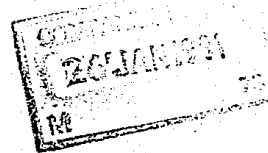


GAMES WORKSHOP LIMITED

GROUP ACCOUNTS

31st May 1990

1467092



KPMG PEAT MARWICK McLINTOCK,

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

Directors' Report

The directors present their annual report and the audited accounts for the year ended 31st May 1990.

PRINCIPAL ACTIVITIES

The group's principal activities during the year were the manufacture of miniature metal figures and games and the retail and wholesale distribution of these products together with other games.

BUSINESS REVIEW

The year under review saw the continuing expansion of the U. K. market, both trade and retail sales increased significantly, despite the much publicised general recession in the retail sector. Overseas, trade to Europe also increased, but disappointingly, expansion in the U.S.A. was almost nullified by the weakening dollar.

Despite this and despite the increased interest costs borne during the year due to buyout funding, the directors are delighted to report that the increase in sales has been more than matched by the increase in profitability.

For the forthcoming year the company will continue its policy of expanding its own retail chain and expanding its trade sales in both U.K. and Europe. In the U.S.A. sales will remain fairly static as various test strategies are applied to the market and the results monitored.

Milton Bradley, following the success in the U.K. and Germany of the game Heroquest, have again collaborated with the company to develop another game, Space Crusade, which was released in the summer of 1990.

Also Milton Bradley are carrying out a test launch of Heroquest in the U.S.A. in the forthcoming year and it is hoped that as well as generating additional income, it will give the company additional credibility with the larger retail chains.

Whilst the fight for acceptance and recognition of the company and the company created hobby market in the U.K. is over, the fight for that same acceptance and credibility in the U.S.A. has only just begun.

"The Battle of Britain was won
The Battle of the Atlantic has now to be fought"

RESULTS

The results for the year are shown in the attached profit and loss account.

DIVIDENDS

The directors recommend that no dividend be paid.

Directors' Report (continued)

DIRECTORS AND THEIR INTERESTS

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

B. C. Ansell (Chairman)
K. Pinfold

The interests of the directors in Games Workshop Productions Limited (formerly Hurnwell Limited) are shown in that company's accounts.

FIXED ASSETS

The movements in fixed assets are shown in the notes to the accounts.

DONATIONS

No political or charitable donations were made during the year.

AUDITORS

On 1st January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock, and accordingly have signed the report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

Diane Lane

Secretary.

REPORT of the AUDITORS to the MEMBERS of

GAMES WORKSHOP LIMITED

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

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st May 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham.

KPMG Peat Marwick McLintock

19th December, 1990

Chartered Accountants.

Consolidated Profit and Loss Account
for the year ended 31st May 1990

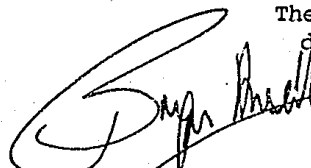

	Notes	1990 £	1989 £
TURNOVER	2	10,512,080	9,016,325
Cost of sales		(6,765,003)	(6,285,144)
GROSS PROFIT		3,747,077	2,731,181
Distribution costs	403,013		551,985
Administrative expenses	2,307,853		1,529,653
		(2,710,866)	(2,081,638)
		1,036,211	649,543
Other operating income	3	92,218	58,780
OPERATING PROFIT		1,128,429	708,323
Interest receivable		203	-
Interest payable	4	(155,850)	(151,421)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	972,782	556,902
Tax on profit on ordinary activities	7	(421,242)	(287,673)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	£ 551,540	£ 269,229

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

Consolidated Balance Sheet at 31st May 1990

	Notes	£	1990 £	£	1989 £
FIXED ASSETS					
Tangible assets	9		997,250		789,060
CURRENT ASSETS					
Stocks	11	2,080,858		1,937,611	
Debtors	12	1,005,189		1,149,922	
Cash at bank and in hand		222,185		49,911	
		3,308,232		3,137,444	
CREDITORS: Amounts falling due within one year	13	(2,305,582)		(2,733,587)	
NET CURRENT ASSETS			1,002,650		403,857
TOTAL ASSETS LESS CURRENT LIABILITIES			1,999,900		1,192,917
CREDITORS: Amounts falling due after more than one year	14		(176,892)		(167,790)
PROVISIONS FOR LIABILITIES AND CHARGES	15		-		(2,298)
NET ASSETS			£1,823,008		£1,022,829
CAPITAL AND RESERVES					
Called up share capital	16		138,889		138,889
Revaluation reserve	17		276,051		117,251
Profit and loss account	18		1,408,068		766,689
			£1,823,008		£1,022,829

The accounts were approved by the directors on 19th December 1990

) Directors
)

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

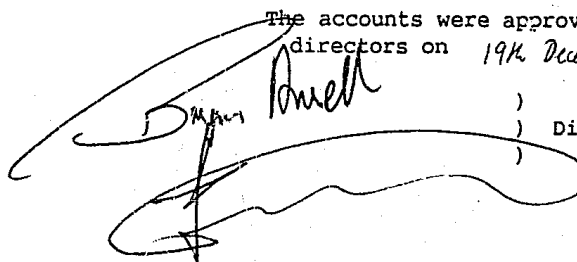
GAMES WORKSHOP LIMITED

Page 6

Balance Sheet at 31st May 1990

	Notes	£	1990 £	£	1989 £
FIXED ASSETS					
Tangible assets	9		910,381		733,493
Investments	10		268,819		268,819
			<u>1,179,200</u>		<u>1,002,312</u>
CURRENT ASSETS					
Stocks	11	1,505,934		1,309,909	
Debtors	12	1,529,815		1,738,024	
Cash at bank and in hand		5,057		4,700	
			<u>3,040,806</u>	<u>3,052,633</u>	
CREDITORS: Amounts falling due within one year	13	(2,077,201)		(2,629,573)	
NET CURRENT ASSETS			<u>963,605</u>		<u>423,060</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,142,805</u>		<u>1,425,372</u>
CREDITORS: Amounts falling due after more than one year	14		(172,232)		(161,472)
			<u>1,970,573</u>	<u>1,263,900</u>	
PROVISIONS FOR LIABILITIES AND CHARGES	15		(54,707)		(58,298)
NET ASSETS			<u>£1,915,866</u>		<u>£1,205,602</u>
CAPITAL AND RESERVES					
Called up share capital	16		138,889		138,889
Revaluation reserve	17		276,051		117,251
Profit and loss account	18		1,500,926		949,462
			<u>£1,915,866</u>		<u>£1,205,602</u>

The accounts were approved by the directors on 19th December 1990

 Directors

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

Consolidated Statement of Source and Application of Funds
for the year ended 31st May 1990

SOURCE OF FUNDS	£	1990 £	1989 £
Profit on ordinary activities before taxation		972,782	556,902
Adjustments for items not involving the movement of funds:			
Depreciation		206,013	192,275
(Profit)/loss on sale of tangible fixed assets	(61,872)	4,892
Exchange movements		92,673	(64,577)
TOTAL GENERATED FROM OPERATIONS		1,209,596	689,492
FUNDS FROM OTHER SOURCES			
Share issue	-		12,500
Proceeds of sale of tangible fixed assets	126,221		54,673
Increase in creditors due after more than one year	24,653		-
		150,874	67,173
		1,360,470	756,665
APPLICATION OF FUNDS			
Purchase of tangible fixed assets	322,586		266,585
Tax paid	467,148		122,500
Repayment of other loans	-		25,000
Repayment of directors loans	-		15,520
Decrease in other creditors due after more than one year	-		10,031
Decrease in bank loan due after more than one year	15,551		-
		805,285	439,636
INCREASE IN WORKING CAPITAL	£	555,185	£317,029
COMPONENTS OF INCREASE IN WORKING CAPITAL			
Stocks		143,247	475,159
Debtors	(144,733)	108,311
Creditors		212,280	(532,128)
		210,794	51,342
Movement in net liquid funds:			
Cash at bank and in hand	172,274		17,492
Bank overdraft	172,117		248,195
		344,391	265,687
	£	555,185	£317,029

Notes to the Accountsfor the year ended 31st May 19901. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's accounts.

(a) Basis of accounting:

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

(b) Basis of consolidation:

The accounts consist of the holding company and its subsidiaries for the year ended 31st May 1990. The company has not published its profit and loss account as allowed by S228 of the Companies Act 1985.

(c) Depreciation:

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life. The following rates are used, calculated on the straight line basis:-

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

(d) Stocks and work in progress:

Stocks and work in progress are valued on a first in first out basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses. Product development and design costs are carried forward on games projects where the outcome of the game has been assessed with reasonable certainty as to its commercial viability and are recovered over the first production run of the product.

(e) Deferred taxation:

Deferred taxation is provided using the liability method. Provision is made for long term timing differences where it is considered that such liabilities will become payable within the foreseeable future.

(f) Foreign exchange:

Transactions denominated in foreign currencies are translated into sterling and recorded at the average rate of exchange for the accounting period. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date. Exchange differences arising on the translation of net investments in overseas subsidiaries and the profit and loss accounts at average rates are dealt with as movements on reserves. Other exchange differences are dealt with in the profit and loss account.

Notes to the Accounts (continued)1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leasing:

Items of plant, machinery and vehicles acquired under finance leases and hire purchase agreements have been capitalised and depreciated in accordance with the group's depreciation policy. The capital elements of future lease payments are included under creditors due within or after one year, as appropriate.

Rentals under operating leases are charged to profit and loss account in the year in which they are incurred.

(h) Pensions:

The group operates a defined benefit pension scheme, contributions are charged to the profit and loss account so as to spread the regular cost over the average service life of employees in accordance with the advice of qualified actuaries. Actuarial surpluses are spread forward over the average remaining service life of employees.

2. TURNOVER

Turnover represents amounts invoiced in respect of goods sold during the year, excluding value added tax. The analysis of turnover by geographical area arising from the principal activity is as follows:-

	1990 £	1989 £
United Kingdom	6,420,795	5,097,261
United States of America	2,911,254	2,847,106
Rest of Europe	967,247	852,157
Other	212,784	219,801
	<u>£10,512,080</u>	<u>£9,016,325</u>

3. OTHER OPERATING INCOME

Royalties	<u>£92,218</u>	<u>£56,780</u>
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4. INTEREST PAYABLE

	£	£
On bank overdraft and loans repayable within five years	127,619	98,806
On other loans	10,149	27,683
On hire purchase agreements	18,082	24,932
	<u>£155,850</u>	<u>£151,421</u>

Notes to the Accounts (continued)5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):-	1990 £	1989 £
Directors' emoluments, including pension contributions	26,934	311,390
Auditors' remuneration	16,500	21,250
Depreciation	206,013	192,275
Hire of equipment	-	3,075
Other operating leases	6,491	8,245
Exchange loss/(gain)	11,513	(136,529)
Group management charge	550,000	-

The remuneration, excluding pension contributions, of the chairman and highest paid director was £nil (1989 - £121,858). The remuneration of the other directors, excluding pension contributions, in bands of £5,000 is as follows:-

	1990	1989
£30,001 - £35,000	-	1
£65,001 - £70,000	-	1
£85,001 - £90,000	-	1

In 1990 the remuneration of the directors, excluding pension contributions, was borne by the company's ultimate holding company.

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the group (including directors) during the year was 240 (1989 - 246).

The costs of employment were:-	1990 £	1989 £
Wages and salaries	2,229,010	2,398,537
Social security costs	172,519	208,757
Other pension costs	26,934	12,857
	<u>£2,428,463</u>	<u>£2,620,151</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:-

	£	£
UK Corporation tax at 35%	376,690	286,788
Overseas taxation	46,850	51,040
Under provision in previous years	-	17,547
Deferred taxation at 35%	(2,298)	(67,702)
	<u>£421,242</u>	<u>£287,673</u>

8. COMPANY PROFIT AND LOSS ACCOUNT

Advantage has been taken of the exemption from the requirement to prepare a separate profit and loss account for Games Workshop Limited. Included within the consolidated profit and loss account are profits after tax of £551,464 (1989 - £391,928) attributable to Games Workshop Limited.

Notes to the Accounts (continued)

9. TANGIBLE FIXED ASSETS

GROUP	Freehold premises £	Short leasehold premises £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation:					
At 1st June 1989	300,000	20,719	702,944	323,837	1,347,500
Exchange differences	-	-	(12,515)	(7,128)	(19,643)
Revaluation	150,000	-	-	-	150,000
Additions	-	24,500	223,052	75,034	322,586
Disposals	-	-	(157,865)	(3,692)	(161,557)
At 31st May 1990	450,000	45,219	755,616	388,051	1,638,886
Depreciation:					
At 1st June 1989	4,800	6,786	366,222	180,632	558,440
Exchange differences	-	-	(12,483)	(4,326)	(16,809)
Eliminated on re-valuation	(8,800)	-	-	-	(8,800)
Charge for year	5,200	5,313	141,962	53,538	206,013
Disposals	-	-	(97,208)	-	(97,208)
At 31st May 1990	1,200	12,099	398,493	229,844	641,636
Net book value:					
At 31st May 1990	£448,800	£ 33,120	£357,123	£158,207	£ 997,250
At 31st May 1989	£295,200	£13,933	£336,722	£143,205	£ 789,060

COMPANY	Freehold premises £	Short leasehold premises £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation:					
At 1st June 1989	300,000	20,719	648,864	293,038	1,262,621
Revaluation	150,000	-	-	-	150,000
Additions	-	24,500	173,467	46,434	244,401
Disposals	-	-	(151,467)	-	(151,467)
At 31st May 1990	450,000	45,219	670,864	339,472	1,505,555
Depreciation:					
At 1st June 1989	4,800	6,786	344,453	173,089	529,128
Eliminated on re-valuation	(8,800)	-	-	-	(8,800)
Charge for year	5,200	5,313	120,376	41,165	172,054
Disposals	-	-	(97,208)	-	(97,208)
At 31st May 1990	1,200	12,099	367,621	214,254	595,174
Net book value:					
At 31st May 1990	£448,800	£33,120	£303,243	£125,218	£910,381
At 31st May 1989	£295,200	£13,933	£304,411	£119,949	£ 733,493

Notes to the Accounts (continued)9. TANGIBLE FIXED ASSETS (continued)

The freehold property was revalued during the year by an independent Chartered Surveyor on an open market value basis.

Freehold premises includes land valued at £100,000 (1989 - £60,000) which is not depreciated.

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

	1990 £	1989 £
Cost	195,238	195,238
Accumulated depreciation	(20,306)	(16,401)
Net book value	£174,932	£178,837

Included in the above for the group and the company, are assets acquired under hire purchase agreements with a net book value of £210,968 (1989 - £195,734). The depreciation charged on the assets was £40,279 (1989 - £71,489).

10. INVESTMENTS

COMPANY	1990 £	1989 £
At 1st June 1989	268,819	-
Shares in group companies acquired during the year at cost	-	268,819
At 31st May 1990	£268,819	£268,819

11. STOCKS

	1990		1989	
	Group £	Company £	Group £	Company £
Raw materials	272,383	272,383	316,393	316,393
Work in progress	567,151	567,151	340,031	340,031
Finished goods	1,241,324	666,400	1,281,187	653,485
	£2,080,858	£1,505,934	£1,937,611	£1,309,909

12. DEBTORS

	£	£	£	£
Trade debtors	848,585	590,837	874,493	542,797
Amounts owed by group companies	-	801,168	-	933,698
Other debtors	64,969	46,175	38,957	38,957
Prepayments and accrued income	91,635	91,635	236,472	222,572
	£1,005,189	£1,529,815	£1,149,922	£1,738,024

Notes to the Accounts (continued)13. CREDITORS: Amounts falling due within one year

	1990		1989	
	Group £	Company £	Group £	Company £
Bank loans and overdraft	385,707	385,707	557,824	557,824
Other loans	70,000	70,000	70,000	70,000
Trade creditors	500,584	588,543	981,088	944,921
Amounts owed to group companies	202,185	62,195	-	1,036
Amounts owed to related companies	26,250	12,016	-	-
Other creditors	105,666	98,272	149,690	137,167
Corporation and overseas tax	401,237	368,759	444,845	393,805
Other taxes and social security	47,194	47,194	102,440	102,440
Accruals	466,759	444,515	427,700	422,378
	<u>£2,305,582</u>	<u>£2,077,201</u>	<u>£2,733,587</u>	<u>£2,629,573</u>

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

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

	1990		1989	
	Group £	Company £	Group £	Company £
Bank loans	82,319	82,319	97,870	97,870
Other creditors	94,573	89,913	69,920	63,602
	<u>£176,892</u>	<u>£172,232</u>	<u>£167,790</u>	<u>£161,472</u>

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

15. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:	Group £	Company £
Balance at 1st June 1989	2,298	58,298
Movement during the year	(2,298)	(3,591)
Balance at 31st May 1990	<u>£ -</u>	<u>£54,707</u>

Notes to the Accounts (continued)15. PROVISION FOR LIABILITIES AND CHARGES (continued)

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

GROUP	1990		1989	
	Not provided £	Provided £	Not provided £	Provided £
Accelerated capital allowances	-	54,707	-	58,298
Other timing differences	(37,602)	(54,707)	(25,452)	(56,000)
Potential capital gain on revaluation of fixed assets	96,618	-	41,038	-
	<u>£59,016</u>	<u>£ -</u>	<u>£15,586</u>	<u>£ 2,298</u>
COMPANY	£	£	£	£
Accelerated capital allowances	-	54,707	-	58,298
Potential capital gain in revaluation of fixed assets	96,618	-	41,038	-
	<u>£96,618</u>	<u>£54,707</u>	<u>£41,038</u>	<u>£58,298</u>

16. SHARE CAPITAL

Authorised:

1990 and 1989

Ordinary shares of £1 each £1,000,000

Allotted, called up and fully paid:

Ordinary shares of £1 each Number Value

138,889 £138,889

17. REVALUATION RESERVE

GROUP AND COMPANY	1990		1989	
	Group £	Company £	Group £	Company £
Balance at 1st June 1989	117,251	117,251	117,251	117,251
Revaluation	158,800	158,800	-	-
Balance at 31st May 1990	<u>£276,051</u>	<u>£276,051</u>	<u>£117,251</u>	<u>£117,251</u>

Notes to the Accounts (continued)18. MOVEMENT ON RESERVES

	1990		1989	
	Group £	Company £	Group £	Company £
Profit brought forward	766,689	949,462	557,534	557,534
Profit in the year	551,540	551,464	269,229	391,928
Exchange movement	89,839	-	(60,074)	-
Balance at 31st May 1990	£1,408,068	£1,500,926	£766,689	£949,462

19. FINANCIAL COMMITMENTSCapital

There were no capital commitments at 31st May 1990 (1989 - £nil).

Operating leases

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

	Land and buildings £
Expiring within one year	3,800
Within two to five years	68,210
Within more than five years	378,520
	£450,530

20. SUBSIDIARIES

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

21. TRANSACTIONS WITH RELATED PARTIES

During the year the company has purchased goods on an arms length basis to the value of £50,199 from a related company controlled by the two directors.

B. C. Ansell was paid a fee of £4,695 (1989 - £6,439) in respect of rights on games.

22. ULTIMATE HOLDING COMPANY

The ultimate holding company is Games Workshop Productions Limited, a company incorporated in England.