

## PRESS ANNOUNCEMENT

# GAMES WORKSHOP GROUP PLC

5 January 2012

## HALF-YEARLY REPORT

Games Workshop Group PLC (“Games Workshop” or the “Group”) announces its half-yearly results for the six months to 27 November 2011.

### Highlights:

- Revenue at £62.7m (2010: £60.0m)
- Revenue at constant currency\* at £62.0m (2010: £60.0m)
- Gross margin at 76.8% (2010: 76.7%)
- Operating profit pre-royalty income at £6.5m (2010: £5.8m)
- Royalty income at £2.6m (2010: £1.0m)
- Operating profit at £9.1m (2010: £6.8m)
- Pre-tax profit at £9.5m (2010: £6.8m)
- Earnings per share of 22.1p (2010: 15.6p)
- Net funds of £15.9m (2010: £11.5m)
- Dividend per share of 29p

Mark Wells, CEO of Games Workshop, said:

“An encouraging first half performance in which we have delivered growth in sales, profit and return on capital from our core business. Good progress has been made on our strategic initiatives; these are beginning to show through in results from our Hobby centres. We also received a significant royalty payment which has been recognised in the first half. In line with our policy of distributing truly surplus cash, we are pleased to report that the board is declaring a dividend of 29p per share.”

...Ends...

### For further information, please contact:

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Investor relations website  
General website

[investor.games-workshop.com](http://investor.games-workshop.com)  
[www.games-workshop.com](http://www.games-workshop.com)

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2010 and 2011, both converted at the average exchange rates for the six months ended 28 November 2010.

## FIRST HALF HIGHLIGHTS

	Six months to 27 November 2011	Restated** Six months to 28 November 2010
Revenue	<b>£62.7m</b>	£60.0m
Revenue at constant currency*	<b>£62.0m</b>	£60.0m
Operating profit pre-royalty income	<b>£6.5m</b>	£5.8m
Royalty income	<b>£2.6m</b>	£1.0m
Operating profit	<b>£9.1m</b>	£6.8m
Pre-tax profit	<b>£9.5m</b>	£6.8m
Basic earnings per share	<b>22.1p</b>	15.6p
Net funds	<b>£15.9m</b>	£11.5m

## INTERIM MANAGEMENT REPORT

### First half performance

Games Workshop delivered growth across all channels. The UK, North America, Asia, Emerging Markets and Capital Cities and our two specialist businesses, Forge World and Black Library all delivered constant currency growth. Continental Europe was down slightly in constant currency with strong performances from Italy and the Netherlands unable to offset declines elsewhere.

Gross margin has been maintained as price increases and efficiencies offset cost pressures. The increase in overheads is due to the creation of a digital development team and new management information system. Core business operating profit (operating profit before royalty income) has increased to £6.5 million (2010: £5.8 million) and core business operating margin to 10.3% (2010: 9.6%). With inventories and trade debt under control, core business return on capital has improved to 41% (2010: 34%).

### Progress on strategic initiatives

We have made good progress on our manager pipeline initiative and now have a trained Hobby centre manager in every one of our UK and North American Hobby centres and a substitutes bench in both of these territories. We also begin training Trade Standards across all territories in January 2012 and will roll out the Games Workshop business training programme for all senior managers in February 2012.

### Licensing

We announced in November 2011 that we had received a large royalty payment from THQ Inc. after the successful launch of their much acclaimed Space Marine computer game. In order to improve the transparency of our royalty income when reporting our results and in particular the correlation between reported profits and cash we have adjusted our accounting policy on royalties to recognise this income when it is earned (see note 1). As a result, operating profit has increased to £9.1 million (2010: £6.8 million) and net funds to £15.9 million (2010: £11.5 million).

### Dividend

In line with our policy of distributing truly surplus cash, we are pleased to report that the board is declaring a dividend of 29p per share, to be paid on 24 February 2012 to shareholders on the register at 20 January 2012.

### Prospects

As a niche business, we, in general terms, neither benefit nor suffer from macro economic factors as our current results show. The Hobby is healthy and the challenge is to stay focused on what needs to be done to service it efficiently and cost effectively.

The principal risks and uncertainties for the balance of the year lie in the ability of the sales businesses to establish or maintain sales growth and for the product development and manufacturing operation to maintain gross margin.

Games Workshop's core business model remains strong. The initiatives we have implemented in the sales businesses are designed to lead to higher volumes whilst maintaining hard won efficiencies. The board remains confident in the future growth and profitability of the Group.

### Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8. The directors of Games Workshop Group PLC are listed in the annual report for the year to 29 May 2011. A list of the current directors is maintained on the investor relations website at [investor.games-workshop.com](http://investor.games-workshop.com).

By order of the board

**M N Wells**  
CEO

**K D Rountree**  
COO

5 January 2012

\*Constant currency revenue is calculated by comparing results in the underlying currencies for 2010 and 2011, both converted at the average exchange rates for the six months ended 28 November 2010.

\*\*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see notes 1 and 3).

<b>REVENUE BY SEGMENT IN CONSTANT CURRENCY</b>			
	<b>Six months to 27 November 2011</b>	<b>Six months to 28 November 2010</b>	
	<b>£m</b>		<b>£m</b>
UK	<b>15.0</b>		14.9
Continental Europe	<b>17.0</b>		17.5
North America	<b>15.7</b>		14.5
Australia	<b>4.9</b>		5.0
Emerging Markets and Capital Cities	<b>3.5</b>		3.3
Asia	<b>0.8</b>		0.6
All other sales businesses	<b>5.1</b>		4.2

## CONSOLIDATED INCOME STATEMENT

		Six months to 27 November 2011 £000	Restated* Six months to 28 November 2010 £000	Restated* Year to 29 May 2011 £000
	Notes			
<b>Revenue</b>	2	<b>62,717</b>	60,035	123,052
Cost of sales		<b>(14,529)</b>	(13,995)	(28,288)
<b>Gross profit</b>		<b>48,188</b>	46,040	94,764
Operating expenses		<b>(41,725)</b>	(40,261)	(81,975)
Other operating income – royalty income	3	<b>2,622</b>	991	2,455
<b>Operating profit</b>	2	<b>9,085</b>	6,770	15,244
Finance income		<b>390</b>	103	132
Finance costs		<b>(9)</b>	(59)	(89)
<b>Profit before taxation</b>	5	<b>9,466</b>	6,814	15,287
Income tax expense	6	<b>(2,557)</b>	(1,976)	(4,047)
<b>Profit attributable to equity shareholders</b>		<b>6,909</b>	4,838	11,240
Basic earnings per ordinary share	7	<b>22.1p</b>	15.6p	36.0p
Diluted earnings per ordinary share	7	<b>21.8p</b>	15.4p	35.7p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months to 27 November 2011 £000	Restated* Six months to 28 November 2010 £000	Restated* Year to 29 May 2011 £000
<b>Profit attributable to equity shareholders</b>		<b>6,909</b>	4,838	11,240
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		<b>49</b>	(726)	(981)
Other comprehensive income for the period		<b>49</b>	(726)	(981)
<b>Total comprehensive income attributable to equity shareholders</b>		<b>6,958</b>	4,112	10,259

The following notes form an integral part of this condensed consolidated interim financial information.

\*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see notes 1 and 3).

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 29 May 2011	1,561	8,048	2,741	39,667	52,017
Change in accounting policy (notes 1 and 3)	-	-	-	1,110	1,110
At 29 May 2011 as restated*	1,561	8,048	2,741	40,777	53,127
Profit for the six months to 27 November 2011	-	-	-	6,909	6,909
Exchange differences on translation of foreign operations	-	-	49	-	49
<b>Total comprehensive income for the period</b>	-	-	<b>49</b>	<b>6,909</b>	<b>6,958</b>
Transactions with owners:					
Share-based payments	-	-	-	70	70
Shares issued under employee sharesave scheme	16	597	-	-	613
Deferred tax credit relating to share options	-	-	-	99	99
Dividend approved and paid in the six months to 27 November 2011	-	-	-	(5,620)	(5,620)
<b>Total transactions with owners</b>	<b>16</b>	<b>597</b>	<b>-</b>	<b>(5,451)</b>	<b>(4,838)</b>
<b>At 27 November 2011</b>	<b>1,577</b>	<b>8,645</b>	<b>2,790</b>	<b>42,235</b>	<b>55,247</b>

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 30 May 2010	1,557	7,837	3,722	42,187	55,303
Change in accounting policy (notes 1 and 3)	-	-	-	1,140	1,140
At 30 May 2010 as restated*	1,557	7,837	3,722	43,327	56,443
Profit for the six months to 28 November 2010	-	-	-	4,838	4,838
Exchange differences on translation of foreign operations	-	-	(726)	-	(726)
<b>Total comprehensive income for the period</b>	-	-	<b>(726)</b>	<b>4,838</b>	<b>4,112</b>
Transactions with owners:					
Share-based payments	-	-	-	85	85
Shares issued under employee sharesave scheme	4	188	-	-	192
Dividend approved and paid in the six months to 28 November 2010	-	-	-	(7,784)	(7,784)
<b>Total transactions with owners</b>	<b>4</b>	<b>188</b>	<b>-</b>	<b>(7,699)</b>	<b>(7,507)</b>
<b>At 28 November 2010</b>	<b>1,561</b>	<b>8,025</b>	<b>2,996</b>	<b>40,466</b>	<b>53,048</b>

	Called up share capital £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 30 May 2010	1,557	7,837	3,722	42,187	55,303
Change in accounting policy (notes 1 and 3)	-	-	-	1,140	1,140
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At 30 May 2010 as restated*	1,557	7,837	3,722	43,327	56,443
Profit for the year to 29 May 2011	-	-	-	11,240	11,240
Exchange differences on translation of foreign operations	-	-	(981)	-	(981)
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Total comprehensive income for the period	-	-	(981)	11,240	10,259
Transactions with owners:					
Share-based payments	-	-	-	141	141
Shares issued under employee sharesave scheme	4	211	-	-	215
Deferred tax credit relating to share options	-	-	-	97	97
Dividends approved and paid in the year to 29 May 2011	-	-	-	(14,028)	(14,028)
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Total transactions with owners	4	211	-	(13,790)	(13,575)
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At 29 May 2011	1,561	8,048	2,741	40,777	53,127
	=====	=====	=====	=====	=====

The following notes form an integral part of this condensed consolidated interim financial information.

\*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see notes 1 and 3).

## CONSOLIDATED BALANCE SHEET

		As at 27 November 2011 £000	Restated* As at 28 November 2010 £000	Restated* As at 29 May 2011 £000
	Notes			
<b>Non-current assets</b>				
Goodwill		1,433	1,433	1,433
Other intangible assets	10	5,030	5,416	4,968
Property, plant and equipment	11	20,603	22,278	21,047
Trade and other receivables		1,646	1,793	1,815
Deferred tax assets		7,398	5,038	6,475
		<u>36,110</u>	<u>35,958</u>	<u>35,738</u>
<b>Current assets</b>				
Inventories		9,630	10,285	8,431
Trade and other receivables		12,282	11,634	9,790
Current tax assets		1,423	236	593
Cash and cash equivalents	9	15,923	11,478	17,572
		<u>39,258</u>	<u>33,633</u>	<u>36,386</u>
<b>Total assets</b>		<u>75,368</u>	<u>69,591</u>	<u>72,124</u>
<b>Current liabilities</b>				
Trade and other payables		(13,251)	(12,143)	(12,383)
Current tax liabilities		(3,559)	(693)	(3,119)
Provisions	12	(1,260)	(1,772)	(1,384)
		<u>(18,070)</u>	<u>(14,608)</u>	<u>(16,886)</u>
<b>Net current assets</b>		<u>21,188</u>	<u>19,025</u>	<u>19,500</u>
<b>Non-current liabilities</b>				
Other non-current liabilities		(380)	(485)	(434)
Provisions	12	(1,671)	(1,450)	(1,677)
		<u>(2,051)</u>	<u>(1,935)</u>	<u>(2,111)</u>
<b>Net assets</b>		<u>55,247</u>	<u>53,048</u>	<u>53,127</u>
<b>Capital and reserves</b>				
Called up share capital		1,577	1,561	1,561
Share premium account		8,645	8,025	8,048
Other reserves		2,790	2,996	2,741
Retained earnings		42,235	40,466	40,777
		<u>55,247</u>	<u>53,048</u>	<u>53,127</u>
<b>Total shareholders' equity</b>		<u>55,247</u>	<u>53,048</u>	<u>53,127</u>

The following notes form an integral part of this condensed consolidated interim financial information.

\*Prior periods have been restated to reflect a change in accounting policy for royalty income recognition with effect from 30 May 2010 (see notes 1 and 3).

## CONSOLIDATED CASH FLOW STATEMENT

		Six months to 27 November 2011 £000	Six months to 28 November 2010 £000	Year to 29 May 2011 £000
	Notes			
<b>Cash flows from operating activities</b>				
Cash generated from operations	8	11,743	7,488	25,825
UK corporation tax paid		(2,545)	(1,486)	(2,160)
Overseas tax paid		(1,057)	(593)	(1,378)
<b>Net cash from operating activities</b>		<b>8,141</b>	<b>5,409</b>	<b>22,287</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(2,725)	(2,255)	(4,522)
Proceeds on disposal of property, plant and equipment		22	7	89
Purchases of other intangible assets		(657)	(188)	(694)
Expenditure on product development		(1,578)	(863)	(2,692)
Interest received		50	22	55
<b>Net cash from investing activities</b>		<b>(4,888)</b>	<b>(3,277)</b>	<b>(7,764)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		613	192	215
Interest paid		(1)	(53)	(72)
Dividends paid to company shareholders		(5,620)	(7,784)	(14,028)
<b>Net cash from financing activities</b>		<b>(5,008)</b>	<b>(7,645)</b>	<b>(13,885)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,755)</b>	<b>(5,513)</b>	<b>638</b>
Opening cash and cash equivalents		17,572	17,089	17,089
Effects of foreign exchange rates on cash and cash equivalents		106	(98)	(155)
<b>Closing cash and cash equivalents</b>	9	<b>15,923</b>	<b>11,478</b>	<b>17,572</b>

The following notes form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

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

The Company has its listing on the London Stock Exchange.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 29 May 2011 were approved by the board of directors on 25 July 2011 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under either section 498 (2) or section 498 (3) of the Companies Act 2006.

This condensed consolidated interim financial information has not been audited or reviewed pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information' and does not include all of the information required for full annual financial statements.

This condensed consolidated interim financial information for the six months ended 27 November 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 29 May 2011 which have been prepared in accordance with IFRSs as adopted by the European Union.

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved for issue on 5 January 2012.

This condensed consolidated interim financial information is available to shareholders and members of the public on the Company's website at [investor.games-workshop.com](http://investor.games-workshop.com).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 29 May 2011.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 29 May 2011, as described in those financial statements.

Since the last annual report the Group has changed its accounting policy for recognition of royalty income. Previously royalty income was recognised by spreading the guarantees and advances receivable over the term of the licence agreement until it was virtually certain that the level of income from the licence would exceed those guarantees and advances. At this point all guarantees and advances received under the licence were taken immediately to the income statement. All other income receivable was recognised in the income statement by reference to the underlying licensee performance, after allowing for expected returns and price protection claims. Under the new policy royalty income is recognised in the income statement when it can be reliably measured by reference to the underlying licensee performance, after allowing for expected returns and price protection claims, as notified to the Group by the licensee and following validation of the amounts receivable by the Group. Cash received as guarantees and advances are deferred on balance sheet whilst it is considered probable that future royalty earnings will at least equal the amounts received. Such amounts are recognised in the income statement at the point at which they are earned as royalties. In the event that it is no longer considered probable that future royalty earnings will at least equal the guarantees and advances received, the guaranteed and advance payments are taken to the income statement on a straight line basis over the remaining term of the licence agreement. Comparative amounts have been restated for each prior period presented as if the new accounting policy had always been applied (see note 3). The Group believes that the new policy results in a fairer reflection of licensee performance in the Group income statement.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new standards, amendments to standards or interpretations which are expected to have a significant impact on the Group.

## 2. Segment information

The chief operating decision-maker has been identified as the executive directors. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As Games Workshop is a vertically integrated business, management assess the performance of sales businesses and manufacturing and distribution businesses separately. At 27 November 2011, the Group is organised as follows:

- Sales businesses. These businesses sell product to external customers, through the Group's network of Hobby centres, independent retailers and direct via the Global Webstore. The sales businesses have been aggregated into segments where they sell products of a similar nature, have similar production processes, similar customers, similar distribution methods and are affected by similar economic factors. The segments are as follows:
  - UK. This sales business operates in the UK and Ireland.
  - Continental Europe. This combines the France, Germany, Italy, Spain and the Netherlands sales businesses.
  - North America. This combines the United States and Canada sales businesses.
  - Australia. This is the Australia sales business.
  - Emerging Markets and Capital Cities. This combines the Emerging Markets and Capital Cities sales businesses.
  - Asia. This combines the Japan, China retail and Asia trade businesses.
  - Other. This includes the other operating segments reviewed by the chief operating decision-maker. These are the Forge World business, the Black Library business and Warhammer World.
- Product and supply. This includes the design and manufacture of the products and incorporates production facilities in the UK, North America and until November 2010 in China.
- Logistics and stock management. This represents the warehousing and distribution activities needed to supply product to the sales businesses and includes facilities in the UK, North America, Australia and until November 2010 in China.
- Licensing costs. These are the costs of running the licensing department.
- Service centre costs. The service centre is established in the UK to provide support services (IT, accounting, payroll, HR, supplier development, legal and property) to activities across the Group.
- Web costs. These are the costs associated with the running of the Games Workshop Global Webstore.
- Central costs. These include the Company overheads, head office site costs and the costs of running the Games Workshop Academy.
- Royalty income. This is royalty income earned from third party licensees.

The chief operating decision-maker assesses the performance of each business based on core business operating profit (operating profit before royalty income), excluding share option charges recognised under IFRS 2, 'Share-based payment'. This has been reconciled to the Group's total profit before taxation below.

The segment information reported to the executive directors for the periods included in this financial information is as follows:

	<b>Six months to 27 November 2011 £000</b>	Six months to 28 November 2010 £000	Year to 29 May 2011 £000
External revenue			
<i>Sales businesses</i>			
UK	<b>14,818</b>	14,929	31,006
Continental Europe	<b>17,642</b>	17,514	35,147
North America	<b>15,419</b>	14,520	30,250
Australia	<b>5,437</b>	5,032	10,630
Emerging Markets and Capital Cities	<b>3,541</b>	3,322	6,652
Asia	<b>818</b>	562	1,166
All other sales businesses	<b>5,042</b>	4,156	8,201
<b>Total external revenue</b>	<b>62,717</b>	60,035	123,052
Internal revenue			
<i>Sales businesses</i>			
All other sales businesses	<b>1,000</b>	875	1,861
<i>Other segments</i>			
Product and supply	<b>30,206</b>	30,303	57,725
<b>Total internal revenue</b>	<b>31,206</b>	31,178	59,586
Intra-group sales eliminations	<b>(31,206)</b>	(31,178)	(59,586)
<b>Total revenue</b>	<b>62,717</b>	60,035	123,052

Total segment core business operating profit is as follows and is reconciled to total profit before taxation below:

	Six months to 27 November 2011 £000	Restated* Six months to 28 November 2010 £000	Restated* Year to 29 May 2011 £000
Core business operating profit			
<i>Sales businesses</i>			
UK	1,618	1,810	4,772
Continental Europe	1,281	1,328	2,095
North America	1,427	1,306	3,120
Australia	(277)	(159)	(406)
Emerging Markets and Capital Cities	1,071	989	1,885
Asia	(613)	(559)	(860)
All other sales businesses	2,368	1,549	2,967
<i>Other segments</i>			
Product and supply	11,871	11,165	21,713
<b>Total segment core business operating profit</b>	<b>18,746</b>	<b>17,429</b>	<b>35,286</b>
Logistics and stock management	(5,066)	(4,939)	(10,588)
Licensing costs	(278)	(170)	(409)
Service centre costs	(2,630)	(2,723)	(5,712)
Web costs	(1,058)	(991)	(1,824)
Central costs	(3,181)	(2,742)	(3,823)
Share-based payments charge	(70)	(85)	(141)
<b>Total group core business operating profit</b>	<b>6,463</b>	<b>5,779</b>	<b>12,789</b>
Royalty income	2,622	991	2,455
<b>Total group operating profit</b>	<b>9,085</b>	<b>6,770</b>	<b>15,244</b>
Finance income	390	103	132
Finance costs	(9)	(59)	(89)
<b>Profit before taxation</b>	<b>9,466</b>	<b>6,814</b>	<b>15,287</b>

Segment revenue of £2,237,000 and segment profit of £681,000 for the Scandinavian sales business for the six months to 28 November 2010 have been restated since the last interim report into Emerging Markets and Capital Cities rather than being in Northern Europe. This reflects the management structure in place for the year ended 29 May 2011 and for the six months ended 27 November 2011.

Segment revenue of £266,000 and segment loss of £617,000 for the six months to 28 November 2010, and segment revenue of £546,000 and segment loss of £975,000 for the year to 29 May 2011 for the Japan sales business have been restated since the last interim and annual reports into Asia rather than being in Emerging Markets and Japan. This reflects the management structure in place for the six months ended 27 November 2011. Similarly segment revenue of £296,000 and segment profit of £58,000 for the six months to 28 November 2010, and segment revenue of £620,000 and segment profit of £115,000 for the year to 29 May 2011 for the Asia trade business have been restated since the last interim and annual reports into Asia rather than being in Emerging Markets and Japan.

The Northern Europe segment has been renamed as UK and the Emerging Markets and Japan segment has been renamed as Emerging Markets and Capital Cities following these changes.

Segment revenue of £167,000 and segment loss of £33,000 for the other sales businesses segment for the six months to 28 November 2010 have been restated since the last interim report into UK rather than being shown in Other sales businesses. The same restatement has been applied to the segment results for the year to 29 May 2011. This reflects the current management structure in place.

Licensing income of £820,000 for the six months to 28 November 2010 and £2,174,000 for the year to 29 May 2011 has been restated since the last interim and annual reports into Royalty income rather than being shown net of licensing costs. Licensing income of £171,000 for the six months to 28 November 2010 and £281,000 for the year to 29 May 2011 has been restated since the last interim and annual reports into Royalty income rather than being within Other sales businesses. This reflects the way management view the business at 27 November 2011. An amount of £453,000 for the year to 29 May 2011 has also been restated since the last annual report into Licensing costs rather than Product and supply in order to correct a mis-classification in the previously reported segment information. As a result product and supply profit is £453,000 higher than previously reported and Licensing costs are £453,000 higher.

Certain costs have been reclassified between Product and supply and Service centre costs for the six months to 28 November 2010 to reflect the management structure in place for the six months ended 27 November 2011 and at 29 May 2011. Consequently segment profit for product and supply has decreased from £11,356,000 to £11,165,000 and service centre operating loss has decreased from £2,914,000 to £2,723,000.

Segment revenue and segment profit include transactions between business segments; these transactions are eliminated on consolidation. Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement.

### 3. Royalty income

The change in accounting policy for royalty income recognition has resulted in an increase in income of £100,000 in the income statement for the 6 months to 28 November 2010, a reduction in deferred income of £1,683,000 on the balance sheet at 28 November 2010, a reduction in deferred tax of £471,000 on the balance sheet at 28 November 2010 and an increase in retained earnings of £1,212,000 at 28 November 2010. Basic and diluted earnings per share are both 0.3p higher than previously reported for the 6 months to 28 November 2010.

Royalty income is £83,000 lower in the income statement for the year to 29 May 2011, deferred income is £1,500,000 lower on the balance sheet at 29 May 2011, deferred tax is £390,000 lower on the balance sheet at 29 May 2011 and retained earnings are £1,110,000 higher at 29 May 2011. Basic and diluted earnings per share are both 0.1p lower than previously reported for the year to 29 May 2011.

Royalty income is £1,593,000 higher in the income statement for the six months to 27 November 2011, deferred income is £3,093,000 lower, current tax liabilities are £799,000 higher and retained earnings are £2,294,000 higher at 27 November 2011.

### 4. Dividends

A dividend of £5,620,000 (18.0 pence per share) was paid in the six months to 27 November 2011 (six months to 28 November 2010: £7,784,000 (25.0 pence per share)). A dividend of £9,154,000 (29.0 pence per share) is proposed, to be paid on 24 February 2012 to shareholders on the register at 20 January 2012. This financial information does not reflect this proposed dividend.

Dividends of £14,028,000 were paid during the year ended 29 May 2011.

### 5. Profit before taxation

The following costs have been incurred in the reported periods in respect of ongoing redundancies, impairments and loss-making Hobby centres:

	<b>Six months to 27 November 2011 £000</b>	Six months to 28 November 2010 £000	Year to 29 May 2011 £000
Redundancy costs and compensation for loss of office	<b>643</b>	636	1,280
Impairment of property, plant and equipment	<b>28</b>	96	664
Impairment of other intangible assets	<b>199</b>	-	-
Net charge to property provisions for closed or loss-making Hobby centres	<b>206</b>	564	582

### 6. Tax

The taxation charge for the six months to 27 November 2011 is based on an estimate of the full year effective rate of 27% reflecting higher overseas tax rates offset by deferred tax credits in respect of a proportion of losses previously unrecognised. (2010: 29%, reflecting higher overseas tax rates offset by deferred tax credits in respect of a proportion of losses previously unrecognised).

## 7. Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue throughout the relevant period.

	<b>Six months to 27 November 2011</b>	Restated* Six months to 28 November 2010	Restated* Year to 29 May 2011
Profit attributable to equity shareholders (£000)	<b>6,909</b>	4,838	11,240
Weighted average number of ordinary shares in issue (thousands)	<b>31,262</b>	31,146	31,182
<b>Basic earnings per share (pence per share)</b>	<b>22.1</b>	15.6	36.0

### Diluted earnings per share

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

	<b>Six months to 27 November 2011</b>	Restated* Six months to 28 November 2010	Restated* Year to 29 May 2011
Profit attributable to equity shareholders (£000)	<b>6,909</b>	4,838	11,240
Weighted average number of ordinary shares in issue (thousands)	<b>31,262</b>	31,146	31,182
Adjustment for share options (thousands)	<b>418</b>	317	281
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>31,680</b>	31,463	31,463
<b>Diluted earnings per share (pence per share)</b>	<b>21.8</b>	15.4	35.7

## 8. Reconciliation of profit to net cash from operating activities

	<b>Six months to 27 November 2011 £000</b>	Restated* Six months to 28 November 2010 £000	Restated* Year to 29 May 2011 £000
Operating profit	<b>9,085</b>	6,770	15,244
Depreciation of property, plant and equipment	<b>3,039</b>	2,979	5,848
Net impairment charge on property, plant and equipment	<b>28</b>	96	664
(Profit)/loss on disposal of property, plant and equipment	<b>(9)</b>	33	57
Loss on disposal of intangible assets	<b>-</b>	-	61
Amortisation of capitalised development costs	<b>1,450</b>	818	2,905
Amortisation of other intangibles	<b>552</b>	594	1,207
Net impairment charge on other intangibles	<b>199</b>	-	-
Share-based payments	<b>70</b>	85	141
Changes in working capital:			
-(Increase)/decrease in inventories	<b>(1,086)</b>	(407)	1,432
-Increase in trade and other receivables	<b>(2,285)</b>	(1,496)	(49)
-Increase/(decrease) in trade and other payables	<b>913</b>	(1,954)	(1,499)
-Decrease in provisions	<b>(213)</b>	(30)	(186)
<b>Net cash from operating activities</b>	<b>11,743</b>	7,488	25,825

## 9. Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	<b>27 November 2011 £000</b>	28 November 2010 £000	29 May 2011 £000
Cash and cash equivalents	<b>15,923</b> =====	11,478 =====	17,572 =====

## 10. Other intangible assets

	<b>27 November 2011 £000</b>	28 November 2010 £000	29 May 2011 £000
Net book value at beginning of period	<b>4,968</b>	5,889	5,889
Additions	<b>2,235</b>	1,051	3,380
Exchange differences	<b>28</b>	(11)	(20)
Disposals	-	-	(61)
Amortisation charge	<b>(2,002)</b>	(1,412)	(4,112)
Impairment	<b>(199)</b>	-	-
Reclassifications	-	(101)	(108)
<b>Net book value at end of period</b>	<b>5,030</b> =====	5,416 =====	4,968 =====

## 11. Property, plant and equipment

	<b>27 November 2011 £000</b>	28 November 2010 £000	29 May 2011 £000
Net book value at beginning of period	<b>21,047</b>	23,264	23,264
Additions	<b>2,593</b>	2,198	4,531
Exchange differences	<b>43</b>	(170)	(198)
Disposals	<b>(13)</b>	(40)	(146)
Charge for the period	<b>(3,039)</b>	(2,979)	(5,848)
Impairment	<b>(28)</b>	(96)	(664)
Reclassifications	-	101	108
<b>Net book value at end of period</b>	<b>20,603</b> =====	22,278 =====	21,047 =====

## 12. Provisions

Analysis of total provisions:

	<b>27 November 2011 £000</b>	28 November 2010 £000	29 May 2011 £000
Current	<b>1,260</b>	1,772	1,384
Non-current	<b>1,671</b>	1,450	1,677
	<b>2,931</b>	3,222	3,061
	=====	=====	=====

	Redundancy £000	Employee benefits £000	Property £000	Total £000
As at 31 May 2010	243	858	2,189	3,290
Charged to the income statement	23	18	564	605
Exchange differences	(12)	6	(47)	(53)
Increase in provision – discount unwinding	-	-	15	15
Utilised	(139)	-	(496)	(635)
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As at 28 November 2010	115	882	2,225	3,222
	=====	=====	=====	=====

	Redundancy £000	Employee benefits £000	Property £000	Total £000
As at 31 May 2010	243	858	2,189	3,290
(Credited)/charged to the income statement	(33)	138	582	687
Exchange differences	(11)	25	(92)	(78)
Increase in provision – discount unwinding	-	-	30	30
Utilised	(139)	(61)	(668)	(868)
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As at 29 May 2011 and 30 May 2011	60	960	2,041	3,061
Charged to the income statement	-	48	206	254
Exchange differences	(1)	(8)	84	75
Increase in provision – discount unwinding	-	-	8	8
Utilised	-	(102)	(365)	(467)
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<b>As at 27 November 2011</b>	<b>59</b>	<b>898</b>	<b>1,974</b>	<b>2,931</b>
	=====	=====	=====	=====

## 13. Seasonality

The Group's monthly sales profile demonstrates an element of seasonality around the Christmas period. This impacts sales in the months of September and December.

## 14. Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is £729,000 (2010: £569,000).

## 15. Related-party transactions

There were no material related-party transactions during the period.