

## FIRST HALF HIGHLIGHTS

- Returning to growth, but later than expected
- Revenue down £2.3m to £54.8m
- Gross margin strengthened to 70.1% (2005: 69.1%)
- Operating profit unchanged at £0.5m
- Investment: 7 new Hobby stores opened
- Maintained interim dividend of 4.95p

	<b>Six months to 26 November 2006</b>	Six months to 27 November 2005
Revenue	<b>£54.8m</b>	£57.1m
Operating profit	<b>£0.5m</b>	£0.5m
Profit before tax	<b>£0.1m</b>	£0.1m
Basic earnings per share	<b>0.2p</b>	0.2p
Interim dividend per share	<b>4.95p</b>	4.95p

# CHAIRMAN'S STATEMENT

## Results

During this six month period we have seen the re-establishment of growth in our sales. In September, October and November we experienced growth in our Hobby store sales and, in November, we saw progress in our sales to independent retailers. We are encouraged by these figures.

Our Hobby store performance has been strongest in the UK (+£0.3m), Asia Pacific (+A\$0.6m) and the Americas (+\$0.3m). Sales to independent retailers have been weakest in Continental Europe (-€2.3m). Significantly, the constant currency figures set out below show that sales in the Americas are growing.

During this half year we have opened 15 new Hobby stores and closed 8, leaving us with 344 Hobby stores at the end of November.

We have strengthened our gross margin to 70.1% (2005: 69.1%).

Compared to November 2005, sterling has strengthened against both the dollar (+6.6%) and the euro (+0.4%). We have shown below our sales progression in constant currency terms so that readers can better understand the figures.

## Dividend

A maintained interim dividend of 4.95 pence per share (2005: 4.95p) will be paid on 20 April 2007 to shareholders on the register at 16 March 2007.

## Prospects

While our sterling sales for the first half have declined by £2.3m, the sales in September, October and November reinforce our confidence that the business is returning to growth. Our strategy to underpin this growth remains the same: we will continue to open new stores and ensure that our in-store activity of introductory gaming, painting lessons and other structured Hobby events is well delivered; we will continue to seek good independent retailers to develop areas not suitable for our own stores; and we will continue work on improving our internal systems to help direct sales.

The sales trends underlying our first half results have continued for the five weeks to 31 December 2006. We can now see that our full year sales, and therefore profits, are likely to fall short of current market expectations. This is why we have brought forward the timing of our interim results announcement this year. The directors firmly believe that the prospects for the business remain very good.

## T H F Kirby

Chairman and Chief Executive

5 January 2007

## REVENUE BY GEOGRAPHICAL AREA OF SALES OPERATION IN LOCAL CURRENCY

	Six months to 26 November 2006	Six months to 27 November 2005
Continental Europe	€32.1m	€34.6m
United Kingdom	£17.1m	£17.4m
The Americas	US\$22.9m	US\$21.9m
Asia Pacific	Aus\$8.9m	Aus\$8.7m

## CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 26 November 2006 £000	Six months to 27 November 2005 £000	Year to 28 May 2006 £000
<b>Revenue</b>	2	<b>54,836</b>	57,090	115,150
Cost of sales		<b>(16,404)</b>	(17,650)	(34,265)
<b>Gross profit</b>		<b>38,432</b>	39,440	80,885
Operating expenses		<b>(38,442)</b>	(39,481)	(77,838)
Other operating income – royalties receivable		<b>466</b>	504	1,170
<b>Operating profit</b>	2	<b>456</b>	463	4,217
Finance income		<b>107</b>	69	238
Finance costs		<b>(436)</b>	(413)	(797)
<b>Profit before taxation</b>		<b>127</b>	119	3,658
Income tax expense	4	<b>(51)</b>	(54)	(1,660)
<b>Profit attributable to equity shareholders</b>		<b>76</b>	65	1,998
Basic earnings per ordinary share	5	<b>0.2p</b>	0.2p	6.5p
Diluted earnings per ordinary share	5	<b>0.2p</b>	0.2p	6.4p
Proposed interim dividend per ordinary share		<b>4.95p</b>	4.95p	

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months to 26 November 2006 £000	Six months to 27 November 2005 £000	Year to 28 May 2006 £000
Profit attributable to equity shareholders	<b>76</b>	65	1,998
Exchange differences on translation of foreign operations	<b>(473)</b>	717	(133)
Cash flow hedges:			
- fair value gains	<b>122</b>	178	86
- transferred to the income statement	<b>(26)</b>	(315)	(331)
Tax on items recognised directly in equity	<b>(29)</b>	40	73
<b>Total recognised (expense)/income for the period</b>	<b>(330)</b>	685	1,693

# CONSOLIDATED BALANCE SHEET

	Notes	As at 26 November 2006 £000	As at 27 November 2005 £000	As at 28 May 2006 £000
<b>Non-current assets</b>				
Goodwill		2,412	2,531	2,449
Other intangible assets		4,375	4,401	4,320
Property, plant and equipment		28,859	29,777	29,475
Other receivables		1,015	882	712
Deferred income tax assets		2,075	2,224	2,121
		<b>38,736</b>	39,815	39,077
<b>Current assets</b>				
Inventories		12,824	13,382	12,407
Trade and other receivables		11,766	13,037	9,081
Current tax assets		1,496	374	382
Financial assets - derivative financial instruments		304	338	181
Cash and cash equivalents		5,669	6,253	6,444
		<b>32,059</b>	33,384	28,495
<b>Total assets</b>		<b>70,795</b>	73,199	67,572
<b>Current liabilities</b>				
Financial liabilities - borrowings		(8,417)	(4,043)	(1,705)
Financial liabilities - derivative financial instruments		(19)	(65)	(14)
Trade and other payables		(14,841)	(16,344)	(15,714)
Current income tax liabilities		(122)	-	(415)
Provisions		(397)	(222)	(584)
		<b>(23,796)</b>	(20,674)	(18,432)
<b>Net current assets</b>		<b>8,263</b>	12,710	10,063
<b>Non-current liabilities</b>				
Financial liabilities - borrowings		(9,989)	(10,007)	(6,960)
Other non-current liabilities		(757)	(1,135)	(1,317)
Provisions		(951)	(903)	(927)
		<b>(11,697)</b>	(12,045)	(9,204)
<b>Net assets</b>		<b>35,302</b>	40,480	39,936
<b>Capital and reserves</b>				
Called up share capital	7	1,556	1,555	1,556
Share premium	7	7,822	7,778	7,822
Other reserves	7	(942)	387	(536)
Retained earnings	7	26,866	30,760	31,094
<b>Total shareholders' equity</b>		<b>35,302</b>	40,480	39,936

# CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months to 26 November 2006 £000	Six months to 27 November 2005 £000	Year to 28 May 2006 £000
<b>Cash flows from operating activities</b>				
Cash generated from operations	6	782	1,961	15,789
UK corporation tax paid		(458)	(1,137)	(1,665)
Overseas tax paid		(1,057)	(1,275)	(1,838)
<b>Net cash from operating activities</b>		<b>(733)</b>	(451)	12,286
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(3,306)	(4,931)	(8,321)
Proceeds on disposal of property, plant and equipment		26	19	32
Purchases of other intangible assets		(260)	(336)	(830)
Expenditure on product development		(1,391)	(1,236)	(2,505)
Interest received		114	72	234
<b>Net cash from investing activities</b>		<b>(4,817)</b>	(6,412)	(11,390)
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		-	164	207
Proceeds from borrowings		3,070	5,000	1,955
Repayment of principal under finance leases		(34)	(72)	(143)
Equity dividends paid		(4,364)	(4,340)	(5,874)
Interest paid		(504)	(371)	(886)
<b>Net cash from financing activities</b>		<b>(1,832)</b>	381	(4,741)
Effects of foreign exchange rates		(125)	173	(5)
<b>Net decrease in cash and cash equivalents</b>		<b>(7,507)</b>	(6,309)	(3,850)
Opening cash and cash equivalents		4,772	8,622	8,622
<b>Closing cash and cash equivalents</b>		<b>(2,735)</b>	2,313	4,772

## Analysis of net debt

	As at 28 May 2006 £000	Cash flow £000	Other non- cash changes £000	Exchange movement £000	As at 26 November 2006 £000
Cash at bank and in hand	6,444	(641)	-	(134)	5,669
Current borrowings - bank overdraft	(1,672)	(6,741)	-	9	(8,404)
Cash and cash equivalents	4,772	(7,382)	-	(125)	(2,735)
Non-current borrowings - bank loan	(6,955)	(3,070)	-	54	(9,971)
Finance leases	(38)	34	(27)	-	(31)
<b>Net debt</b>	<b>(2,221)</b>	<b>(10,418)</b>	<b>(27)</b>	<b>(71)</b>	<b>(12,737)</b>

# NOTES TO THE INTERIM RESULTS

## 1. Interim results

The interim results for the six months to 26 November 2006 and for the comparative six months to 27 November 2005 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The financial information set out in this interim report has been prepared in accordance with the accounting policies under International Financial Reporting Standards ('IFRS') detailed in the financial statements for the year to 28 May 2006 which are expected to be followed in the full financial statements for the year ending 3 June 2007. The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing the interim results and, therefore, this interim statement is not in accordance with IFRS.

Copies of the interim results will be sent to shareholders and are available to members of the public at the Company's registered office.

## 2. Segmental analysis

Period ended 26 November 2006	Continental Europe £000	United Kingdom £000	The Americas £000	Asia Pacific £000	Rest of the world £000	Central/ unallocated £000	Design and development £000	Royalty income £000	Group £000
<b>Total gross segment sales by operation</b>	<b>21,827</b>	<b>17,070</b>	<b>12,348</b>	<b>3,591</b>	-	-	-	-	<b>54,836</b>
<b>Total gross segment sales by location of customers</b>	<b>23,257</b>	<b>14,538</b>	<b>13,178</b>	<b>3,752</b>	<b>111</b>	-	-	-	<b>54,836</b>
<b>Operating profit/segment result by location of customers</b>	<b>2,595</b>	<b>1,890</b>	<b>219</b>	<b>(57)</b>	<b>56</b>	<b>(2,727)</b>	<b>(1,986)</b>	<b>466</b>	<b>456</b>

Restated Period ended 27 November 2005	Continental Europe £000	United Kingdom £000	The Americas £000	Asia Pacific £000	Rest of the world £000	Central/ unallocated £000	Design and development £000	Royalty income £000	Group £000
Total gross segment sales by operation	23,599	17,374	12,428	3,689	-	-	-	-	57,090
Total gross segment sales by location of customers	24,933	15,033	13,008	3,879	237	-	-	-	57,090
Operating profit/segment result by location of customers	3,760	1,693	(706)	(260)	119	(2,641)	(2,006)	504	463

Restated Year ended 28 May 2006	Continental Europe £000	United Kingdom £000	The Americas £000	Asia Pacific £000	Rest of the world £000	Central/ unallocated £000	Design and development £000	Royalty income £000	Group £000
Total gross segment sales by operation	46,553	35,066	26,121	7,410	-	-	-	-	115,150
Total gross segment sales by location of customers	49,460	30,018	27,766	7,854	52	-	-	-	115,150
Operating profit/segment result by location of customers	8,154	3,799	(487)	470	22	(4,872)	(4,039)	1,170	4,217

As a result of a reorganisation within the Northern Europe sales operation, the prior period numbers have been restated to include the Emerging Markets operation within the UK.

## 3. Dividends

An interim dividend was proposed in the period for the year ended 3 June 2007 of 4.95p (November 2005: 4.95p) resulting in a proposed interim dividend of £1,540,000 (November 2005: £1,534,000). The interim dividend was declared by the board on 5 January 2007 and as such has not been included as a liability as at 26 November 2006.

A final dividend of 14.025p (2005: 14.025p) was paid on 27 October 2006.

# NOTES TO THE INTERIM RESULTS

## 4. Income tax expense

	Six months to 26 November 2006 £000	Six months to 27 November 2005 £000	Year to 28 May 2006 £000
UK corporation tax	19	27	530
Overseas tax	28	32	1,072
Origination and reversal of temporary differences	4	(5)	58
	<b>51</b>	54	1,660

The taxation charge for the six months to 26 November 2006 is based on an estimate of the full year effective rate of 40% (2005: 45%) for the year ending 3 June 2007.

## 5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to equity shareholders and the weighted average number of ordinary shares in issue throughout the relevant period, excluding treasury shares.

	Six months to 26 November 2006	Six months to 27 November 2005	Year to 28 May 2006
Profit attributable to equity shareholders (£000)	76	65	1,998
Weighted average number of ordinary shares in issue (thousands)	31,116	30,790	30,959
<b>Basic earnings per ordinary share (pence per share)</b>	<b>0.2</b>	0.2	6.5

### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share has been based on the profit attributable to equity shareholders and the weighted average number of shares in issue during the relevant period, excluding treasury shares, adjusted for the dilution effect of share options outstanding at the end of the period.

	Six months to 26 November 2006	Six months to 27 November 2005	Year to 28 May 2006
Profit attributable to equity shareholders (£000)	76	65	1,998
Weighted average number of ordinary shares in issue (thousands)	31,116	30,790	30,959
Adjustment for share options (thousands)	293	208	47
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	31,409	30,998	31,006
<b>Diluted earnings per ordinary share (pence per share)</b>	<b>0.2</b>	0.2	6.4

## 6. Reconciliation of profit to cash generated from operations

	Six months to 26 November 2006 £000	Six months to 27 November 2005 £000	Year to 28 May 2006 £000
Profit attributable to equity shareholders	76	65	1,998
Income tax expense	51	54	1,660
Depreciation of property, plant and equipment	3,294	3,697	7,145
Loss on disposal of property, plant and equipment	29	11	113
Amortisation of capitalised development costs	1,237	974	2,289
Amortisation of other intangibles	348	272	736
Finance income	(107)	(69)	(238)
Finance costs	436	413	908
Net fair value gains on derivative financial instruments	(24)	(41)	(43)
Share-based payments	60	230	168
Exchange losses/(gains) on borrowings	63	-	(111)
Changes in working capital:			
(Increase)/decrease in inventories	(611)	(143)	465
(Increase)/decrease in trade and other receivables	(3,134)	(2,720)	948
Decrease in trade and other payables	(767)	(696)	(562)
(Decrease)/increase in provisions	(169)	(86)	313
<b>Cash generated from operations</b>	<b>782</b>	1,961	15,789

# NOTES TO THE INTERIM RESULTS

## 7. Consolidated statement of changes in shareholders' equity

	Called up share capital £000	Share premium £000	Other reserves			Retained earnings		Total equity £000	
			Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Other reserve £000	Treasury shares £000		Profit and loss £000
As at 29 May 2006	1,556	7,822	101	353	60	(1,050)	(49)	31,143	<b>39,936</b>
Exchange adjustments	-	-	-	(473)	-	-	-	-	<b>(473)</b>
Profit for the period	-	-	-	-	-	-	-	76	<b>76</b>
Dividends paid	-	-	-	-	-	-	-	(4,364)	<b>(4,364)</b>
Share-based payment	-	-	-	-	-	-	-	60	<b>60</b>
Current tax	-	-	-	-	(29)	-	-	-	<b>(29)</b>
Cash flow hedges:									
- fair value gains in the period	-	-	-	-	122	-	-	-	<b>122</b>
- transferred to net profit	-	-	-	-	(26)	-	-	-	<b>(26)</b>
<b>As at 26 November 2006</b>	<b>1,556</b>	<b>7,822</b>	<b>101</b>	<b>(120)</b>	<b>127</b>	<b>(1,050)</b>	<b>(49)</b>	<b>26,915</b>	<b>35,302</b>
As at 30 May 2005	1,553	7,592	101	486	232	(1,050)	(1,132)	35,960	43,742
Exchange adjustments	-	-	-	717	-	-	-	-	717
Profit for the period	-	-	-	-	-	-	-	65	65
Shares vested	-	-	-	-	-	-	672	(672)	-
Dividends paid	-	-	-	-	-	-	-	(4,340)	(4,340)
Share-based payment	-	-	-	-	-	-	-	230	230
Deferred tax	-	-	-	-	-	-	-	1	1
Current tax	-	-	-	-	38	-	-	-	38
Cash flow hedges:									
- fair value gains in the period	-	-	-	-	178	-	-	-	178
- transferred to net profit	-	-	-	-	(315)	-	-	-	(315)
Issue of ordinary share capital	2	186	-	-	-	-	-	(24)	164
As at 27 November 2005	1,555	7,778	101	1,203	133	(1,050)	(460)	31,220	40,480
As at 30 May 2005	1,553	7,592	101	486	232	(1,050)	(1,132)	35,960	43,742
Exchange adjustments	-	-	-	(133)	-	-	-	-	(133)
Profit for the period	-	-	-	-	-	-	-	1,998	1,998
Shares vested	-	-	-	-	-	-	1,083	(1,083)	-
Dividends paid	-	-	-	-	-	-	-	(5,874)	(5,874)
Share-based payment	-	-	-	-	-	-	-	168	168
Current tax	-	-	-	-	73	-	-	-	73
Cash flow hedges:									
- fair value gains in the period	-	-	-	-	86	-	-	-	86
- transferred to net profit	-	-	-	-	(331)	-	-	-	(331)
Issue of ordinary share capital	3	230	-	-	-	-	-	(26)	207
As at 28 May 2006	1,556	7,822	101	353	60	(1,050)	(49)	31,143	39,936