

GAMES WORKSHOP GROUP PLC

For immediate release

28 July 2009

PRELIMINARY RESULTS 2009

Games Workshop Group PLC (“Games Workshop” or the “Group”) announces its preliminary results for the year ended 31 May 2009.

Highlights

- Revenue up at £125.7m (2008: £110.3m)
- Revenue at constant currency* up at £113.9m (2008: £110.3m)
- Operating profit - pre-royalties receivable** up at £5.5m (2008: £0.8m)
- Operating profit** at £9.0m (2008: £2.5m)
- Pre-tax profit at £7.5m (2008: £1.1m)
- Earnings per share of 17.8p (2008: loss (2.4)p)
- Year end net borrowings of £1.6m (2008: £10.1m)

Mark Wells, chief executive of Games Workshop, said:

“We are pleased to have delivered a good set of results this year, significantly reducing our net debt. We believe that we have laid the foundations for steady growth and that the prospects for Games Workshop remain good.”

...Ends...

For further information, please contact:

Games Workshop Group PLC

Tom Kirby, chairman
Mark Wells, chief executive
Kevin Rountree, chief financial officer

Today only: 01653 618 016

Thereafter: 0115 900 4001
0115 900 4001
0115 900 4001

Investor relations website
General website

<http://investor.games-workshop.com>
www.games-workshop.com

Rawlings Financial PR Limited

Catriona Valentine

Tel: 01653 618016

The 2009 annual report, analyst presentation and notice of annual general meeting may be viewed at the investor relations website at the address above.

* Constant currency growth is calculated by comparing results in the underlying currencies for 2008 and 2009, both converted at the 2008 average exchange rates.

** Details of exceptional items relating to the cost reduction programme in the prior year are set out in note 10.

FINANCIAL HIGHLIGHTS

	2009	2008
Revenue	£125.7m	£110.3m
Revenue in constant currency *	£113.9m	£110.3m
Operating profit - pre-royalties receivable**	£5.5m	£0.8m
Royalties receivable	£3.5m	£1.7m
Operating profit**	£9.0m	£2.5m
Pre-tax profit	£7.5m	£1.1m
Discontinued operations – profit/(loss) for the year	£0.1m	£(1.2)m
Year end net borrowings	£1.6m	£10.1m
Earnings/(loss) per share	17.8p	(2.4)p

BUSINESS REVIEW BY THE CHIEF EXECUTIVE

Summary of results - for the year to 31 May 2009

It's good to be back in sales growth, although I would encourage you not to get too carried away because we did benefit from some significant exchange rate movements. Because of this we have also included some comparisons in the highlights based on sales in constant currency* to give a more realistic perspective on our progress.

As far as sales are concerned, we had a disappointing third quarter. The simple truth is that we didn't do a good enough job of helping all the customers we recruited in the summer purchase product over Christmas. We make no excuses at Games Workshop, lessons have been learned and it is good to report that in the fourth quarter we have seen a return to steady growth.

There are no silver bullets for growing sales at Games Workshop. It requires a consistent focus on the basics of recruiting new hobbyists through our Hobby centres and using our games to teach them how to buy, build, paint and collect ever larger armies of miniatures. We retain these hobbyists as customers by releasing fantastic new products and running exciting activities to keep everyone engaged in the Hobby. By growing our active customer base in this way, our sales to independent retailers (trade) and direct businesses benefit as well. It is simple to say, but hard to do, which is why it all comes down to the strength of our management teams in each sales business and in particular the quality of our managers in each Hobby centre.

Sales by channel

	2009		2008	
Hobby centres	£59.9m	48%	£53.8m	49%
Direct	£14.2m	11%	£13.1m	12%
Independent retailers	£51.6m	41%	£43.4m	39%

In the UK, North America and Asia Pacific our management teams remained focused on building our customer base and delivered sales growth. Not enough progress has been made in Continental Europe, particularly in Spain and Italy so in the second half we made management changes to both of these businesses. The task of rebuilding their customer base has begun and we expect these new teams to deliver growth within the next couple of years.

Sales by territory ***

	2009	2008	Growth	Constant currency growth/ (decline)
Continental Europe	£43.3m	£41.1m	+£2.2m	£(2.7)m
UK	£42.7m	£36.8m	+£5.9m	+£4.5m
North America	£29.7m	£24.0m	+£5.7m	+£0.8m
Asia Pacific	£10.0m	£8.4m	+£1.6m	+£1.0m

Forge World and Black Library are two small and highly successful businesses which sell, respectively, specialist resin kits and books based on the worlds of Warhammer and Warhammer 40,000 to Games Workshop hobbyists. Both businesses have seen strong growth this year, reflecting both the quality of the management and the underlying health of the Games Workshop Hobby.

Our gross margin strengthened in the second half as we benefited from the metal price increase that we implemented in the autumn and further cost reductions in our manufacturing and supply chain. Raw material prices have returned to more normal levels in the second half but we continue to invest in converting more of our range to plastic, both to improve the quality of the models and make us less sensitive to metal cost fluctuations.

The last few years have reminded us how important it is to be cost conscious and we have made good progress in restoring this cost saving culture across the business. We have reduced staffing levels in our Hobby centres by adjusting opening hours to better reflect when our hobbyists are available to play. We have limited our property cost increases by better planned rent negotiations and relocations to lower cost premises when possible. Our new web store has improved efficiency in processing orders and allowed us to slim down our direct sales teams. We also closed our Canadian office and relocated our Italian office to more modest premises outside Rome.

Investment has been focused on two key drivers of performance, opening more Hobby centres, which increased from 334 to 355, and developing more plastic injection tools. These two areas will remain the focus of future investment. Other non-essential capital expenditure has been cut back. In addition, we have implemented automatic stock replenishment and streamlined product ranges into our UK and North American Hobby centres to improve our control of working capital. This is being rolled out into Europe next year.

Hobby centre openings in 2008/9

	Opened	Closed
Continental Europe	9	2
UK	5	1
North America	18	13
Asia Pacific	5	0

In North America, we continue to make good progress with our programme of closing Hobby centres in shopping malls at the end of their lease and replacing them with small 'strip mall' locations where rents are lower and we have more control over opening hours. In total we have 81 Hobby centres in North America and with the closure programme nearing completion we expect to deliver double digit openings for the foreseeable future. In the UK and Continental Europe we successfully piloted the new one-man format, which will allow us to open profitable Hobby centres in much smaller towns. We now expect to see an increase in such openings across both these territories.

The combination of modest sales growth, gross margin improvement and controlled costs has resulted in an increase in operating margins to 7.2%. And with more focused investment and better asset management, the return on capital has strengthened from 12% to 22%. We expect the improvement in operating margins and asset turn to continue as sales volumes increase over time and stock management is rolled out across Continental Europe, further strengthening our return on capital.

Return on average capital employed ****

2009	22%
2008	12%
2007	5%
2006	10%
2005	35%

Finally, royalty income has increased from £1.7 million to £3.5 million. While we don't rely on this income, it has made a very welcome contribution to our cash flow from operating activities, up from £10.7 million to £18.1 million. As a result we have been able to reduce our net debt from £10.1 million to £1.6 million by year end. Our banking arrangements are in place until 2011 and our covenant cover is excellent.

Net debt/(cash)

2009	£1.6m
2008	£10.1m
2007	£10.2m
2006	£2.2m
2005	£(3.4)m

So a pleasing set of results. But the real story this year is that we have been preparing ourselves for growth. Tom referred to some of this work in his preamble in the annual report and I am going to talk about these important initiatives in more detail.

First, we have been working on our Hobby centre models to make them as cost effective as possible. This involved successfully piloting a smaller model in the UK, Continental Europe and North America. This smaller model delivers all the customer benefits of introductory games, painting lessons and Hobby activity, but does so with lower property costs, staffing levels and capital investment. We believe we can roll this format out into many more locations in our largest markets, thereby expanding our global customer base further than we had thought previously.

I described earlier the importance of the manager in each Hobby centre to its sales performance. Last year we started building a pipeline of Hobby centre managers in the UK and North America to support their Hobby centre opening plans. This has had the additional benefit of improving the overall quality of Hobby centre managers across both businesses and we are now intending to implement a similar improvement in the manager pipeline in Continental Europe. We are now prepared for a sustained period of Hobby centre openings across the world.

We have also completed the rollout of our new website and global web store. This complex project has been completed on time and within budget. The new web store is being introduced into each Games Workshop Hobby centre to allow hobbyists access to our full product range with free delivery to the store. Order turnaround time has been improved dramatically and we now have the engine to support our growth plans.

We have also introduced new trade terms in the UK and Continental Europe which rewards those accounts which deliver a higher level of service to customers and reduces the discount to those accounts which had been benefiting from the hard work of others. This and the large swings in exchange rates between sterling and the euro have made it difficult for our Continental European trade teams in the second half. Now these new terms are in place we are well prepared to build a sustainable base of quality trade accounts across Europe for the foreseeable future.

We have centralised the management of worldwide stock for all Hobby centres and warehouses in Nottingham. With automatic replenishment, the streamlined range and new EPOS tills in France and Germany, this new global stock management team should be able to optimise stock levels and reduce wastage as we grow.

We implemented a new factory layout in Nottingham which will help deliver gross margin improvements as volumes increase. We have improved our resin manufacturing processes in Nottingham and implemented a new resin cell in Shanghai to manage the significantly higher levels of sales growth we have been experiencing from Forge World.

We have centralised our pricing and range decisions in Nottingham to ensure that we have more consistent pricing across the range to better reflect the improvement in quality we have been delivering. Indeed, with the investment we have made in our state-of-the-art plastic tool making facility in Nottingham and skill of our design and manufacturing teams, the quality of our new plastic miniatures are now superior to their metal counterparts. By charging what these new models are worth, we can continue to invest in further plastic product development and quality improvements across the range.

Risks facing the business

We have a formal risk reporting process as part of our annual planning cycle, which is linked into the internal and external audit process, but the management of these risks is an integral part of our daily management process. Our management structure and the reporting systems which we have developed make this process transparent and accountable. The head of sales of each business is responsible for growing the value of his business in each country and for managing market facing risk; the head of operations is responsible for minimising the economic costs of production and risks inherent in that; the chief financial officer is responsible for managing corporate risks and for ensuring we comply with the regulatory environment.

Tom has said on many previous occasions that the biggest risks facing Games Workshop are that we lose focus on what makes us successful and fail to develop the management talent to deliver it. That is why we have invested in the Games Workshop Academy and an annual succession planning programme.

- The Academy's role is to support the personal development of all senior managers and to embed in them the management behaviours and understanding of Games Workshop's niche business model so that we run the business the right way.
- Our annual succession planning reviews ensure that we are developing good short-term and long-term internal candidates for each senior management role.

Both these approaches have been used successfully this year in filling important sales, operational and finance roles with excellent internal candidates.

In the past we have also referred to the risk that something catastrophic happens to our Nottingham facility and to adverse variances in commodity prices such as metal. We have mitigated the risk to our Nottingham facility by establishing a manufacturing and warehousing hub in Memphis which has the capacity to meet our needs should anything prevent the Nottingham facility from operating effectively. And as we demonstrated this year, we have mitigated the risk of metal cost price increases by the continued development of our plastic ranges, where we are better able to manage commodity price fluctuations.

Games Workshop people

I take this opportunity to thank all of the people at Games Workshop who have helped make a success of this financial year. Our staff really are our most important assets and no financial balance sheet can adequately reflect this truth. Kevin Rountree joined the board in October 2008 as chief financial officer and Kevin and his team are doing sterling work on the finance front. In this role Kevin succeeded Michael Sherwin, who left the Group after nine years' service. We thank Michael for his contribution and wish him well for the future.

Prospects

There remain opportunities for geographical growth of our core business in all of our existing territories. We have developed better retail formats and well structured trade terms to ensure we can grow profitably in each of these territories. We also have a web store which can support our customer base for the long term.

We have a strong product release schedule which delivers constantly improving quality miniatures each month on time. Our manufacturing and supply operations are increasingly efficient and reliable. Our costs are under tight control and our service centres are operating well.

We have established a five year plan and KPIs to allow us to measure performance in all these areas. We have invested sensibly in management recruitment and development, in particular with our Games Workshop Academy. This year's succession plan reviews have confirmed that we now have good internal candidates to fill all senior roles.

And finally, while we are not dependent on royalty income, we continue to look for opportunities to develop high quality licences with strong players in attractive markets.

In summary, we are pleased to have delivered a good set of results this year, significantly reducing our net debt. We believe that we have laid the foundations for steady growth and that the prospects for Games Workshop remain good.

Mark Wells

Chief executive

27 July 2009

* Constant currency growth is calculated by comparing results in the underlying currencies for 2008 and 2009, both converted at the 2008 average exchange rates.

** Details of exceptional items relating to the cost reduction programme in the prior year are set out in note 10.

*** Sales by territory includes an allocation of web sales from the UK to the respective territory of destination to aid comparison with the prior year.

**** We use average capital employed to take account of the significant fluctuation in working capital which occurs as the business builds both inventories and trade debtors in the pre-Christmas trading period. Return is defined as pre-exceptional operating profit, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, exceptional provisions, taxation and dividends.

CONSOLIDATED INCOME STATEMENT

	Notes	Year to 31 May 2009 £000	Year to 1 June 2008 £000
Continuing operations			
Revenue	3	125,706	110,345
Cost of sales		<u>(35,919)</u>	<u>(33,731)</u>
Gross profit		89,787	76,614
Operating expenses		(84,244)	(75,798)
Other operating income - royalties receivable		3,471	1,736
Operating profit	3	9,014	2,552
Finance income		333	425
Finance costs		(1,808)	(1,918)
Profit before taxation		7,539	1,059
Income tax expense	5	(2,107)	(613)
Profit for the year from continuing operations		5,432	446
Discontinued operations			
Profit/(loss) for the year from discontinued operations		118	(1,186)
Profit/(loss) attributable to equity shareholders		5,550	(740)
Basic earnings/(loss) per ordinary share	4	17.8p	(2.4)p
Diluted earnings/(loss) per ordinary share	4	17.8p	(2.4)p
Basic earnings per ordinary share - continuing operations	4	17.4p	1.4p
Diluted earnings per ordinary share - continuing operations	4	17.4p	1.4p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year to 31 May 2009 £000	Year to 1 June 2008 £000
Profit/(loss) attributable to equity shareholders	5,550	(740)
Exchange differences on translation of foreign operations	2,605	1,626
Cash flow hedges:		
- fair value losses	(112)	(940)
- transferred to the income statement	940	88
Net investment hedge	(621)	(737)
Tax on items recognised directly in equity	(58)	237
Total recognised income/(expense) for the year	8,304	(466)

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 May 2009 £000	As at 1 June 2008 £000
Non-current assets			
Goodwill		1,433	1,433
Other intangible assets		5,811	6,059
Property, plant and equipment		25,380	26,422
Trade and other receivables		1,570	1,234
Financial assets - derivative financial instruments		-	14
Deferred tax assets		4,704	3,005
		<u>38,898</u>	<u>38,167</u>
Current assets			
Inventories		10,678	10,392
Trade and other receivables		9,959	9,870
Assets held for sale		-	464
Current tax assets		32	854
Financial assets - derivative financial instruments		210	17
Cash and cash equivalents		10,355	7,723
		<u>31,234</u>	<u>29,320</u>
Total assets		<u>70,132</u>	<u>67,487</u>
Current liabilities			
Financial liabilities – borrowings		(2)	(2,791)
Financial liabilities - derivative financial instruments		(550)	(1,401)
Trade and other payables		(14,092)	(15,351)
Current tax liabilities		(2,233)	(222)
Provisions		(1,046)	(1,155)
		<u>(17,923)</u>	<u>(20,920)</u>
Net current assets		<u>13,311</u>	<u>8,400</u>
Non-current liabilities			
Financial liabilities – borrowings		(12,000)	(15,001)
Other non-current liabilities		(632)	(723)
Provisions		(1,586)	(1,317)
		<u>(14,218)</u>	<u>(17,041)</u>
Net assets		<u>37,991</u>	<u>29,526</u>
Capital and reserves			
Called up share capital	7	1,556	1,556
Share premium account	7	7,822	7,822
Other reserves	7	1,837	(321)
Retained earnings	7	26,776	20,469
Total shareholders' equity	7	<u>37,991</u>	<u>29,526</u>

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year to 31 May 2009 £000	Year to 1 June 2008 £000
Cash flows from operating activities			
Cash generated from operations	9	18,902	11,097
UK corporation tax (paid)/received		(191)	6
Overseas tax paid		(592)	(418)
Net cash from operating activities		18,119	10,685
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,291)	(5,705)
Proceeds on disposal of intangible assets		-	44
Proceeds on disposal of property, plant and equipment		62	50
Proceeds on disposal of asset held for sale		500	-
Purchases of other intangible assets		(1,315)	(1,557)
Expenditure on product development		(2,249)	(2,266)
Interest received		333	415
Net cash from investing activities		(8,960)	(9,019)
Cash flows from financing activities			
Proceeds from borrowings		2,000	5,189
Repayments of borrowings		(5,000)	-
Repayment of principal under finance leases		(13)	(10)
Interest paid		(1,258)	(1,681)
Net cash from financing activities		(4,271)	3,498
Effects of foreign exchange rates		523	124
Net increase in cash and cash equivalents		5,411	5,288
Opening cash and cash equivalents		4,944	(344)
Closing cash and cash equivalents	8	10,355	4,944

NOTES TO THE PRELIMINARY RESULTS

1. The consolidated financial statements of Games Workshop Group PLC are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, that are adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.
2. These results for the year to 31 May 2009 together with the corresponding amounts for the year to 1 June 2008 are extracts from the 2009 annual report and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The annual report for the year to 31 May 2009, on which the auditors have issued a report that does not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006, will be posted to shareholders on 28 July 2009 and will be delivered to the Registrar of Companies in due course. Copies will also be available from Rachel Tongue, Games Workshop Group PLC, Willow Road, Lenton, Nottingham NG7 2WS. This information is also available on the Company's website at <http://investor.games-workshop.com>.

The annual general meeting will be held at Willow Road, Lenton, Nottingham, NG7 2WS at 10.00am on 17 September 2009.

The preliminary announcement is prepared in accordance with the Listing Rules of the Financial Services Authority and accounting policies consistent with those used in the 2008 annual report.

The preparation of the consolidated 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 consolidated 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 areas are considered of greater complexity and/or particularly subject to the exercise of judgement:

- 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.
- Judgement is involved in assessing the exposures in the provisions (including inventory, bad debt and returns) and hence in setting the level of the required provisions.
- Management estimates and judgements are required in assessing the recognition of deferred tax assets, particularly in relation to the timing and amount of future profits.

3. Segmental analysis

The Group has one business segment, the Games Workshop Hobby. Geographical segments represent the dominant source and nature of the Group's risk and returns and is therefore provided below as the primary reporting format.

Year ended 31 May 2009

	Continental Europe	United Kingdom	North America	Asia Pacific	Rest of the world	Central/unallocated	Service centres	Design and development	Royalty income	Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Continuing Sales by operation	42,340	46,537	27,152	9,677	-	-	-	-	-	125,706
Sales by location of customers	47,577	33,653	33,387	10,729	360	-	-	-	-	125,706
Operating profit/segment result by location of customers	8,896	8,995	822	778	85	(6,032)	(4,941)	(3,060)	3,471	9,014

Year ended 1 June 2008

	Continental Europe	United Kingdom	North America	Asia Pacific	Rest of the world	Central/unallocated	Service centres	Design and development	Royalty income	Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Continuing Sales by operation	41,139	36,760	24,011	8,435	-	-	-	-	-	110,345
Sales by location of customers	43,091	31,056	26,844	9,080	274	-	-	-	-	110,345
Pre-exceptional operating profit/segment result by location of customers	7,648	7,338	610	207	110	(5,235)	(4,532)	(2,965)	1,736	4,917
Exceptional items	(382)	(1,453)	(568)	2	-	-	-	36	-	(2,365)
Operating profit/segment result by location of customers	7,266	5,885	42	209	110	(5,235)	(4,532)	(2,929)	1,736	2,552

Service centres are established in the UK which provide support services (IT, accounting, payroll, HR, production planning and supplier development) to activities across the Group. The related costs which had previously been reported as segmental costs, are now separately identified as service centre costs to aid transparency.

Central/unallocated, service centres, design and development and royalty income segment (costs)/income comprise the (costs)/income arising in the United Kingdom that cannot be directly attributed to an individual geographical segment.

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per ordinary share has been based on profit/(loss) attributable to equity shareholders of £5.5 million and £5.4 million for continuing operations (2008: £(0.7) million and £0.4 million for continuing operations) and the weighted average number of shares in issue throughout the year (2009: 31,129,000; 2008: 31,123,000).

Diluted earnings/(loss) per ordinary share is identical to basic earnings/(loss) per ordinary share as the dilutive effect of share options for 2009 is 17,000 shares (2008: nil).

5. Income tax expense

Continuing operations	2009	2008
	£000	£000
Current taxation		
UK corporation tax	2,309	56
Overseas tax	1,480	819
Total current taxation	3,789	875
Deferred taxation	(1,682)	(262)
Income tax expense	2,107	613

Continuing operations	2009	2008
	£000	£000
Profit before taxation	7,539	1,059
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	2,111	318
Effects of:		
Expenses not deductible for tax purposes	1,351	156
Recognition of asset held for sale	-	(148)
Movement in deferred tax not recognised	(85)	(79)
Deferred tax on losses now recognised	(2,489)	(400)
Changes in tax rates	-	95
Higher tax rates on overseas earnings	370	348
Adjustments to tax charge in respect of previous years	(152)	323
Abolition of industrial buildings allowances	1,001	-
Total tax charge for the year	2,107	613

6. No final dividend is proposed. There were no dividends paid in the year.

7. Consolidated statement of changes in shareholders' equity

	Called up share capital £000	Share premium account £000	Other reserves			Retained earnings		Profit and loss £000	Total equity £000
			Capital redemption reserve £000	Translation reserve £000	Other reserve £000	Hedging Reserve £000			
As at 1 June 2008	1,556	7,822	101	628	(1,050)	(677)	21,146	29,526	
Exchange adjustments	-	-	-	2,605	-	-	-	2,605	
Net investment hedge	-	-	-	(621)	-	-	-	(621)	
Profit attributable to equity shareholders	-	-	-	-	-	-	5,550	5,550	
Share-based payments	-	-	-	-	-	-	161	161	
Current tax	-	-	-	174	-	-	-	174	
Deferred tax	-	-	-	-	-	(232)	-	(232)	
Cash flow hedges:									
- fair value losses in the year	-	-	-	-	-	(112)	-	(112)	
- transfers to net profit	-	-	-	-	-	940	-	940	
As at 31 May 2009	1,556	7,822	101	2,786	(1,050)	(81)	26,857	37,991	

	Called up share capital £000	Share premium account £000	Other reserves			Retained earnings		Profit and loss £000	Total equity £000
			Capital redemption reserve £000	Translation reserve £000	Other reserve £000	Hedging Reserve £000	Treasury shares £000		
As at 3 June 2007	1,556	7,822	101	(261)	(1,050)	(62)	(49)	21,800	29,857
Exchange adjustments	-	-	-	1,626	-	-	-	-	1,626
Net investment hedge	-	-	-	(737)	-	-	-	-	(737)
Loss attributable to equity shareholders	-	-	-	-	-	-	-	(740)	(740)
Share-based payments	-	-	-	-	-	-	-	135	135
Shares vested	-	-	-	-	-	-	49	(49)	-
Deferred tax	-	-	-	-	-	237	-	-	237
Cash flow hedges:									
- fair value losses in the year	-	-	-	-	-	(940)	-	-	(940)
- transfers to net profit	-	-	-	-	-	88	-	-	88
As at 1 June 2008	1,556	7,822	101	628	(1,050)	(677)	-	21,146	29,526

8. Analysis of net debt

	As at 1 June 2008 £000	Cash flow £000	Exchange Movement £000	As at 31 May 2009 £000
Cash at bank and in hand	7,723	1,999	633	10,355
Current borrowings - bank overdraft	(2,779)	2,889	(110)	-
Cash and cash equivalents	4,944	4,888	523	10,355
Non-current borrowings	(15,000)	3,000	-	(12,000)
Finance leases	(13)	13	(2)	(2)
Net debt	(10,069)	7,901	521	(1,647)

9. Reconciliation of profit to net cash from operating activities

	2009 £000	2008 £000
Operating profit - continuing operations	9,014	2,552
Operating profit/(loss) - discontinued operations	129	(1,106)
Depreciation of property, plant and equipment	7,055	6,778
Net impairment charge/(reversal) on property, plant and equipment	167	(52)
Loss on disposal of property, plant and equipment	-	210
Loss on disposal of intangible assets	39	-
Profit on disposal of asset held for sale	(36)	-
Loss on disposal of goodwill	-	922
Amortisation of capitalised development costs	2,269	2,236
Amortisation of other intangibles	1,281	753
Net fair value (gains)/losses on derivative financial instruments	(226)	421
Share-based payments	161	135
Changes in working capital:		
-Decrease in inventories	386	811
-Decrease/(increase) in trade and other receivables	393	(847)
-(Decrease)/increase in trade and other payables	(1,713)	480
-Decrease in provisions	(17)	(2,196)
Net cash from operating activities	18,902	11,097

10. Exceptional items

Exceptional costs of £2,365,000 were incurred in the year ended 1 June 2008 in respect of the cost reduction programme announced in May 2007. As part of this programme the following costs were incurred in the year ended 1 June 2008: £250,000 in closing loss making Hobby centres, £1,065,000 in rationalising the manufacturing and supply chain and £1,050,000 in simplifying the support infrastructure. £835,000, £619,000, £947,000 and £(36,000) was charged/(credited) to cost of sales, selling costs, administrative costs and design and development costs respectively. Costs incurred in the year ended 31 May 2009 in respect of ongoing redundancies, impairments and loss making Hobby centres were £1,370,000, £167,000 and £807,000 respectively.