

Games Workshop Limited

Annual report and financial statements
for the year ended 2 June 2002

Registered number: 1467092



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Directors' report

For the year ended 2 June 2002

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 2 June 2002.

Principal activities

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

Business review

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

Results and dividends

The audited accounts for the year ended 2 June 2002 are set out on pages 8 to 23. The profit for the year after taxation was £9,439,000 (2001 - £7,068,000).

The directors declared and paid an interim dividend of £97.20 (2001 - £nil) per ordinary share and declared a final dividend of £7.20 (2001 - £36.00) per ordinary share, resulting in a total dividend for the year of £104.40 (2001 - £36.00) per ordinary share.

Employees

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

The company 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.

Directors' report (continued)

Directors and their interests

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

T J M Wilson
J A J Stallard
R J Renton
S James
M Sherwin
M Wells (appointed 5 June 2001)

No director had any beneficial interest in the shares of the company or any other fellow subsidiary company at 2 June 2002.

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.

The interests of J A J Stallard in the shares of the ultimate parent company, including details of share options held, are disclosed in the financial statements of Games Workshop International Limited.

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

	Ordinary shares of 5p each	
	2002 Number	2001 Number
T J M Wilson	8,200	11,080
R J Renton	76,318	65,600
M Wells	8,873	46,210

Directors' report (continued)

Directors and their interests (continued)

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

	3 June 2001 Number	Granted*	Exercised Number	2 June 2002 Number	Exercise dates		Exercise price
		Number			Commence- ment	Expiry	
T J M Wilson							
<i>Share options</i>	3,154	-	(3,154)	-	Aug 1998	Aug 2005	208p
	5,000	-	-	5,000	Sept 1999	Sept 2006	463p
	6,887	-	-	6,887	Aug 2003	Aug 2007	141p
	205	-	-	205	Aug 2003	Aug 2010	141p
	-	1,274	-	1,274	July 2004	July 2008	392.5p
<i>Savesave scheme</i>	4,130	-	-	4,130	Nov 2003	Apr 2004	106p
	-	1,569	-	1,569	Nov 2004	Apr 2005	338p
R J Renton							
<i>Share options</i>	3,154	-	(3,154)	-	Aug 1998	Aug 2005	208p
	5,000	-	-	5,000	Sept 1999	Sept 2003	463p
	5,000	-	-	5,000	Sept 1999	Sept 2006	463p
<i>Savesave scheme</i>	3,326	-	-	3,326	Nov 2003	Apr 2004	106p
	-	1,809	-	1,809	Nov 2004	Apr 2005	338p
<i>Share incentive plan</i>	5,760	-	-	5,760	June 2004	-	-
	14,727	-	-	14,727	June 2005	-	-
S James							
<i>Share options</i>	7,092	-	-	7,092	Aug 2003	Aug 2010	141p
<i>Savesave scheme</i>	3,326	-	-	3,326	Nov 2003	Apr 2004	106p
	-	1,821	-	1,821	Nov 2004	Apr 2005	338p
M Wells							
<i>Savesave scheme</i>	4,130	-	-	4,130	Nov 2003	Apr 2004	106p
	-	1,569	-	1,569	Nov 2004	Apr 2005	338p
<i>Share incentive plan</i>	18,409	-	-	18,409	June 2005	-	-

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

The share options above with an exercise price of 106p and 338p were granted under the Games Workshop Group PLC 1995 Sharesave Scheme. All of the remaining share options were granted under the Games Workshop Group PLC Executive Share Option Scheme and the Games Workshop Group PLC Worldwide Executive Share Option Scheme.

Directors' report (continued)

Creditor payment policy

The company's current 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 46 days (2001 – 42 days).

Auditors

On 31 July 2002, Arthur Andersen resigned as auditors of the company. Deloitte & Touche were appointed to fill the resulting vacancy.

The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Willow Road
Lenton
Nottingham
NG7 2WS

By order of the Board



M Sherwin

Director

28 November 2002

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report**To the members of Games Workshop Limited**

We have audited the financial statements of Games Workshop Limited for the year ended 2 June 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 also report if, in our opinion, the director's report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 2 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
Birmingham

29 November 2002

Profit and loss account

For the year ended 2 June 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	68,301	51,682
Cost of sales	3	(30,245)	(22,326)
Gross profit		38,056	29,356
Other operating expenses (net)	2, 3	(23,543)	(18,111)
Operating profit		14,513	11,245
Interest receivable and similar income		159	164
Interest payable and similar charges	4	(396)	(654)
Profit on ordinary activities before taxation	5	14,276	10,755
Tax on profit on ordinary activities	8	(4,837)	(3,687)
Profit on ordinary activities after taxation		9,439	7,068
Dividends paid on equity shares	9	(14,500)	(5,000)
Retained (loss) profit for the year	18	(5,061)	2,068

Turnover and operating profit derive entirely from continuing activities.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 2 June 2002

	2002 £'000	2001 £'000
Profit for the financial year	9,439	7,068
Total recognised gains and losses relating to the year	9,439	7,068
Prior year adjustment	-	274
Total gains and losses recognised since last annual report	9,439	7,342

Note of historical cost profits and losses

For the year ended 2 June 2002

	2002 £'000	2001 £'000
Reported profit on ordinary activities before taxation	14,276	10,755
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	-	4
Historical cost profit on ordinary activities before taxation	14,276	10,759
Historical cost (loss) profit for the year retained after taxation and dividends	(5,061)	2,072

The accompanying notes are an integral part of this statement of total recognised gains and losses and this note of historical cost profits and losses.

Balance sheet

2 June 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	10	11,643	11,644
Investments	11	22	-
		<u>11,665</u>	<u>11,644</u>
Current assets			
Stocks	12	7,673	7,618
Debtors	13	5,016	4,744
Cash at bank and in hand		3,699	2,208
		<u>16,388</u>	<u>14,570</u>
Creditors: Amounts falling due within one year	14	(19,182)	(12,012)
Net current (liabilities) assets		<u>(2,794)</u>	<u>2,558</u>
Total assets less current liabilities		8,871	14,202
Creditors: Amounts falling due after more than one year	15	(1,121)	(4,618)
Provisions for liabilities and charges	16	(4,148)	(921)
Net assets		<u>3,602</u>	<u>8,663</u>
Capital and reserves			
Called-up share capital	17	139	139
Revaluation reserve	18	-	201
Profit and loss account	18	3,463	8,323
Equity shareholders' funds	19	<u>3,602</u>	<u>8,663</u>

The financial statements on pages 8 to 23 were approved by the board of directors and signed on its behalf by:

M Sherwin

Director



28 November 2002

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

Statement of accounting policies

2 June 2002

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

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The accounts are drawn up for the 52 weeks ended 2 June 2002 and for the 53 weeks ended 3 June 2001.

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

Development expenditure

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

Investments

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

Tangible fixed assets

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

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

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

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

Revaluation of properties

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

Statement of accounting policies (continued)

Operating leases and hire purchase contracts

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

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

Stocks

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

Foreign currencies

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

Turnover

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

Turnover 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.

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 license performance period.

Statement of accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 profit and loss account as they accrue.

Bonus and incentive plans

The costs of annual bonus schemes are charged to the profit and loss account 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 profit and loss account based upon the directors' estimate of the likely future outcome of those criteria.

Employee share options

Certain employees participate in the Games Workshop Group PLC share option arrangements. The company recognises the cost of those share options under an arrangement that exists with the Games Workshop Group PLC Employee Benefit Trust. The expense of the scheme, to the company, being the difference between the exercise price payable by the employee and the market value of the parent company's share price on exercise of the employee option, is recognised in the profit and loss account as part of employee costs, based upon the directors' estimate of the future likely outcome of the scheme. Accordingly, the annual expense is based on the year end share price being the director's estimate of the future likely outcome of the share price movement. This expense is accrued across the period to the vesting of the share options. The expense is reflected in the balance sheet as a provision, which will be utilised on exercise of the share options.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Notes to the financial statements

2 June 2002

1 Turnover

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

	2002 £'000	2001 £'000
United Kingdom	30,071	25,260
Continental Europe	23,373	15,785
The Americas	12,487	8,367
Asia Pacific	2,218	2,099
Other	152	171
	<u>68,301</u>	<u>51,682</u>

2 Other operating expenses (net)

	2002 £'000	2001 £'000
Selling and distribution costs	14,028	12,569
Administrative expenses	9,269	6,431
Design and development costs	3,324	2,954
Other operating income - royalty income	(3,078)	(3,843)
	<u>23,543</u>	<u>18,111</u>

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

3 Operating exceptional items reported before operating profit

Cost of sales, administrative expenses and selling and distribution costs include £nil (2001 - £405,000), £nil (2001 - £449,000) and £nil (2001 - £218,000) respectively in relation to operating exceptional items. The operating exceptional items relate to the plan, announced by Games Workshop Group PLC in January 2000, to restructure the business and include costs incurred in simplifying the supply chain together with related property and people costs.

Taxation credits on the operating exceptional items were £nil (2001 - £271,000).

Notes to the financial statements (continued)

4 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	78	302
Hire purchase contracts	11	17
Discount on convertible loan stock	307	330
Other interest	-	5
	<u>396</u>	<u>654</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	3,003	2,261
- held under finance leases and hire purchase contracts	38	62
Operating lease rentals		
- plant and machinery	169	178
- other	2,819	2,421
Auditors' remuneration for audit services	<u>25</u>	<u>32</u>

Amounts payable to Arthur Andersen by the company in respect of non-audit services were £17,000 (2001 - £ nil).

6 Staff costs

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

	2002 Number	2001 Number
Production	280	311
Selling and distribution	1,051	870
Administration	168	100
	<u>1,499</u>	<u>1,281</u>

Notes to the financial statements (continued)

6 Staff costs (continued)

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	20,221	14,789
Social security costs	1,450	1,206
Other pension costs (see note 21)	349	270
	<u>22,020</u>	<u>16,265</u>

Included within wages and salaries are costs relating to employee share options of £3,050,000 (2001 - £nil).

7 Directors' remuneration

Remuneration

	2002 £'000	2001 £'000
Emoluments	392	199
Company contributions to money purchase schemes	17	7
	<u>409</u>	<u>206</u>

The services of M Sherwin are provided by Games Workshop Group PLC and no part of his remuneration is specifically attributed to his services to Games Workshop Limited.

The services of J A J Stallard are provided by Games Workshop Inc. and no part of his remuneration for the year to 2 June 2002 is specifically attributed to his services of Games Workshop Limited.

Pensions

The number of directors who were members of pension schemes and also remunerated by the company was as follows:

	2002 Number	2001 Number
Money purchase schemes	<u>4</u>	<u>4</u>

Notes to the financial statements (continued)

7 Directors' remuneration (continued)

Highest-paid director

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

	2002 £'000	2001 £'000
Emoluments	143	68
Company contributions to money purchase schemes	10	3
	<u>153</u>	<u>71</u>

8 Tax on profit on ordinary activities

The tax charge comprises:

	2002 £'000	2001 £'000
Current tax		
UK corporation tax	4,516	2,748
Amounts due to group undertakings in respect of group relief surrendered	512	804
Adjustments in respect of prior years		
- UK corporation tax	-	4
- Amounts due to group undertakings in respect of group relief surrendered	(65)	132
	<u>4,963</u>	<u>3,688</u>
Deferred tax		
Origination and reversal of timing differences	(126)	(1)
	<u>4,837</u>	<u>3,687</u>
Tax on profit on ordinary activities		
	<u>4,837</u>	<u>3,687</u>
	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	14,276	10,755
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	4,283	3,227
Effects of:		
- expenses not allowable for tax purposes	981	324
- origination and reversal of timing differences	126	1
- consortium relief	(362)	-
- adjustments to tax charge in respect of previous years	(65)	136
	<u>4,963</u>	<u>3,688</u>
Current tax charge for the year		
	<u>4,963</u>	<u>3,688</u>

Notes to the financial statements (continued)

9 Dividends paid on equity shares

	2002 £'000	2001 £'000
Interim paid of £97.20 (2001 - £nil) per ordinary share	13,500	-
Final proposed of £7.20 (2001 - £36.00) per ordinary share	1,000	5,000
	<u>14,500</u>	<u>5,000</u>

10 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold premises £'000	Plant, equipment and vehicles £'000	Fixtures and fittings £'000	Moulding tools £'000	Total £'000
Cost or valuation							
At 4 June 2001	1,460	6,315	97	5,899	4,171	5,826	23,768
Additions	-	52	-	1,583	1,047	859	3,541
Disposals	(842)	-	-	(244)	(343)	-	(1,429)
Group transfers	-	-	-	(8)	-	-	(8)
Exchange adjustments	-	-	-	5	-	-	5
At 2 June 2002	<u>618</u>	<u>6,367</u>	<u>97</u>	<u>7,235</u>	<u>4,875</u>	<u>6,685</u>	<u>25,877</u>
Depreciation							
At 4 June 2001	501	479	97	3,828	3,288	3,931	12,124
Charge for the year	17	127	-	1,150	849	898	3,041
Disposals	(468)	-	-	(166)	(298)	-	(932)
Group transfers	-	-	-	(2)	-	-	(2)
Exchange adjustments	-	-	-	3	-	-	3
At 2 June 2002	<u>50</u>	<u>606</u>	<u>97</u>	<u>4,813</u>	<u>3,839</u>	<u>4,829</u>	<u>14,234</u>
Net book value							
At 2 June 2002	<u>568</u>	<u>5,761</u>	<u>-</u>	<u>2,422</u>	<u>1,036</u>	<u>1,856</u>	<u>11,643</u>
At 3 June 2001	<u>959</u>	<u>5,836</u>	<u>-</u>	<u>2,071</u>	<u>883</u>	<u>1,895</u>	<u>11,644</u>

The net book value of tangible fixed assets includes an amount of £48,000 (2001 - £163,000) in respect of assets held under hire purchase contracts.

In July 2001, certain freehold land and buildings which were professionally valued on an open market basis in December 1991 at £400,000, were disposed of.

Notes to the financial statements (continued)

11 Fixed asset investments

£'000

Cost	
At 4 June 2001	-
Additions	22
At 2 June 2002	<u>22</u>

On 23 May 2002 the company acquired the remaining 24% of the shares in Warhammer Historical Wargames Limited. The total consideration was £21,600.

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

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

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

12 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	1,309	1,464
Finished goods and goods for resale	6,364	6,154
	<u>7,673</u>	<u>7,618</u>

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

Notes to the financial statements (continued)

13 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	2,094	1,769
Amounts owed by group undertakings	1,570	1,696
Other debtors	196	136
Prepayments and accrued income	755	868
Deferred taxation	76	146
	<u>4,691</u>	<u>4,615</u>
Amounts falling due after more than one year:		
Deferred taxation	325	129
Total	<u>5,016</u>	<u>4,744</u>

Deferred taxation

Deferred tax provided can be analysed over the following timing differences.

	2002 £'000	2001 £'000
Accelerated depreciation	325	129
Short term timing differences	76	146
	<u>401</u>	<u>275</u>

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

14 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase contracts	20	112
Bank overdrafts	-	97
Trade creditors	4,076	3,340
Amounts owed to group undertakings	6,900	3,072
Corporation tax	2,896	1,963
Other taxation and social security	433	608
Other creditors	1,010	1,235
Accruals and deferred income	2,847	1,585
Dividend payable	1,000	-
	<u>19,182</u>	<u>12,012</u>

Notes to the financial statements (continued)

14 Creditors: Amounts falling due within one year (continued)

Amounts owed to group undertakings includes £3,900,000 unsecured convertible redeemable loan stock 1997-2002, issued in 1997/98 at a discount of £1,334,000. Accrued finance costs at the year end amounted to £1,237,892 (2001 - £931,000). The loan stock is repayable on or at any time after 29 September 2002 and each holder is entitled to require the issuer to convert each £1 nominal value of loan stock into £1 ordinary shares.

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

	2002 £'000	2001 £'000
Within one year	20	112
Between one and two years	-	20
	<u>20</u>	<u>132</u>

15 Creditors: Amounts falling due after more than one year

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase contracts	-	20
Amounts owed to group undertakings	1,121	4,598
	<u>1,121</u>	<u>4,618</u>

16 Provisions for liabilities and charges

	Employee share options £'000	Bonus & incentive £'000	Property £'000	Total £'000
At 4 June 2001	-	421	500	921
Charged to profit and loss account	3,050	177	88	3,315
Utilised in the year	-	-	(88)	(88)
At 2 June 2002	<u>3,050</u>	<u>598</u>	<u>500</u>	<u>4,148</u>

Notes to the financial statements (continued)

17 Called-up share capital

	2002 £'000	2001 £'000
<i>Authorised</i>		
3,900,000 preference shares of £1 each	3,900	3,900
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
138,889 ordinary shares of £1 each	<u>139</u>	<u>139</u>

18 Reserves

	Profit and loss account £'000	Revaluation reserve £'000
At 4 June 2001	8,323	201
Retained loss for the year	(5,061)	-
Transfer from revaluation reserve	<u>201</u>	<u>(201)</u>
At 2 June 2002	<u>3,463</u>	<u>-</u>

19 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the year	9,439	7,068
Dividends paid on equity shares	<u>(14,500)</u>	<u>(5,000)</u>
Net movement in shareholders' funds	(5,061)	2,068
Opening shareholders' funds	<u>8,663</u>	<u>6,595</u>
Closing shareholders' funds	<u>3,602</u>	<u>8,663</u>

Notes to the financial statements (continued)

20 Financial commitments

a) Capital commitments

The company had no capital commitments at either year end.

b) Lease commitments

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

	2002		2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	362	168	315	232
- between two and five years	707	149	544	36
- after five years	1,351	-	1,385	-
	<u>2,420</u>	<u>317</u>	<u>2,244</u>	<u>268</u>

21 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 £349,000 (2001 - £270,000).

22 Contingent liabilities

The company has guaranteed the bank overdrafts and loans of certain other group undertakings. The aggregate amount outstanding under these arrangements at the balance sheet date was £2,500,000 (2001 - £nil).

23 Related party disclosures

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

During the year there were related party transactions with Warhammer Online Limited, a 71% subsidiary of Games Workshop Group PLC. Recharges totalled £1,738,182 during the year of which the full amount was outstanding as at 2 June 2002.

24 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 group financial statements are available from The Secretary, Games Workshop Group PLC, Willow Road, Lenton, Nottingham, NG7 2WS.