and financial statements
for the year ended 28 May 2006

Registered number: 1467092



Games Workshop Limited

Annual report and financial statements for the year ended 28 May 2006

	Page
Company information	1
Directors' report for the year ended 28 May 2006	2
Independent auditors' report to the members of Games Workshop Limited	7
Income statement for the year ended 28 May 2006	8
Statement of recognised income and expense for the year ended 28 May 2006	8
Balance sheet as at 28 May 2006	9
Cash flow statement for the year ended 28 May 2006	10
Notes to the financial statements for the year ended 28 May 2006	11

Games Workshop Limited

Company information

Directors

R J Renton
S James (Resigned 30 June 2006)
M Sherwin
M Wells
R Tongue

Secretary

M Sherwin

Registered office

Willow Road
Lenton
Nottingham
NG7 2WS

Games Workshop Limited

Directors' report for the year ended 28 May 2006

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditors' report, for the year ended 28 May 2006.

Principal activities

The company is a wholly owned subsidiary of Games Workshop Group PLC.

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

Business review

The results for the year show a fall in sales and profit following significant growth seen over many years. We see this as a temporary reduction in activity and expect the business to return to a normal pattern of growth in sales and profits in the foreseeable future.

On 3 June 2005 the trade and assets of Warhammer Online Limited were transferred to the Company at net book value.

Results and dividends

The audited accounts for the year ended 28 May 2006 are set out on pages 8 to 61. The profit for the year after taxation was £8,824,000 (2005: £10,775,000).

The directors declared and paid an interim dividend of £52.98 (2005: £14.40) per ordinary share and did not declare a final dividend (2005: £nil), resulting in a total dividend for the year of £52.98 (2005: £14.40) per ordinary share.

The Games Workshop Group PLC group manages its operations on a divisional and geographical basis. The performance of the UK, Continental Europe, Manufacturing and Supply and BL Publishing divisions of Games Workshop Group PLC, which include the company's operations, are discussed in the Games Workshop Group PLC's Annual Report, which is available from the address given in note 32. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The most significant market facing risk for the company is the ability to forecast sales and factory demand. This is managed through regular and on-going observation of the trends that underlie the company's sales, and ensuring that the communication between the divisions of the company is immediate and effective.

The principal product delivery risk facing the company relates to input prices. Prices of energy and raw materials for the products can fluctuate significantly. However, combined energy and raw material costs do not make up a significant proportion of the company's turnover. As a result, the directors do not believe price volatility of inputs represents a significant risk to long term profitability. In the short term, process efficiencies are sought, and the buying team works to minimise the impact of price fluctuations.

Research and development

The company undertakes research and development activities to enhance and build the Games Workshop Hobby.

Games Workshop Limited

Directors' report for the year ended 28 May 2006 (continued)

Environment

The company aims to manage its operations in ways which are environmentally sustainable and economically feasible, and to minimise the negative impact of its activities on the environment.

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 operates employee sharesave schemes 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.

Charitable donations

The company does not make significant cash donations to charities. However, the company encourages all employees to engage with their community in whatever way each individual believes to be most appropriate.

Directors and their interests

The directors who served during the year are set out on page 1.

No director had any beneficial interest in the shares of the company or any other fellow subsidiary company at the start or end of the year.

The interests of M Sherwin in the shares of the ultimate parent company, including details of share options held, are disclosed in the consolidated financial statements of Games Workshop Group PLC.

Games Workshop Limited

Directors' report for the year ended 28 May 2006 (continued)

Directors and their interests (continued)

The interests of other directors in the shares of the ultimate parent company, Games Workshop Group PLC, at the balance sheet date, are as follows:

	Ordinary shares of 5p each	
	2006	2005
	Number	Number
R Tongue	2,000	2,000
R J Renton	22,306	12,764
M Wells	43,640	26,049
S James	12,239	12,239

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

	29 May 2005 Number	Granted Number	Exercised Number	Cancelled Number	28 May 2006 Number	Exercise dates		Exercise price
						Commence- ment	Expiry	
R Tongue								
Sharesave scheme	1,543	-	(1,543)	-	-	Nov 2005	Apr 2006	335p
	718	-	-	(718)	-	Nov 2006	Apr 2007	580p
	-	2,786	-	-	2,786	Nov 2008	Apr 2009	340p
R J Renton								
Share options	5,000	-	-	-	5,000	Sept 1999	Sept 2006	463p
Sharesave scheme	-	2,786	-	-	2,786	Nov 2008	Apr 2009	340p
Share incentive plan	15,691	-	(15,691)	-	-	June 2005	July 2008	-
S James								
Sharesave scheme	578	-	-	(578)	-	Nov 2006	Apr 2007	580p
	1,036	-	-	(1,036)	-	Nov 2007	Apr 2008	581p
	-	2,786	-	-	2,786	Nov 2008	Apr 2009	340p
M Wells								
Sharesave scheme	718	-	-	(718)	-	Nov 2006	Apr 2007	580p
	893	-	-	(893)	-	Nov 2007	Apr 2008	581p
	-	2,786	-	-	2,786	Nov 2008	Apr 2009	340p
Share incentive plan	23,289	-	(23,289)	-	-	June 2005	July 2010	-

The share options above with an exercise price of 335p, 580p and 581p were granted under the Games Workshop Group PLC 1995 Sharesave Scheme. The options above with an exercise price of 340p were granted under the Games Workshop Group PLC 2005 Savings-Related Share Option Scheme. All of the remaining share options were granted under the Games Workshop Group PLC 1994 Executive Share Option Scheme.

Games Workshop Limited

Directors' report for the year ended 28 May 2006 (continued)

Directors and their interests (continued)

The options that were granted at nil cost were granted under the Games Workshop Group PLC Share Incentive Plan. This long-term share incentive plan had a performance period of three years from June 2000, with a maximum award of 60% annually made up of a basic share award of up to 36% of salary and a matching share award of up to 24% of salary (subject to the annual bonus being invested in shares at the end of the bonus period). Both the basic and the matching share awards were in the form of a promise that at the end of a three year period an option would be granted, subject to performance criteria being satisfied, over a number of shares. The exercise price of an option will be nil and the option will not normally be exercisable until five years after the date of the basic or matching share awards. 25% of the total award only vested if the Company's share price growth was equal to or greater than the share price growth of the top one third of companies in the FTSE 350 at the end of the performance period. This condition was satisfied. The remaining 75% of the total award depended on the Company's cumulative EPS growth over the three year performance period to May 2003. Cumulative EPS growth had to reach 15% per annum for the EPS related condition to be satisfied, and this condition was satisfied in full.

Creditor payment policy

The company's policy concerning the payment of the majority of its trade creditors is to follow the DTI's Prompt Payment 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 to 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 41 days (2005: 38 days).

Games Workshop Limited

Directors' report for the year ended 28 May 2006 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements, and have elected to prepare them in accordance with IFRS. Company law requires the directors to prepare financial statements in accordance with IFRS or UK GAAP, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

As at the date this report was signed, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting.

By order of the Board



Michael Sherwin
Director
20 October 2006

Independent auditors' report to the members of Games Workshop Limited

We have audited the financial statements of Games Workshop Limited for the year ended 28 May 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 28 May 2006 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
20 October 2006

Games Workshop Limited

Income statement for the year ended 28 May 2006

	Notes	2006 £'000	2005 £'000
Revenue		64,713	81,922
Cost of sales		(25,120)	(30,011)
Gross profit		39,593	51,911
Operating expenses	3	(32,309)	(36,124)
Other operating income – royalties receivable		1,331	367
Operating profit		8,615	16,154
Income from shares in group undertakings		2,358	-
Finance income	4	76	135
Finance costs	5	(470)	(482)
Profit before taxation	6	10,579	15,807
Income tax expense	8	(1,755)	(5,032)
Profit attributable to equity shareholders		8,824	10,775

Turnover and operating profit derive entirely from continuing activities.

The notes on pages 11 to 61 are an integral part of this income statement.

Statement of recognised income and expense for the year ended 28 May 2006

	2006 £'000	2005 £'000
Profit attributable to equity shareholders	8,824	10,775
Cash flow hedges:		
- fair value gains	87	331
- transferred to the income statement	(331)	(615)
Tax on items recognised directly in equity	73	85
Total recognised income for the year	8,653	10,576

Games Workshop Limited


Balance sheet as at 28 May 2006

	Notes	2006 £'000	2005 £'000
Non current assets			
Other intangible assets	10	3,894	3,465
Property, plant and equipment	11	23,869	22,547
Investments in subsidiaries	12	22	22
Other receivables	15	753	720
		28,538	26,754
Current assets			
Inventories	14	8,883	9,571
Trade and other receivables	15	6,662	7,935
Financial assets – derivative financial instruments	18	181	476
		15,726	17,982
Total assets		44,264	44,736
Current liabilities			
Financial liabilities – borrowings	17	(2,716)	(1,829)
Financial liabilities – derivative financial instruments	18	(14)	(109)
Trade and other payables	19	(12,735)	(14,666)
Current income tax liabilities		(159)	(1,372)
Provisions	21	(112)	(232)
		(15,736)	(18,208)
Net current liabilities		(10)	(226)
Non-current liabilities			
Financial liabilities – borrowings	17	-	(29)
Deferred tax liabilities	13	(311)	(169)
Other non-current liabilities	20	(5,829)	(5,172)
Provisions	21	(666)	(731)
		(6,806)	(6,101)
Net assets		21,722	20,427
Capital and reserves			
Called-up share capital	22	139	139
Hedging reserve	23	61	232
Retained earnings	23	21,522	20,056
Total shareholder's equity		21,722	20,427

The financial statements on pages 8 to 61 were approved by the board of directors and signed on its behalf by:



M Sherwin
Director
20 October 2006



R Tongue
Director

The notes on pages 11 to 61 are an integral part of these financial statements.

Games Workshop Limited

Cash flow statement for the year ended 28 May 2006

	Notes	2006 £'000	2005 £'000
Cash flows from operating activities			
Cash generated from operations	24	15,686	16,312
Corporation tax paid		(2,707)	(5,923)
Net cash from operating activities		12,979	10,389
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,755)	(8,932)
Proceeds on disposal of property, plant and equipment	24	103	-
Purchases of other intangible assets		(631)	(758)
Expenditure on product development		(2,151)	(1,830)
Equity dividends received		2,358	-
Interest received		76	135
Net cash from investing activities		(6,000)	(11,385)
Cash flows from financing activities			
Repayment of principal under finance leases		(114)	(172)
Equity dividends paid		(7,358)	(2,000)
Interest paid		(465)	(482)
Net cash from financing activities		(7,937)	(2,654)
Effects of foreign exchange rates		(14)	(5)
Net decrease in cash and cash equivalents		(972)	(3,655)
Opening cash and cash equivalents		(1,715)	1,940
Closing cash and cash equivalents	16	(2,687)	(1,715)

For the purposes of the cash flow statement cash and cash equivalents includes bank overdrafts (see note 16).

The notes on pages 11 to 61 are an integral part of these consolidated financial statements

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006

1 General information

Games Workshop Ltd ('the Company') designs and manufactures miniature figures and games and distributes these through its own network of hobby stores, through independent retailers and direct via the internet and mail order. The Company has manufacturing activities in the UK and sells mainly to the UK, Europe, North America and Asia Pacific.

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

These financial statements have been approved for issue by the board of directors on 20 October 2006.

2 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.

Basis of preparation

With effect from 30 May 2005, the Company has moved to reporting its financial results in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union and has applied IFRS 1 'First time Adoption of International Financial Reporting Standards' in preparing these financial statements.

The financial statements for the year ended 28 May 2006 are the Company's first annual financial statements reported under IFRS. These financial statements are prepared in accordance with IFRS and the International Financial Reporting Interpretations Committee Interpretations and with those parts of the Companies Act 1985 applicable to those companies reporting under IFRS.

On transition to IFRS, an entity is generally required to apply IFRS retrospectively except where an exemption is available under IFRS 1. The Company has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS. A summary of the key exemptions from IFRS 1 that have been made by the Company are provided in note 33.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Company's equity and its income statement are provided in note 33.

The financial statements are prepared in accordance with the historical cost convention, except for the revaluation of certain financial instruments to their fair value.

The company has taken advantage of the exemption from preparing consolidated financial statements 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 financial statements that incorporate the results of the company.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Intangible assets

Development expenditure

Costs incurred in respect of product design and development activities are recognised as intangible assets provided that a number of criteria are satisfied. These include the intention to use or sell the asset, technical feasibility, adequate resources being available to complete the development and probable future economic benefits being generated.

Product development costs recognised as intangible assets are amortised on a straight line basis over periods ranging between 6 to 48 months to match the expenditure incurred to the expected revenue generated from the subsequent product release.

Research expenditure is written off as incurred.

Computer software

Acquired computer software licences and external consultancy are capitalised on the basis of the costs incurred to acquire and bring in to use the specific software. Computer software licences are held at cost and amortised over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Core business systems computer software	15-33
Other computer software	33-50

Property, plant and equipment

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

Depreciation is calculated so as to write off the cost of property, plant and equipment, less any assigned residual value, 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 buildings	-	2-4%
Plant and equipment	-	15-33%
Motor vehicles	-	33%
Fixtures and fittings	-	20-25%
Moulding tools	-	25%

Leasehold premises are amortised over the period of the lease. Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Investments

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

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. In respect of finished goods, cost includes appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Where necessary, provision is made for obsolete, slow moving and defective inventories.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement immediately.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The company's commitment in respect of its Hobby stores is included within this category.

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

Finance leases

Finance leases 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 property, plant and equipment at the lower of the fair value of the leased property and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's life and the lease term.

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Foreign currency translation

The financial statements are presented in sterling, which is the company's functional and presentation currency.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Translation differences on monetary items are recognised immediately in the income statement with the exception of differences on transactions that are subject to effective cash flow hedges.

Financial instruments

Derivative financial instruments are recognised at fair value at inception and are subsequently re-measured at their fair value by reference to quoted market values for similar instruments at the balance sheet date. Derivative financial instruments are classified as non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months from the balance sheet date.

The recognition of the resulting gain or loss depends on whether hedge accounting is permitted. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are recognised immediately in the income statement.

In order to apply hedge accounting, the company designates certain derivatives as:

- Cash flow hedges: hedges of highly probable forecast transactions; or
- Fair value hedges: hedges of the fair value of recognised assets or liabilities.

The company documents the relationship between the hedging instruments and hedged items at the hedge inception, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Cash flow hedges

Forward foreign currency contracts that are in place to hedge future transactions are designated as cash flow hedges. The effective element of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and bank and cash balances, net of overdrafts. In the balance sheet, bank overdrafts are included in current financial liabilities.

Other borrowings are classified as current financial liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share based payments

The Company participates in a number of equity-settled employee sharesave schemes operated by Games Workshop Group PLC. Options are granted on an annual basis and are subject to either a two or three year service vesting condition. The fair value of the employee services received under such schemes, which is determined by use of the Black-Scholes Option Pricing Model, is re-charged to the Company by Games Workshop Group PLC and recognised as an expense in the income statement. At each balance sheet date, the Company revises its estimates of the number of share options that are expected to vest, with any revisions being recognised in the income statement over the remaining vesting period. No further charge is recognised from the point when an employee ceases saving and withdraws from the sharesave scheme.

Full details of these schemes are given in the Games Workshop Group PLC's annual report, which is available from the address given in note 32.

Other employment benefits

Pension costs

The Company participates in the Games Workshop Group PLC group personal pension plan, which is a defined contribution scheme. Pension contributions are charged to the income statement as they accrue.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the income statement as they accrue. For those incentive plans which are based upon performance criteria measured over a period in excess of one year, costs are charged to the income statement based upon the directors' estimate of the likely future outcome of those criteria.

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Other employment benefits (continued)

Long service benefits

The Company participates in the Games Workshop Group PLC long service incentive scheme, under which employees receive a one off additional holiday entitlement of two weeks when they reach ten years of employment (10 Year Veterans).

The costs of these benefits are accrued over the period of employment based on expected staff retention rates and the anticipated future employment costs discounted to present value.

Revenue

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

Revenue on goods sold to customers on a sale or return basis is recognised after making full provision for the level of expected returns, based on past experience. The level of returns is reviewed on a regular basis and the provision is amended accordingly.

Revenue on a sale or return basis represents sales made on a consignment basis to other companies in the Games Workshop Group PLC group and sales of certain non-core products to non group customers. Sales made on a consignment basis represent approximately 25% of revenue, whilst sale or return revenue from non group customers represents approximately 2% of revenue.

Royalty income

Royalty income is recognised by spreading the guarantees and advances receivable over the term of the licence agreement, and recognising all other income receivable by reference to the underlying licensee performance.

Taxation

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

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

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except where it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Dividends

Final equity dividends are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the balance sheet date. If in future such estimates and assumptions, which are based on management's best judgement at the date of the Financial Statements, deviate from actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change. The following policies are considered of greater complexity and/or particularly subject to the exercise of judgement:

Impairment of assets

Assets that have an indefinite useful economic life are not subject to amortisation but tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Management estimates and judgements are required in assessing the impairment of assets, particularly in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

Provisions

Provisions are made when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provision is made for committed costs outstanding under onerous or vacant property leases. The estimated liability is discounted at the Company's weighted average cost of capital.

Provisions are made for property dilapidations where a legal obligation exists and when the decision has been made to exit a property, or where the end of the lease commitment is imminent and a reliable estimate of the exit liability can be made.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

2 Accounting policies (continued)

Critical accounting estimates and judgements (continued)

The estimated employee benefit liability arising from the '10 Year Veterans' incentive scheme is classified within provisions. Amounts relating to employees who reach 10 years service in more than one year are classified as non-current.

Judgement is involved in assessing the exposures in the above areas and hence in setting the level of the required provisions.

3 Operating expenses

	2006	2005
	£'000	£'000
Selling costs	17,444	19,153
Administrative expenses	11,180	13,261
Design and development costs – amortisation (note 10)	1,935	1,537
Design and development costs – not capitalised	1,750	2,173
	32,309	36,124

4 Finance income

	2006	2005
	£'000	£'000
Interest income		
- on cash and cash equivalents	76	135
	76	135

Games Workshop Limited

Notes to the financial statements

for the year ended 28 May 2006 (continued)

5 Finance costs

	2006	2005
	£'000	£'000
Interest expense		
- bank loans and overdrafts	445	471
- finance lease charges	11	9
- unwinding of discounts on provisions	9	-
- other	-	2
Net foreign exchange transaction gains	5	-
	470	482

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

6 Profit before taxation

Profit on ordinary activities before taxation is stated after charging:

	2006	2005
	£'000	£'000
Depreciation and amounts written off tangible fixed assets		
- owned	4,166	3,345
- held under finance leases and hire purchase contracts	86	79
Amortisation of intangible assets		
- Computer software	418	345
- Development costs	1,935	1,537
Loss on sales of property, plant and equipment	87	11
Operating lease rentals		
- hobby stores	3,351	2,787
- other property	45	227
- plant and equipment	269	217
- other	63	54

Auditors' remuneration and services provided

Services provided by the Company's auditor and network firms are analysed as follows:

	2006	2005
	£'000	£'000
Audit services		
Statutory audit: UK	47	43
Non-audit services		
Further assurance services: UK	4	3
Total services provided	51	46

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

7 Directors and employees

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

	2006	2005
	Number	Number
Design and development	83	89
Production	185	231
Selling		
- full time	647	737
- part time	224	453
Administration	247	246
	1,386	1,756

Their aggregate remuneration comprised:

	2006	2005
	£'000	£'000
Total directors and employee costs:		
Wages and salaries	24,797	26,584
Social security costs	2,492	2,562
Other pension costs	700	650
Share based payments	130	105
	28,119	29,901

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

7 Directors and employees (continued)

Key management compensation

The remuneration of the executive directors and other key management personnel of the Company is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2006	2005
	£'000	£'000
Salaries and other short-term employee benefits	599	585
Compensation for loss of office	95	-
Post employment benefits	52	51
Share based payments	8	-
Other employee benefits	9	7
	763	643

Key management are the directors of the Company and the Managing Directors of Games Workshop Group PLC's manufacturing and supply division.

During the year four directors exercised gains on share options (2005: three).

The services of M Sherwin and R Tongue are provided by Games Workshop Group PLC and 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 and also remunerated by the company was as follows:

	2006	2005
	Number	Number
Money purchase pension schemes	3	3

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

7 Directors and employees (continued)

Highest-paid director

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

	2006	2005
	£'000	£'000
Emoluments	181	176
Company contributions to money purchase pension schemes	21	19
	202	195

8 Income tax expense

The income tax expense comprises:

	2006	2005
	£'000	£'000
Current UK taxation		
- UK corporation tax on profits for the year	949	3,503
- Amounts payable to related parties in respect of group relief surrendered	1,084	1,042
- (Over)/under provision in respect of prior years	(458)	130
	1,575	4,675
Deferred taxation		
- Origination and reversal of timing differences	227	376
- Under provision in respect of prior years	(47)	(19)
Income tax expense recognised in the income statement	1,755	5,032

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

8 Income tax expense (continued)

	2006	2005
	£'000	£'000
Current tax credit on cash flow hedges	(73)	-
Deferred tax credit on cash flow hedges	-	(85)
Credit taken directly to the statement of recognised income and expense	(73)	(85)

The difference between the total tax charge shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2006	2005
	£'000	£'000
Profit before taxation	10,579	15,807
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	3,174	4,742
Effects of:		
Expenses not deductible for tax purposes	136	368
Other permanent timing differences	(346)	-
Non taxable dividends received	(704)	-
Losses attributable to minority interests	-	(189)
Adjustments to tax charge in respect of previous years	(505)	111
Total tax charge for the year	1,755	5,032

9 Dividends paid on equity shares

The dividends paid in 2006 and 2005 were £7,358,000 (£52.98 per share) and £2,000,000 (£14.40 per share) respectively. No final dividend has been declared (2005: £nil).

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

10 Other intangible assets

	Computer software £'000	Development costs £'000	Total £'000
Cost			
At 31 May 2004	1,796	2,157	3,953
Additions	758	1,830	2,588
Exchange differences	-	4	4
At 29 May 2005 and 30 May 2005	2,554	3,991	6,545
Additions	631	2,151	2,782
Group transfers	95	-	95
Disposals	(106)	-	(106)
At 28 May 2006	3,174	6,142	9,316
Amortisation			
At 31 May 2004	(758)	(436)	(1,194)
Amortisation charge	(345)	(1,537)	(1,882)
Exchange differences	-	(4)	(4)
At 29 May 2005 and 30 May 2005	(1,103)	(1,977)	(3,080)
Amortisation charge	(418)	(1,935)	(2,353)
Group transfers	(95)	-	(95)
Disposals	106	-	106
At 28 May 2006	(1,510)	(3,912)	(5,422)
Net book value			
At 31 May 2004	1,038	1,721	2,759
At 29 May 2005 and 30 May 2005	1,451	2,014	3,465
At 28 May 2006	1,664	2,230	3,894

Amortisation of £174,000 (2005: £45,000) has been charged in cost of sales and £2,179,000 (2005: £1,837,000) in administrative expenses. There were no intangible assets held under finance leases at either year end.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

11 Property plant and equipment

	Freehold land and buildings £'000	Plant, equipment and vehicles £'000	Fixtures and fittings £'000	Moulding tools £'000	Total £'000
Cost					
At 31 May 2004	11,639	7,759	6,505	9,191	35,094
Additions	3,071	1,615	1,538	1,915	8,139
Group transfers	-	969	150	-	1,119
Disposals	-	(1,831)	(662)	-	(2,493)
Reclassification	(120)	(6)	126	-	-
At 29 May 2005 and 30 May 2005	14,590	8,506	7,657	11,106	41,859
Additions	146	2,519	975	2,115	5,755
Exchange differences	-	3	(1)	15	17
Group transfers	-	25	(3)	(242)	(220)
Disposals	-	(1,044)	(754)	-	(1,798)
Reclassifications	(83)	537	(454)	-	-
At 28 May 2006	14,653	10,546	7,420	12,994	45,613
Depreciation					
At 31 May 2004	(1,289)	(5,041)	(5,046)	(6,662)	(18,038)
Group transfers	-	(292)	(40)	-	(332)
Charge for the year	(252)	(1,334)	(784)	(1,054)	(3,424)
Disposals	-	1,826	656	-	2,482
Reclassifications	-	1	(1)	-	-
At 29 May 2005 and 30 May 2005	(1,541)	(4,840)	(5,215)	(7,716)	(19,312)
Exchange differences	-	(1)	-	(7)	(8)
Group transfers	-	(40)	8	152	120
Charge for the year	(388)	(1,730)	(825)	(1,309)	(4,252)
Disposals	-	961	747	-	1,708
Reclassifications	-	5	(5)	-	-
At 28 May 2006	(1,929)	(5,645)	(5,290)	(8,880)	(21,744)
Net book value					
At 31 May 2004	10,350	2,718	1,459	2,529	17,056
At 29 May 2005 and 30 May 2005	13,049	3,666	2,442	3,390	22,547
At 28 May 2006	12,724	4,901	2,130	4,114	23,869

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

11 Property plant and equipment (continued)

Depreciation expense of £3,032,000 (2005: £2,423,000) has been charged in cost of sales, £641,000 (2005: £536,000) in selling costs and £579,000 (2005: £465,000) in administrative expenses.

The net book value of property, plant and equipment includes £178,752 (2005: £264,553) in respect of assets held under finance leases. The depreciation charged on these assets was £85,801 (2005: £78,651).

Freehold land amounting to £4,055,000 (2005: £4,055,000) has not been depreciated.

Assets in the course of construction, and not depreciated, amount to £nil (2005: £5,540,000).

12 Investments in subsidiaries

£'000				
Cost				
At 29 May 2005 and 28 May 2006				22
The company has investments in the following subsidiary undertakings:				
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%	Dormant
Games Workshop Retail Limited	England and Wales	£1 ordinary	100%	Dormant
Warhammer Historical Wargames Limited	England and Wales	£1 ordinary	100%	Dormant

The subsidiary undertakings operate principally in their country of incorporation or registration.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

13 Deferred income tax

	2006	2005
	£'000	£'000
- Deferred income tax assets to be recovered after more than 12 months	(224)	(338)
- Deferred income tax liabilities due within 12 months	535	507
Net deferred income tax liability	311	169

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

	2006	2005
	£'000	£'000
Beginning of year	169	(123)
Transfer from Warhammer Online Limited	(38)	-
Transfer from Games Workshop Tooling Limited	-	20
Income statement charge (note 8)	180	357
Credited to equity	-	(85)
End of year	311	169

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

13 Deferred income tax (continued)

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

	Accelerated depreciation	Development costs	Other	Total
	£000	£000	£000	£000
At 31 May 2004	(486)	516	(153)	(123)
Transfer from Games Workshop Tooling Limited	23	-	(3)	20
Charged to the income statement	125	88	144	357
Charged to equity	-	-	(85)	(85)
At 29 May 2005 and 30 May 2005	(338)	604	(97)	169
Transfer from Warhammer Online Limited	(37)	-	(1)	(38)
Charged/(credited) to the income statement	151	65	(36)	180
At 28 May 2006	(224)	669	(134)	311

Deferred income tax assets are recognised in respect of tax losses and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has not recognised deferred income tax assets of £0.5m (2005: £nil) in respect of losses amounting to £1.7m (2005: £nil) due to the uncertainty at the balance sheet date as to their recovery. The losses can be carried forward against future taxable income.

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

14 Inventories

	2006	2005
	£'000	£'000
Raw materials	758	833
Work in progress	440	798
Finished goods and goods for resale	7,685	7,940
	8,883	9,571

The cost of inventories recognised as an expense and included in cost of sales amounted to £15,677,000 (2005: £19,496,000).

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

There was no write down of inventories to net realisable value in the year (2005: £nil). There were no releases of inventory provisions made in the prior years to the income statement.

15 Trade and other receivables

	2006	2005
	£'000	£'000
Trade receivables	2,516	3,257
Less provision for impairment of receivables	(255)	(381)
Trade receivables – net	2,261	2,876
Prepayments and accrued income	1,388	1,189
Receivables from related parties (note 30)	2,836	3,671
Loans to related parties (note 30)	675	675
Other receivables	255	244
	7,415	8,655
Less non-current portion:		
- Loans to related parties (note 30)	(675)	(675)
- Other receivables	(78)	(45)
Non current portion	(753)	(720)
Current portion	6,662	7,935

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

15 Trade and other receivables (continued)

The fair value of trade and other receivables does not differ from the book value.

The effective interest rates on non-current loans to related parties is imputed at *LIBOR* plus 1% in both years.

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers which are internationally dispersed.

All non-current receivables are due within 5 years of the balance sheet date.

16 Cash and cash equivalents

The Company's cash and cash equivalents are repayable on demand and include a right of set-off between sterling and other currencies held in the UK.

Cash and cash equivalents and short term deposits are floating rate assets which earn interest at various rates with reference to the prevailing *EuroBid/LIBOR* or equivalent interest rates.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement (see analysis of net debt, note 25):

	2006	2005
	£'000	£'000
Bank overdrafts	(2,687)	(1,715)

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

17 Financial liabilities – borrowings

	2006	2005
	£'000	£'000
Current		
Bank overdraft – working capital facility	1,015	1,715
Bank overdraft - other	1,672	-
Obligations under finance leases	29	114
	2,716	1,829
Non-current		
Obligations under finance leases	-	29
Total borrowings	2,716	1,858

The working capital facility is denominated in sterling and the balance accrues interest at a floating rate by reference to LIBOR.

The other bank overdraft is denominated in euros and the balance accrues interest at a floating rate by reference to EuroBid.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default and accrue interest at a fixed rate of 2%.

The minimum lease payments under finance leases fall due as follows:

	2006	2005
	£'000	£'000
Within 1 year	29	114
Between 1 and 2 years	-	29
	29	143
Future finance costs on finance leases	-	(11)
Present value of finance lease liabilities	29	132

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

17 Financial liabilities – borrowings (continued)

Maturity profile of borrowings:

	2006	2005
	Bank overdrafts	Bank overdrafts
	£'000	£'000
Within 1 year	2,687	1,715

At the year end borrowings were denominated in sterling and euros. At the previous year end, all borrowings were denominated in sterling.

Undrawn borrowings

The bank borrowing facilities of the Company, drawn and undrawn, are as follows:

2006						
		Effective interest rate at May 2006	Drawn	Undrawn	Drawn/ (deposited) by other group companies	Total
	Currency	%	£'000	£'000	£'000	£'000
Committed:						
- Medium-term revolving credit facility	Sterling	5.25	-	2,400	2,600	5,000
- Medium-term revolving credit facility	Euro	3.25	-	645	4,355	5,000
			-	3,045	6,955	10,000
Uncommitted						
- Bank overdraft - working capital facility	Sterling	5.25	1,015	5,000	(1,015)	5,000
- Bank overdraft - other	Euro	3.25	1,672	3,328	-	5,000
Total available facilities			2,687	11,373	5,940	20,000

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

17 Financial liabilities – borrowings (continued)

Undrawn borrowings (continued)

2005						
		Effective interest rate at May 2005	Drawn	Undrawn	Drawn/ (deposited) by other group companies	Total
Currency		%	£000	£000	£'000	£000
Committed:						
- Medium-term revolving credit facility	Sterling	5.5	-	5,000	5,000	10,000
Uncommitted						
- Bank overdraft - working capital facility	Sterling	5.5	1,715	5,000	(1,715)	5,000
Total available facilities			1,715	10,000	3,285	15,000

All committed credit facilities, and the uncommitted bank overdraft working capital facility, are part of a facility shared between Games Workshop Limited and certain other companies within the Games Workshop Group PLC group. As a result, undrawn amounts available to the company are dependent on amounts drawn down by other parties to the facility.

Bank borrowings attract floating rate interest by reference to sterling and euro base rates.

The medium-term revolving credit facility is unsecured, and is available until 1 September 2008. During the year the terms of the facility were amended to allow draw down in both sterling and euros.

Bank overdrafts are unsecured. The working capital facility includes an additional £10m (2005: £5m) seasonal overdraft which ran from 1 August to 31 December in both years.

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

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

18 Derivative financial instruments

The Company's treasury function deals primarily with cash management and managing currency exposures as detailed below:

Financial risk management objectives and policies

The Company's financial risk management objective is to reduce the financial risks and exposures facing the business with respect to changes in foreign exchange rates and interest, and to ensure constant access to sufficient liquidity. To achieve this, the Company undertakes an active hedging policy, including the use of derivatives (forward currency contracts), which are entered into under policies approved and monitored by the group finance director. These transactions are only undertaken to reduce exposures arising from underlying commercial transactions and at no time are transactions undertaken for speculative reasons.

Foreign currency risk

The majority of the Company's business is transacted in sterling, euros and US dollars. The principal commercial currency of the Company is sterling. The Company seeks to manage currency exposure wherever possible by hedging of exposures using forward foreign currency contracts.

Interest rate risk

The Company's interest rate risk primarily arises from the Company's borrowings and finance leases. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company has an exposure to movements in interest rates, primarily in sterling and euros.

To manage these risks, wherever possible the Company offsets financial liabilities against financial assets in the same currency. This process is facilitated by holding borrowings in more than one currency. The board periodically reviews the Company's exposure to interest rate fluctuations, and this exposure has not been significant in recent years.

Liquidity risk

The seasonal nature of the business necessitates higher levels of working capital in the months between September and January as inventories and trade receivables build up in advance of and during the Christmas period. Consequently, the Company ensures that it has a core level of medium term funding in place and supplements this with an increased working capital facility in the winter period.

Credit risk

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

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers that are internationally dispersed.

Sales made through our own Hobby stores, mail order or over the internet are made in cash or with major credit cards.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

18 Derivative financial instruments (continued)

Recognised fair values of derivative financial instruments

Forward foreign exchange contracts and embedded derivatives are measured at fair value by reference to year end market values. The full fair values of hedging derivatives are classified as current assets or liabilities as the remaining maturity of all hedged items is less than 12 months.

	2006		2005	
	Current assets	Current liabilities	Current assets	Current liabilities
	£000	£000	£000	£000
Forward foreign currency contracts - cash flow hedges	181	(14)	476	(109)

In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', the Company has reviewed all contracts to identify embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. The fair value of such embedded derivatives at 28 May 2006 was £nil (2005: £nil)

Net fair values of derivative financial instruments

The net fair values of derivative financial instruments and designated for cash flow hedges at the balance sheet date are:

	2006	2005
	£000	£000
Contracts with positive fair values:		
- Forward foreign currency contracts - cash flow hedges	181	476
Contracts with negative fair values:		
- Forward foreign currency contracts - cash flow hedges	(14)	(109)
Net fair values of cash flow hedges	167	367

The principal amounts of the outstanding forward foreign currency contracts at 28 May 2006 are £17.1 million (2005: £19.6 million).

The net fair value gains at 28 May 2006 on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales (cash flow hedges) are £87,000 (2005: £331,000) and are recognised in the hedging reserve. These will be transferred to the income statement when the forecast sales occur over the next 12 months.

There are no derivatives outstanding at either year end that were designated as fair value hedges.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

19 Trade and other payables - current

	2006	2005
	£'000	£'000
Trade payables	3,058	3,166
Payables due to related parties (note 30)	3,589	4,629
Other taxes and social security	1,203	645
Other payables	769	1,620
Accruals and deferred income	4,116	4,606
	12,735	14,666

The fair value of trade and other payables does not differ from the book value.

Obligations under finance leases and hire purchase contracts are shown in note 17

20 Other non-current liabilities

	2006	2005
	£'000	£'000
Accruals and deferred income	747	50
Other payables	-	40
Loans from related parties (note 30)	5,082	5,082
	5,829	5,172

The fair value of other non current liabilities does not differ from the book value.

The effective interest rates on non current loans from related parties is imputed at LIBOR plus 1% in both years.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

21 Provisions

	2006	2005
	£'000	£'000
Current	112	232
Non-current	666	731
	778	963

	Employee benefits	Property	Total
	£'000	£'000	£'000
At 29 May 2005	384	579	963
Charged/(credited) to the income statement:			
- Additional provisions	18	21	39
- Unused amounts reversed	(47)	-	(47)
- Unwinding of discounts	-	9	9
Utilised	(28)	(158)	(186)
At 28 May 2006	327	451	778

Employee benefits

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

Property provisions

Property provisions relate to committed costs outstanding under onerous or vacant lease commitments and will diminish over the lives of the underlying leases. £431,000 (2005: £422,000) of the above provision is expected to be utilised between 2008 and 2016. The estimated liability is discounted at the Company's weighted average cost of capital of 9% (2005: 8%).

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

22 Share capital

	2006	2005
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
138,889 ordinary shares of £1 each	139	139

All issued shares are fully paid.

23 Reserves

	Hedging reserve	Retained earnings	Total
	£'000	£'000	£'000
At 31 May 2004	431	11,281	11,712
Profit attributable to equity shareholders	-	10,775	10,775
Cash flow hedges:			
- fair value gains in the year	331	-	331
- transfers to net profit	(615)	-	(615)
Deferred taxation recognised directly in equity	85	-	85
Dividends paid	-	(2,000)	(2,000)
At 29 May 2005 and 30 May 2005	232	20,056	20,288
Profit attributable to equity shareholders	-	8,824	8,824
Cash flow hedges:			
- fair value gains in the year	87	-	87
- transfers to net profit	(331)	-	(331)
Current taxation recognised directly in equity	73	-	73
Dividends paid	-	(7,358)	(7,358)
At 28 May 2006	61	21,522	21,583

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

24 Cash generated from operations

	2006	2005
	£'000	£'000
Profit attributable to equity shareholders	8,824	10,775
Income tax expense (note 8)	1,755	5,032
Depreciation of property, plant and equipment (note 11)	4,252	3,424
Loss on disposal of property, plant and equipment (see below)	87	11
Amortisation of capitalised development costs (note 10)	1,935	1,537
Amortisation of computer software (note 10)	418	345
Income from shares in group undertakings	(2,358)	-
Finance income (note 4)	(76)	(135)
Finance expense (note 5)	470	482
Net fair value losses on derivative financial instruments	29	294
Share-based payments	-	27
Changes in working capital:		
Decrease in inventories	688	1,034
Decrease/(increase) in trade and other receivables	1,240	(1,793)
Decrease in trade and other payables	(1,393)	(4,119)
Decrease in provisions	(185)	(602)
Net cash from operating activities	15,686	16,312

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

24 Cash generated from operations (continued)

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

	2006	2005
	£'000	£'000
Net book amount (note 11)	190	11
Loss on sale of property, plant and equipment	(87)	(11)
Proceeds from sale of property, plant and equipment	103	-

25 Analysis of net debt

	As at 29 May 2005	Cash flow	Exchange movement	As at 28 May 2006
	£'000	£'000	£'000	£'000
Current borrowings – bank overdraft	(1,715)	(958)	(14)	(2,687)
Obligations under finance leases	(143)	114	-	(29)
Net debt	(1,858)	(844)	(14)	(2,716)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

26 Reconciliation of net cash flow to movement in net debt

	2006	2005
	£'000	£'000
Increase in bank overdrafts in the year	(958)	(3,650)
Cash flow from decrease in debt and lease financing	114	172
Change in net funds resulting from cash flows	(844)	(3,478)
Exchange movement	(14)	(5)
Net (debt)/funds at start of year	(1,858)	1,625
Net debt at end of year	(2,716)	(1,858)

27 Commitments

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

	2006	2005
	£'000	£'000
Property, plant and equipment	-	729

Games Workshop Limited
Notes to the financial statements
for the year ended 28 May 2006 (continued)

27 Commitments (continued)

Operating lease commitments

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

	2006			2005		
	Hobby stores	Other property	Other	Hobby stores	Other property	Other
	£000	£000	£000	£000	£000	£000
Expiring within 1 year	3,036	38	230	2,794	37	280
Expiring between 2 and 5 years inclusive	12,240	302	328	12,375	215	322
Expiring in over 5 years	9,450	660	46	10,525	785	67
	24,726	1,000	604	25,694	1,037	669

28 Pension arrangements

The company makes contributions to the Games Workshop Group PLC group personal pension plan, which is a defined contribution scheme. The pension cost charge for the year amounted to £700,000 (2005: £650,000).

29 Contingencies

The Company had no material contingent liabilities at either year end.

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Company provides indemnities to third parties in respect of contracts regarding their use of its intellectual property, under commercial terms in the normal course of business. The Company has also guaranteed the bank overdrafts and loans of certain other undertakings in the Games Workshop Group for which the aggregate amount outstanding at the balance sheet date was £6,335,000 (2005: £7,511,451).

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

30 Related party transactions

During the year the Company provided management and similar services to a number of companies within the Games Workshop Group.

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

Related party	Nature of transaction	2006	2005
		£'000	£'000
Games Workshop Retail Inc.	Recharges	36	98
EURL Games Workshop	Recharges	3	14
Games Workshop SL	Recharges	4	18
Games Workshop Oz Pty Limited	Recharges	17	51
Games Workshop Deutschland GmbH	Recharges	12	16
	Dividends received	2,358	-
Games Workshop Italia SRL	Recharges	7	32
Sabertooth Games Inc	Recharges	13	10
	Royalties receivable	13	-
Games Workshop (Queen Street) Limited	Recharges	8	23
Games Workshop Group PLC	Dividends payable	(7,358)	(2,000)
	Recharges	304	65
Games Workshop US Manufacturing LLC	Recharges	36	38
	Royalties receivable	149	-
		(4,398)	(1,635)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

30 Related party transactions (continued)

Receivables/(payables) outstanding between the Company and its subsidiaries are shown below

Related party	Amounts owed by related parties		Amounts owed to related parties	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Games Workshop Group PLC Employee Share Trust	-	-	(385)	-
Games Workshop Group PLC	-	-	(901)	(1,669)
Warhammer Online Limited	-	33	-	-
Games Workshop Retail Inc.	-	-	(212)	(514)
EURL Games Workshop	-	-	(455)	(419)
Games Workshop US Manufacturing LLC	1,401	1,677	-	-
Games Workshop SL	-	-	(141)	(39)
Games Workshop Limited (Hong Kong)	-	-	(71)	(71)
Games Workshop Oz Pty Limited	-	-	(722)	(1,110)
Games Workshop Limited (New Zealand)	-	-	(37)	(37)
Games Workshop Deutschland GmbH	-	-	(402)	(358)
Games Workshop Stockholm AB	-	-	(17)	(102)
Sabertooth Games Inc.	120	531	-	-
Games Workshop Tooling Limited	-	-	(134)	(134)
Games Workshop International Limited	-	236	(17)	-
Warhammer Historical Wargames Limited	-	-	(95)	(95)
Games Workshop (Queen Street) Limited	78	-	-	(81)
Games Workshop Italia SRL	1,237	1,194	-	-
	2,836	3,671	(3,589)	(4,629)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

30 Related party transactions (continued)

Non current loans outstanding between the Company and its subsidiaries are shown below:

Related party	Amounts owed by related parties		Amounts owed to related parties	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Games Workshop Oz Pty Limited	1	1	-	-
EURL Games Workshop	1	1	-	-
Games Workshop Productions Limited	613	613	-	-
Warhammer Records Limited	60	60	-	-
Games Workshop Books Limited	-	-	(41)	(41)
Games Workshop Plastics Limited	-	-	(1,121)	(1,121)
Flame Publications Limited	-	-	(20)	(20)
Games Workshop Group PLC	-	-	(3,900)	(3,900)
	675	675	(5,082)	(5,082)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

31 Acquisition of trade and assets of Warhammer Online Limited

On 3 June 2005 the company acquired the trade and assets of a fellow group company, Warhammer Online Limited. The assets acquired have been accounted for under the acquisition method of accounting as set out below:

	Acquired net assets	Fair Value
	£'000	£'000
Non-current assets	7	7
Trade and other receivables	555	555
Cash and cash equivalents	(33)	(33)
Trade and other payables	(529)	(529)
Net Assets acquired	-	-
Total consideration	-	-

No results have been generated pre-acquisition in the current year. For the year ended 29 May 2005, Warhammer Online Limited reported an audited post tax loss under UK GAAP of £517,968. The acquisition of the trade and assets of Warhammer Online Limited contributed £63,000 to the company's pre-tax profit.

32 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of Games Workshop Group PLC. The directors regard Games Workshop Group PLC, a company registered in England and Wales, as the ultimate parent company and controlling party.

Games Workshop Group PLC is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements are available from The Secretary, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information

Transition to IFRS

Games Workshop Limited reported under UK GAAP in its previously published financial statements for the year ended 29 May 2005. The following reconciliations of net assets and profit show the differences between figures presented under UK GAAP and IFRS.

Transitional arrangements

Application of IFRS 1

The Company's financial statements for the year ended 28 May 2006 are the Company's first annual financial statements reported under IFRS. These financial statements have been prepared as described in note 2. The Company has applied IFRS 1 in preparing these financial statements.

Games Workshop Limited's transition date is 31 May 2004. The Company prepared its opening IFRS balance sheet at that date. The Company's IFRS adoption date is 30 May 2005.

On transition to IFRS, an entity is generally required to apply IFRS retrospectively, except where an exemption is available under IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The Company has applied the mandatory exemptions and certain of the optional exemptions from full retrospective application of IFRS.

The following is a summary of the key elections from IFRS 1 that were made by the Company:

Share-based payment transaction exemption:

The Company has elected to apply the share-based payment exemption. IFRS 2 has been applied from 31 May 2004 to those options that were issued after 7 November 2002 and had not vested by 30 May 2005.

Application of IAS 39

Hedge accounting

The Company has adopted IAS 39 at its transition date and applied hedge accounting from 31 May 2004 for all transactions where the hedge relationship meets all the hedge accounting criteria under IAS 39. It has also adopted the amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intra-Group Transactions' from the transition date.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Summary reconciliation of net assets and operating profit under UK GAAP to IFRS

The following reconciliations provide a quantification of the effect of the transition to IFRS.

The first analysis shows a summary reconciliation of operating profit for the period to 29 May 2005 as reported under UK GAAP to the revised operating profit reported under IFRS.

	Notes	Year to 29 May 2005 £'000
Operating profit reported under UK GAAP		16,098
Capitalisation of development expenditure	1.1	294
Recognition of employee benefit liabilities	1.2	(94)
Share-based payment	1.3	(105)
Derivatives not qualifying for hedge accounting/hedge ineffectiveness	1.4	(68)
Recognition of lease incentives	1.6	34
Other adjustments		(5)
Operating profit reported under IFRS		16,154

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

The analysis below shows a summary reconciliation of net assets reported under UK GAAP as at 30 May 2004 and 29 May 2005 to the revised net assets under IFRS.

		As at 29 May 2005	As at 30 May 2004
	Notes	£'000	£'000
Net assets reported under UK GAAP		19,316	10,550
Capitalisation of development expenditure	1.1	2,014	1,721
Recognition of employee benefit liabilities	1.2	(438)	(342)
Derivatives not qualifying for hedge accounting/hedge ineffectiveness	1.4	43	113
Derivatives recognised and measured at fair value relating to future transactions	1.5	331	615
Deferred recognition of lease incentives/payments	1.6	(142)	(176)
Share-based payment		(105)	-
Tax effect of the above adjustments	1.7	(592)	(630)
Net assets reported under IFRS		20,427	11,851

Notes to the above reconciliations are shown below:

1.1 Capitalisation of development expenditure

The adoption of IAS 38 'Intangible Assets' resulted in the capitalisation of certain costs relating to the design and development of core tabletop wargaming product.

1.2 Employee benefit liabilities

IAS 19 'Employee Benefits' requires the recognition of liabilities relating to holiday pay and long service benefits (i.e. the 10 Year Veterans holiday scheme) not previously recognised, in line with common practice, under UK GAAP.

1.3 Share-based payment

Adoption of IFRS 2 'Share-based Payment' requires the assignment of fair values at the date of grant to the sharesave options granted to employees after 7 November 2002 which had not vested by 1 January 2005. The expense is spread over the vesting period of those options.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

1.4 Derivatives not qualifying for hedge accounting/hedge ineffectiveness

IAS 39 'Financial Instruments: Recognition and Measurement' requires the recognition of the fair value of forward foreign currency contracts that are in place at the balance sheet date to hedge future transactions. Where the designated forecast transaction is expected to fall below the value of the hedging instrument, an element of hedge ineffectiveness arises.

Where hedge ineffectiveness arises or where the forward contracts in place do not meet the requirements of IAS 39 for hedge accounting to be applied, the movement in the related fair values is taken to the income statement.

1.5 Fair value of derivatives that are in place to hedge future transactions

IAS 39 permits hedge accounting for forward foreign currency contracts designated as cash flow hedges of highly probable forecast transactions. The effective portion of the fair value of derivatives accumulate in equity (hedging reserve) until the hedged item affects the income statement in future periods.

1.6 Recognition of lease incentives/payments

The adoption of IAS 17 'Leases' requires any benefits received as an incentive to sign a lease to be charged on a straight line basis over the entire lease term rather than the period up to the first market rent review, as under UK GAAP. This resulted in the deferred element of lease incentives received being spread over a longer period.

1.7 Deferred and current income taxes

The principles of IAS 12 'Income Taxes' have been applied to the adjustments made on the adoption of IFRS. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount in the balance sheet and the corresponding tax basis used in the computation of taxable profit.

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Detailed reconciliations between UK GAAP and IFRS

The following reconciliations provide full details of the impact of the IFRS transition on:

- net income for the year to 29 May 2005;
- equity at 30 May 2004 and 29 May 2005.
- reconciliation of the cash flow statement

Reconciliation of net income for the year to 29 May 2005

	Notes	UK GAAP to 29 May 2005 £'000	Effect of transition to IFRS £'000	IFRS to 29 May 2005 £'000
Revenue		81,922	-	81,922
Cost of sales	2.1	(29,956)	(55)	(30,011)
Gross profit		51,966	(55)	51,911
Net operating expenses	2.2	(35,868)	111	(35,757)
Operating profit		16,098	56	16,154
Finance income		135	-	135
Finance costs		(482)	-	(482)
Profit before taxation		15,751	56	15,807
Income tax expense	2.3	(4,985)	(47)	(5,032)
Profit for the year		10,766	9	10,775

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Notes to the above reconciliation of net income are shown below:

2.1 Cost of sales

Year to
29 May 2005

£'000

IAS 39 'Financial Instruments: Recognition and Measurement' requires movements in the fair value of forward foreign currency contracts relating to forecast transactions that do not qualify for hedge accounting, or include an element of ineffectiveness, to be taken to the income statement.

(55)

2.2 Net operating expenses

Year to
29 May 2005

£'000

IAS 39 'Financial Instruments: Recognition and Measurement' requires movements in the fair value of forward foreign currency contracts relating to forecast transactions that do not qualify for hedge accounting, or include an element of ineffectiveness, to be taken to the income statement.

(13)

IAS 38 'Intangible Assets' requires the capitalisation of development expenditure that meets certain criteria. These amounts were previously written off as incurred.

294

IAS 17 'Leases' requires any benefits received as an incentive to sign a lease to be charged on a straight-line basis over the entire lease term rather than the period to the first rent review.

34

IAS 19 'Employee Benefits' requires an accrual to be made for the holiday pay and the expected cost of providing one off benefits to employees who reach 10 years service (10 Year Veterans).

(94)

IFRS 2 'Share-based Payment' requires the recognition of the fair value of share based payments to be reflected in the income statement over the period that the related services are received.

(105)

Other adjustments

(5)

111

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

2.3 Income tax expense

	Year to 29 May 2005
	£'000
IAS 12 'Income Taxes' requires deferred tax to be recognised on temporary differences between the tax computation and balance sheet. It was previously recognised on timing differences between taxable profits and results as stated in the financial statements.	3
The effect on taxation of the IFRS adjustments to the income statement	(50)
	(47)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Reconciliation of equity at 30 May 2004

	Notes	UK GAAP as at 30 May 2004 £'000	Effect of transition to IFRS £'000	IFRS as at 30 May 2004 £'000
Non-current assets				
Other intangible assets	3.1	-	2,759	2,759
Property, plant and equipment	3.2	18,094	(1,038)	17,056
Investments in subsidiaries		22	-	22
Other receivables		33	-	33
Deferred income tax assets	3.3	753	(630)	123
		18,902	1,091	19,993
Current assets				
Inventories		10,605	-	10,605
Trade and other receivables	3.4	6,642	187	6,829
Derivative financial instruments	3.5	-	948	948
Cash and cash equivalents	3.6	2,345	(405)	1,940
		19,592	730	20,322
Total assets		38,494	1,821	40,315
Current liabilities				
Financial liabilities	3.7	(139)	(2)	(141)
Trade and other payables	3.8	(23,279)	(247)	(23,526)
Current income tax liabilities		(1,799)	-	(1,799)
Provisions	3.9	-	(76)	(76)
		(25,217)	(325)	(25,542)
Net current liabilities		(5,625)	405	(5,220)
Non-current liabilities				
Financial liabilities - borrowings		(174)	-	(174)
Deferred tax liabilities	3.10	-	-	-
Other non-current liabilities		(1,274)	-	(1,274)
Provisions	3.12	(1,279)	(195)	(1,474)
		(2,727)	(195)	(2,922)
Net assets		10,550	1,301	11,851
Capital and reserves				
Called up share capital		139	-	139
Share premium		-	-	-
Other reserves	3.13	-	431	431
Retained earnings		10,411	870	11,281
Total equity		10,550	1,301	11,851

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Reconciliation of equity at 29 May 2005

	Notes	UK GAAP as at 29 May 2005 £'000	Effect of transition to IFRS £'000	IFRS as at 29 May 2005 £'000
Non-current assets				
Other intangible assets	3.1	-	3,465	3,465
Property, plant and equipment	3.2	23,998	(1,451)	22,547
Investments in subsidiaries		22	-	22
Other receivables		720	-	720
Deferred income tax assets	3.3	423	(423)	-
		25,163	1,591	26,754
Current assets				
Inventories		9,571	-	9,571
Trade and other receivables	3.4	7,940	(5)	7,935
Derivative financial instruments	3.5	-	476	476
Cash and cash equivalents		-	-	-
		17,511	471	17,982
Total assets		42,674	2,062	44,736
Current liabilities				
Financial liabilities	3.7	(1,841)	(97)	(1,938)
Trade and other payables	3.8	(14,318)	(348)	(14,666)
Current income tax liabilities		(1,372)	-	(1,372)
Provisions	3.9	-	(232)	(232)
		(17,531)	(677)	(18,208)
Net current liabilities		(20)	(206)	(226)
Non-current liabilities				
Financial liabilities - borrowings		(29)	-	(29)
Deferred tax liabilities	3.10	-	(169)	(169)
Other non-current liabilities	3.11	(5,160)	(12)	(5,172)
Provisions	3.12	(638)	(93)	(731)
		(5,827)	(274)	(6,101)
Net assets		19,316	1,111	20,427
Capital and reserves				
Called up share capital		139	-	139
Share premium		-	-	-
Other reserves	3.13	-	232	232
Retained earnings		19,177	879	20,056
Total equity		19,316	1,111	20,427

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

Notes to the above reconciliations of equity are shown below:

3.1 Other intangible assets

	29 May 2005	30 May 2004
	£'000	£'000
IAS 38 'Intangible Assets' requires computer software to be classified as an intangible asset.	1,451	1,038
IAS 38 'Intangible Assets' requires the capitalisation of development expenditure that meets certain criteria. These amounts were previously written off as incurred.	2,014	1,721
	3,465	2,759

3.2 Property, plant and equipment

	29 May 2005	30 May 2004
	£'000	£'000
IAS 38 'Intangible Assets' requires computer software to be classified as an intangible asset.	(1,451)	(1,038)

3.3 Deferred income tax assets

	29 May 2005	30 May 2004
	£'000	£'000
IAS 12 'Income taxes' requires deferred tax to be recognised on temporary differences between the tax computation and the balance sheet. It was previously recognised on timing differences between taxable profits and results as stated in the financial statements	(52)	(53)
The effect on deferred taxation of other IFRS adjustments	(371)	(577)
	(423)	(630)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

3.4 Trade and other receivables

	29 May 2005	30 May 2004
	£'000	£'000
IAS 39 'Financial Instruments: Recognition and Measurement' requires all assets and liabilities relating to financial instruments to be included within derivative financial instruments.	(5)	187

3.5 Derivative financial instruments

	29 May 2005	30 May 2004
	£'000	£'000
IAS 39 'Financial Instruments: Recognition and Measurement' requires assets and liabilities relating to the closing fair value of forward foreign currency contracts in place at the period end to be included within derivative financial instruments/financial liabilities		
Derivative financial instruments – assets	476	948

3.6 Cash and cash equivalents

	29 May 2005	30 May 2004
	£'000	£'000
IAS 39 'Financial Instruments: Recognition and Measurement' requires assets and liabilities relating to the closing fair value of forward foreign currency contracts in place at the period end to be included within derivative financial instruments/financial liabilities, and so removed from cash balances	-	(405)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

3.7 Financial liabilities

	29 May 2005	30 May 2004
	£'000	£'000
IAS 39 'Financial Instruments: Recognition and Measurement' requires assets and liabilities relating to the closing fair value of forward foreign currency contracts in place at the period end to be included within derivative financial instruments/financial liabilities	(97)	(2)

3.8 Trade and other payables

	29 May 2005	30 May 2004
	£'000	£'000
IAS 17 'Leases' requires any benefit or cost relating to lease incentives received or given to be spread over the entire period of the related lease, netted off the related lease liability and included within current or non-current assets/liabilities as appropriate.	(142)	(176)
IAS 19 'Employee Benefits' requires the recognition of holiday pay accruals and other service benefits not previously recognised under UK GAAP.	(101)	(71)
IFRS 2 'Share-based Payment' requires the recognition of the fair value of share based payments to be reflected in the income statement over the period that the related services are received	(105)	-
	(348)	(247)

3.9 Provisions – current

	29 May 2005	30 May 2004
	£'000	£'000
IAS 19 'Employee Benefits' requires a liability to be recognised for the expected cost of providing one off benefits to employees who reach 10 years service (10 Year Veterans).	(75)	(45)
IAS 1 'Presentation of Financial Statements' requires provisions to be split between current and non-current amounts. As a result a number of property provisions have been reclassified.	(157)	(31)
	(232)	(76)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

3.10 Deferred tax liabilities

	29 May 2005	30 May 2004
	£'000	£'000
The effect on deferred taxation of other IFRS adjustments	(169)	-

3.11 Other non current liabilities

	29 May 2005	30 May 2004
	£'000	£'000
IAS 19 'Employee Benefits' requires the recognition of holiday pay accruals and other service benefits not previously recognised under UK GAAP.	(12)	-

3.12 Provisions – non-current

	29 May 2005	30 May 2004
	£'000	£'000
IAS 19 'Employee Benefits' requires a liability to be recognised for the expected cost of providing one off benefits to employees who reach 10 years service (10 Year Veterans)	(250)	(226)
IAS 1 'Presentation of Financial Statements' allows provisions to be split between current and non-current amounts. As a result a number of property provisions have been reclassified	157	31
	(93)	(195)

Games Workshop Limited

Notes to the financial statements for the year ended 28 May 2006 (continued)

33 International Financial Reporting Standards (IFRS) Restatement Information (continued)

3.13 Other reserves

	29 May 2005	30 May 2004
	£'000	£'000
IAS 39 'Financial Instruments: Recognition and Measurement' allows movements in the fair value of derivatives used as hedging instruments for future transactions and that meet the hedge accounting criteria to be taken to reserves and then recycled to the income statement in the period the transaction occurs.	331	615
Deferred tax relating to the above	(99)	(184)
	232	431

Reconciliation of the cash flow statement

The preparation of financial statements in accordance with International Standards means that the company has lost the exemption from the requirement to produce a cash flow statement that is previously enjoyed.

The principal difference between cash flow statements prepared under UK GAAP and IFRS is the requirement to reconcile to cash and bank overdrafts rather than net debt (which includes bank loans and finance lease creditors).