PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

For immediate release **30 July 2013**

PRELIMINARY RESULTS 2013

Games Workshop Group PLC ("Games Workshop" or the "Group") announces its preliminary results for the year ended 2 June 2013.

Highlights

- Revenue
  - Revenue at £134.6m (2012: £131.0m)
  - Revenue at constant currency* at £135.6m (2012: £131.0m)

- Profit
  - Operating profit pre-royalties receivable at £20.2m (2012: £15.6m)
  - Operating profit at £21.3m (2012: £19.1m)
  - Profit before taxation at £21.4m (2012: £19.5m)

- Earnings per share of 51.5p (2012: 46.8p)
- Cash generated from operations of £31.9m (2012: £28.0m)
- Dividends per share declared in the year of 58p (2012: 63p)

Tom Kirby, chairman and acting CEO of Games Workshop, said:

"Games Workshop has had a mixed year. Sales were stronger in the first half than the second, but cost control and cash management have strengthened throughout the period. We finish the year with the most profit this company has generated since flotation and have returned £18.4 million to our owners."

…Ends…

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Tom Kirby, chairman and acting CEO
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Investor relations website http://investor.games-workshop.com
General website www.games-workshop.com

The 2013 annual report may be viewed at the investor relations website at the address above.

* Constant currency revenue is calculated by comparing results in the underlying currencies for 2012 and 2013, both converted at the 2012 average exchange rates.

FINANCIAL HIGHLIGHTS

	2013	2012*
Revenue	**£134.6m**	£131.0m
Revenue at constant currency	**£135.6m**	£131.0m
Operating profit - pre-royalties receivable	**£20.2m**	£15.6m
Royalties receivable	**£1.0m**	£3.5m
Operating profit	**£21.3m**	£19.1m
Profit before taxation	**£21.4m**	£19.5m
Cash generated from operations	**£31.9m**	£28.0m
Earnings per share	**51.5p**	46.8p
Dividends per share declared in the year	**58p**	63p

*For the 53 weeks ended 3 June 2012

CEO's COMMENTARY

Performance

Our core business delivered a good performance in 2012/13. We have controlled costs well, maintained our gross margin and benefited from a small increase in sales. Profit before tax is up as a consequence and our cash flow has been good, allowing us to return £18.4 million to our owners during the year.

That small increase in sales (3% or so) is a mix of strong performance in our more hobby oriented Forge World and Black Library businesses (our 'Other businesses') and the North American region and less good performances in Continental Europe and the UK.

We are still experimenting with retail stores in Shanghai (there are now two) and have returned Japan to marginal profitability from a large loss.

Income from royalties, as expected, is down significantly by £2.5 million to £1.0 million.

Return on capital**

We use return on capital as our most important measure internally. While we constantly pursue sales growth, we must always be aware of our return on capital so that we use our resources intelligently and effectively. (You can buy a lot of sales that gain you nothing but heartache and disappointment.) Our return on capital this year is 66%, up from 57% last year. Now we have reached 50+% each year it is harder to improve it and we need to be sensitive to what is a reasonable rate so we do not damage the long-term prospects of the business through clumsy and inappropriate cost saving or, worse, inadequate investment in our future. I am comfortable that gross margins that hover between 70% and 75% are good. Maybe good enough. We will always explore ways of doing better, doing more with less, but not to the detriment of the business.

** 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 receivables in the pre-Christmas trading period. Return is defined as operating profit, and the average capital employed is adjusted by deducting assets and adding back liabilities in respect of cash, borrowings, taxation and dividends.

This raises the premium on our judgment calls and re-emphasises that the number one risk to the business is its management. Of which more later.

Sales growth
We have written a lot and spoken a lot about how we aim to grow the business: opening good stores with well chosen staff in new places, increasing the number of independent stockists we do business with and producing an attractive and efficient online store.

Finding new places at attractive rents for our stores is not plain sailing, but is not as hard as finding the right people to run them in the right quantity. We have yet to get this as right as we would like and our new store openings in the period (net 6, 46 openings and 40 closings) is a reflection of that difficulty. In an ideal world we would be opening 40 or 50 net new stores every year.

If we are opening stores to pursue sales growth, then why close any? Over the past decade we had accumulated several stores that didn't work out, usually because the rent was too high. We are closing these as fast as makes sense. Sometimes it is more cost effective to pay to be released from our lease and sometimes it is better to wait for the end of the lease. This is a process that is mostly restricted to North America (and the USA, not Canada) and should be largely complete by the end of the year to May 2014.

During the last year we have introduced and delivered our new trade standards for our independent stockists. The aim is to get those products that will sell the fastest into whatever space the independents will allow us. That way their stock turn will rise and we will have more re-orders. It seems so obvious that it shouldn't need saying, but we deal in a product that sometimes allows passions to over-rule commerciality. Many of our independent stockists and our own sales people are fans as well as customers and it helps all round if we have a system that emphasises sales potential over aesthetics.

Our online shop is doing well. Sales are up to £14.4 million from £13.1 million. During the year we built a new one and will be testing it over the coming year. It is planned to be fully operational in April 2014. The online world is in constant flux. New things become possible, new ways of behaving become the norm, legislation requires extra safeguards, and so on. We need to continually invest and change to ensure it remains a pleasant shopping experience for our customers.

Royalty income
Royalty income is down from £3.5 million to £1.0 million. We expected a significant decline.

What has happened? Nearly all our royalty income (88% last year and 82% this) comes from licences sold to computer games companies. (The balance is from Fantasy Flight Games which makes card games and board games - and very good they are too!)

Since the appearance of 'smart' phones and the iPad, the traditional computer games industry has changed utterly and permanently. Giants that bestrode the industry have vanished and the survivors are transformed out of recognition. New names and new companies have arisen with equal suddenness to replace them. Now the games have gestation periods of months, not years; sell for a few pounds, not dozens; cost millions to produce not hundreds of millions; and are downloaded directly to your machine cutting out packaging, distributors and stores.

We switched as fast as we could but were limited by the constraints of the deals we already had in place. Now a new stream of smaller games is starting to appear. The first of what we hope will be many is Warhammer Quest for iOS (Apple stuff). Buy it now! Good fun.

We hope that our average income levels (c.£3 million per year over the last five years) will return.

Key performance indicators (KPIs)
Within the business our number one and overwhelmingly important KPI is sales. 'Sales' is all the money we take in and we quantify it by counting it. Earlier I said our most important measure was return on capital. It is. Our KPIs are in place to see if we are where we want to be. That means our secondary KPIs are: what we spend on overheads and capital investment. Neither is mysterious and they are published in this document.

With capital investment we normally assume we will spend next year roughly what we spent last year. This year we spent £8.8 million and next year we think it may be £9.3 million. Take this number with a pinch of salt and remember that, as von Moltke said, 'No plan survives contact with the enemy'. We do not see a big increase in that number in the next few years. If something crops up, we'll tell you.

With overheads we try to have them not grow at all. Easy to say. Hard to do.

We do not set sales targets. We do want real sales growth (defined as an increase after our price rises, if any), the more the better, but we do not predict it. We follow the plan: more stores run by the right people and great products in them should yield sales growth. Our staff are rewarded if they achieve real growth.

In our own stores, after sales, we look at the average transaction value and the transaction count in each store. We use them to see where the problem lies if sales are not growing. We do not publish them and we do not use them in our forward planning.

In sales to independent retailers we check to see how many live accounts we have each month: did they order? This is a health check to make sure the guys are doing their jobs properly. We do not publish this number and we do not use it in our forward planning.

We look at many other things as well: how many staff per store we have (UK: 1.9, Continental Europe: 1.6, North America: 1.7, Australia: 1.5, Asia: 1.0), how many stores we have (UK: 137, Continental Europe: 135, North America: 99, Australia: 37, Asia: 4), how many we think we could open (close) next year (UK: 4 (1), Continental Europe: 10 (4), North America: 38 (28), Australia: 4 (4)). None of these is a KEY performance indicator. They are simply part of the huge complex of information we use all the time to keep tabs on what is going on and none of them is used to anticipate future performance.

So how do we plan our future? We run a tight ship, and do our damnedest to get more sales. Everything else is just whistling Dixie.

Risks
People
Our biggest risk is the people we employ.

The potential damage to the Group is enormous.

We mitigate this risk through internal recruitment and using our Academy to educate and train and ensure we recruit well.

I suppose that could be said of any company, but here it has real meaning. Knowing how our business model works is a critical necessity in all our staff and, of course, even more so in our leaders. What we do is unusual. We are the only company of our size making fantasy miniatures and the only one with a global presence. At one level it is all very simple: conceive, design, purchase, make, pack, ship, sell. Over the years we have learnt how to do those things well using Edison's methodology*. We therefore have to have leaders who truly understand not only what we do, but why we do it that way. In addition we value people's attitudes and behaviour even higher than their knowledge and skills. To ensure continuity and to mitigate the risks we have a policy of recruiting from within for all our senior roles, as far as we can. When the time comes to replace this acting CEO, it will most likely be an internal appointment.

* After 10,000 attempts to make an incandescent light bulb he was asked about the 9,999 failures. They weren't failures, he said, I now know 9,999 ways it won't work.

Our Academy runs courses on what we do and how and why we do it. In addition it runs quarterly training sessions for the most senior people on staff recruitment. We know that good people are at the core of running a good business. To get good people we need to know what we want, and by that we mean we need to know the attitudes and behaviour we are looking for. We then have to advertise in a way that will attract those people, followed by interviewing well and being tough minded about trying again if the first try didn't get what we need.

'Fantasy' becoming unfashionable
Fashion is a short-cycle phenomenon. We have been in business long enough to have lived through fantasy being on no-one's horizon (Lord of the Who?), through a huge surge in interest earlier this century, back to where we are today. We also know that games played on computers are not a threat, having lived through many cycles of their lives as well.

We are often asked about the threat caused by 'fashions', but we believe the evidence shows it is not a threat to the business. Just so long as we do our jobs properly (see above).

The factory burns down
We are well insured against this risk (including business interruption cover) and have plans such that we could be back into full scale production within 12 months.

External threats
Cost inflation. This is a perennial problem, but has been with us since day one. At its most extreme (raw material costs escalating) it could affect sales, but we have been able to manage this risk through a combination of internal efficiencies and price increases. The test is our gross margin which is strong and steady.

Changes in VAT rates. We pass on to our customers all VAT changes, up or down, as soon as is practicable.

Recessions. Our customers are, on the whole, middle class and well placed in times of economic hardship. We cannot pretend that recessions (or booms) have no effect at all, but because we are a niche hobby they have less of an effect than for mass marketers. So long as we retain tight controls of our costs we can ride occasional rough weather.

Breach of intellectual property (IP) and counterfeit products. The risk is that we lose control of our IP and thus other people can take our market. There are two ways we mitigate this risk: product quality and IP protection. Product quality is the best defence. Our miniatures are of extraordinary detail and have very high costs associated with their production. We do the tooling and manufacturing here in Nottingham to ensure that quality. As it happens, even if we wanted to tool or manufacture elsewhere, we have never found anyone who can deliver the quality we need at the price we pay. In order to be able to duplicate that quality requires a level of capital investment that no one has, as yet, even tried to emulate. This also deals with the risk of counterfeit products. The few that are made are of poor quality and do not appeal to our customers.

Should that change, or we meet intransigent small infringers, we have copyright, trademark and passing off law to protect our imagery and we have never been shy of using legal redress if needed. Our legal department deals with dozens of cases each year with satisfactory results.

The scale upon which we do business is the biggest defence against this threat. The cases we deal with (and there are dozens each year) are nearly all single individuals or small businesses who 'cease and desist' as soon as they get the letter. Those who don't should be stopped more because we need to ensure everyone knows we are serious about defending our IP rather than because of the immediate threat of damage to our profits.

Summary
Games Workshop has had a mixed year. Sales were stronger in the first half than the second, but cost control and cash management have strengthened throughout the period. We finish the year with the most profit this company has generated since flotation and have returned £18.4 million to our owners.

As for the future, our objective is simple: we will continue to make the best fantasy miniatures in the world and sell them globally at a profit. We intend to do this forever.

The board believes the prospects for this business are good.

Tom Kirby
Chairman and acting CEO
29 July 2013

CONSOLIDATED INCOME STATEMENT

	Notes	**52 weeks ended 2 June 2013 £000**	Restated* 53 weeks ended 3 June 2012 £000
Revenue	3	**134,597**	131,009
Cost of sales		**(36,243)**	(34,820)
Gross profit		**98,354**	96,189
Operating expenses		**(78,125)**	(80,586)
Other operating income - royalties receivable		**1,025**	3,537
Operating profit	3	**21,254**	19,140
Finance income		**176**	434
Finance costs		**(35)**	(100)
Profit before taxation		**21,395**	19,474
Income tax expense	5	**(5,077)**	(4,760)
Profit attributable to owners of the parent		**16,318**	14,714
Basic earnings per ordinary share	4	**51.5p**	46.8p
Diluted earnings per ordinary share	4	**51.2p**	46.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	52 weeks ended 2 June 2013 £000	53 weeks ended 3 June 2012 £000
Profit attributable to owners of the parent	**16,318**	14,714
Other comprehensive income and expense		
Exchange differences on translation of foreign operations	**445**	(298)
Other comprehensive income and expense for the period	**445**	(298)
Total comprehensive income attributable to owners of the parent	**16,763**	14,416

* Prior periods have been restated to reflect a change in the classification of product design and development costs within the income statement with effect from 29 May 2011 (see note 9).

CONSOLIDATED BALANCE SHEET

	2 June 2013 £000	3 June 2012 £000
Non-current assets		
Goodwill	**1,433**	1,433
Other intangible assets	**8,033**	5,177
Property, plant and equipment	**20,604**	20,567
Trade and other receivables	**1,638**	1,529
Deferred tax assets	**7,221**	7,335
	38,929	36,041
Current assets		
Inventories	**8,170**	9,477
Trade and other receivables	**10,864**	11,068
Current tax assets	**524**	407
Cash and cash equivalents	**13,931**	17,358
	33,489	38,310
Total assets	**72,418**	74,351
Current liabilities		
Trade and other payables	**(19,637)**	(19,603)
Current tax liabilities	**(2,863)**	(3,479)
Provisions	**(946)**	(1,172)
	(23,446)	(24,254)
Net current assets	**10,043**	14,056
Non-current liabilities		
Other non-current liabilities	**(360)**	(301)
Provisions	**(758)**	(1,189)
	(1,118)	(1,490)
Net assets	**47,854**	48,607
Capital and reserves		
Called up share capital	**1,586**	1,579
Share premium account	**9,059**	8,737
Other reserves	**2,888**	2,443
Retained earnings	**34,321**	35,848
Total equity	**47,854**	48,607

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 and 30 May 2011	1,561	8,048	2,741	40,777	53,127
Profit for the 53 weeks to 3 June 2012	-	-	-	14,714	14,714
Exchange differences on translation of foreign operations	-	-	(298)	-	(298)
Total comprehensive (expense)/income for the period	-	-	(298)	14,714	14,416
Transactions with owners:					
Share-based payments	-	-	-	254	254
Shares issued under employee sharesave scheme	18	689	-	-	707
Deferred tax charge relating to share options	-	-	-	(67)	(67)
Dividends to Company shareholders	-	-	-	(19,830)	(19,830)
Total transactions with owners	18	689	-	(19,643)	(18,936)
At 3 June 2012 and 4 June 2012	1,579	8,737	2,443	35,848	48,607
Profit for the 52 weeks to 2 June 2013	-	-	-	16,318	16,318
Exchange differences on translation of foreign operations	-	-	445	-	445
Total comprehensive income for the period	**-**	**-**	**445**	**16,318**	**16,763**
Transactions with owners:					
Share-based payments	-	-	-	286	286
Shares issued under employee sharesave scheme	7	322	-	-	329
Deferred tax credit relating to share options	-	-	-	41	41
Corporation tax credit relating to exercised share options	-	-	-	232	232
Dividends to Company shareholders	-	-	-	(18,404)	(18,404)
Total transactions with owners	**7**	**322**	**-**	**(17,845)**	**(17,516)**
At 2 June 2013	**1,586**	**9,059**	**2,888**	**34,321**	**47,854**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**52 weeks ended 2 June 2013 £000**	53 weeks ended 3 June 2012 £000
Cash flows from operating activities			
Cash generated from operations	8	**31,908**	28,034
UK corporation tax paid		**(4,291)**	(4,476)
Overseas tax paid		**(976)**	(532)
Net cash from operating activities		**26,641**	23,026
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,361)**	(4,822)
Proceeds on disposal of property, plant and equipment		**113**	33
Purchases of other intangible assets		**(3,398)**	(1,626)
Expenditure on product development		**(3,531)**	(2,977)
Interest received		**176**	142
Net cash from investing activities		**(12,001)**	(9,250)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**329**	707
Interest paid		**(13)**	-
Dividends paid to company shareholders		**(18,381)**	(14,776)
Net cash from financing activities		**(18,065)**	(14,069)
Net decrease in cash and cash equivalents		**(3,425)**	(293)
Opening cash and cash equivalents		**17,358**	17,572
Effects of foreign exchange rates on cash and cash equivalents		**(2)**	79
Closing cash and cash equivalents	7	**13,931**	17,358

NOTES TO THE PRELIMINARY RESULTS

1. The consolidated financial statements of Games Workshop Group PLC are prepared in accordance with International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRSs.

2. These results for the 52 weeks ended 2 June 2013 together with the corresponding amounts for the 53 weeks ended 3 June 2012 are extracts from the 2013 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 ended 2 June 2013, 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 31 July 2013 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 18 September 2013.

   The preliminary announcement is prepared in accordance with the Listing Rules of the Financial Conduct Authority and accounting policies consistent with those used in the 2012 annual report except as follows:

   - The Group has changed the application of its accounting policy for classification of development costs within the income statement. The impact of this change is explained in note 9.

   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, including fixtures and fittings within loss making Hobby centres, 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, loss making Hobby centres, other property, 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. 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 2 June 2013, 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 web store. 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 Northern Europe sales businesses.
  - North America. This combines the United States and Canada sales businesses.
  - Australia. This is the Australia sales business.
  - Export. This is the export sales business selling into emerging market territories.
  - Asia. This combines the Japan, China retail and Asia trade sales 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, digital sales and Warhammer World.

- Product and Supply. This includes the design and manufacture of the products and incorporates production facilities in the UK and, until March 2013, in North America.

- 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, Australia and North America.

- Licensing costs. These are the costs of running the licensing department.

- Service centre costs. Service centres are established in the UK and in North America to provide support services (IT, accounting, payroll, personnel, supplier development and legal) to activities across the Group.

- Web costs. These are the costs associated with the running of the Games Workshop global web store.

- Central costs. These include the Company overheads, head office site costs and the costs of running the Games Workshop Academy.

- Profit in stock. This includes adjustments for profit in stock arising from inter-segment sales.

- Royalty income. This is royalty income earned from third party licensees.

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

The segment information reported to the executive directors for the 52 weeks ended 2 June 2013 is as follows:

	External revenue		Internal revenue		Total	
	2013	2012	**2013**	2012	**2013**	2012
	£000	£000	**£000**	£000	**£000**	£000
Sales businesses						
UK	**30,922**	31,648	**-**	-	**30,922**	31,648
Continental Europe	**39,452**	40,757	**-**	-	**39,452**	40,757
North America	**36,688**	33,621	**-**	-	**36,688**	33,621
Australia	**10,943**	11,328	**-**	-	**10,943**	11,328
Export	**1,741**	1,700	**-**	-	**1,741**	1,700
Asia	**1,854**	1,737	**-**	-	**1,854**	1,737
All other sales businesses	**12,997**	10,218	**1,719**	1,900	**14,716**	12,118
Other segments						
Product and Supply	**-**	-	**67,062**	62,465	**67,062**	62,465
Total	**134,597**	131,009	**68,781**	64,365	**203,378**	195,374
Intra-group sales eliminations	**-**	-	**(68,781)**	(64,365)	**(68,781)**	(64,365)
Total revenue	**134,597**	131,009	**-**	-	**134,597**	131,009

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.

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

	2013	2012
	£000	£000
Operating profit		
Sales businesses		
UK	**5,227**	4,663
Continental Europe	**4,689**	4,000
North America	**3,336**	4,211
Australia	**756**	(735)
Export	**457**	89
Asia	**155**	(624)
All other sales businesses	**6,554**	4,732
Other segments		
Product and Supply	**27,425**	26,028
Total segment core business operating profit	**48,599**	42,364
Logistics and stock management	**(10,980)**	(9,835)
Licensing costs	**(321)**	(273)
Service centre costs	**(8,463)**	(7,156)
Web costs	**(1,673)**	(2,271)
Central costs	**(5,610)**	(5,176)
Profit in stock	**51**	(932)
Share-based payment charge	**(286)**	(254)
Profit share scheme charge	**(1,088)**	(864)
Total group core business operating profit	**20,229**	15,603
Royalty income	**1,025**	3,537
Total group operating profit	**21,254**	19,140
Finance income	**176**	434
Finance costs	**(35)**	(100)
Profit before taxation	**21,395**	19,474

Costs of £172,000 for the 53 weeks ended 3 June 2012 relating to the UK property team have been restated since the last annual report into the UK sales business rather than being shown in Service centre costs. This reflects the current management structure in place.

Costs of £1,659,000 for the 53 weeks ended 3 June 2012 relating to finance, IT and personnel teams based in North America have been restated since the last annual report into Service centre costs rather than being shown in Product and Supply. This reflects the current management structure in place.

Costs of £906,000 for the 53 weeks ended 3 June 2012 in All other sales businesses, and costs of £3,796,000 for the 53 weeks to 3 June 2012 in Product and Supply have been reclassified from operating expenses to cost of sales to reflect a change in the classification of development costs with effect from 29 May 2011 (see note 9).

4. Earnings per share

The calculation of basic earnings per ordinary share has been based on the profit attributable to owners of the parent of £16.3 million (2012: £14.7 million) and the weighted average number of ordinary shares in issue throughout the period of 31,671,000 (2012: 31,423,000).

The calculation of diluted earnings per ordinary share has been based on the profit attributable to owners of the parent of £16.3 million (2012: £14.7 million) and the weighted average number of shares in issue throughout the period, adjusted for the dilutive effect of share options outstanding at the period end of 192,000 (2012: 184,000).

5. Income tax expense

	2013 £000	2012 £000
Current UK taxation:		
UK corporation tax on profits for the period	**4,200**	4,803
Over provision in respect of prior periods	**(104)**	(44)
	4,096	4,759
Current overseas taxation:		
Overseas corporation tax on profits for the period	**802**	880
Over provision in respect of prior periods	**(107)**	(96)
Total current taxation	**4,791**	5,543
Deferred taxation:		
Origination and reversal of timing differences	**192**	(851)
Under provision in respect of prior periods	**94**	68
Tax expense recognised in the income statement	**5,077**	4,760
Current tax credit relating to sharesave scheme	**(232)**	-
Deferred tax (credit)/charge relating to sharesave scheme	**(41)**	67
(Credit)/charge taken directly to equity	**(273)**	67

The tax on the Group's profit before taxation differs from the standard rate of corporation tax in the UK as follows:

	2013	2012
	£000	£000
Profit before taxation	**21,395**	19,474
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 23.83% (2012: 25.67%)	**5,098**	4,999
Effects of:		
Items not (assessable)/deductible for tax purposes	**(384)**	455
Movement in deferred tax not recognised	**-**	198
Deferred tax on losses now recognised	**-**	(1,437)
Higher tax rates on overseas earnings	**480**	617
Adjustments to tax charge in respect of prior periods	**(117)**	(72)
Total tax charge for the period	**5,077**	4,760

Included within the £480,000 disclosed above, £9,000 relates to changes in rates of UK corporation tax in the year. Further changes to the UK corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions to the main rate of corporation tax were substantively enacted as part of the Finance Act 2013 on 2 July 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £52,000.

6. Dividends per share

A dividend of 18 pence per share, amounting to a total dividend of £5,711,000 and a dividend of 24 pence per share, amounting to a total dividend of £7,616,000, were declared and paid during the period. A further dividend of 16 pence per share, amounting to a total dividend of £5,077,000 was declared during the period and paid after the period end. The dividend payable is included in trade and other payables at 2 June 2013.

A dividend of 18 pence per share, amounting to a total dividend of £5,620,000 and a dividend of 29 pence per share, amounting to a total dividend of £9,156,000, were paid during the 53 weeks ended 3 June 2012. A further dividend of 16 pence per share, amounting to a total dividend of £5,054,000 was declared during the 53 weeks ended 3 June 2012 and paid during the current period.

7. Analysis of net funds

	As at 3 June 2012 £000	Cash flow £000	Exchange Movement £000	**As at 2 June 2013 £000**
Cash at bank and in hand	17,358	(3,425)	(2)	**13,931**
Net funds	17,358	(3,425)	(2)	**13,931**

8. Reconciliation of profit to net cash from operating activities

	2013	2012
	£000	£000
Operating profit	**21,254**	19,140
Depreciation of property, plant and equipment	**5,099**	5,785
Net impairment reversal on property, plant and equipment	**(69)**	(200)
Net impairment charge on intangible assets	**-**	111
Profit on disposal of property, plant and equipment	**(7)**	(8)
Loss on disposal of intangible assets	**403**	11
Amortisation of capitalised development costs	**2,700**	3,179
Amortisation of other intangibles	**1,178**	1,123
Share-based payments	**286**	254
Changes in working capital:		
-Decrease/(increase) in inventories	**1,422**	(861)
-Decrease/(increase) in trade and other receivables	**315**	(1,091)
-Increase in trade and other payables	**17**	1,392
-Decrease in provisions	**(690)**	(801)
Net cash from operating activities	**31,908**	28,034

9. Change of accounting policy

Since the last annual report the Group has changed the application of its accounting policy for the classification of development costs within the income statement. Previously development costs were recognised in the income statement within operating expenses. Under the new policy, development costs are recognised in the income statement within cost of sales. Comparative amounts have been restated for the prior period as if the application of the new accounting policy had always been applied in accordance with IAS 1 (revised), 'Presentation of financial statements'. The Group believes that the new policy results in a fairer reflection of the nature of development costs in the Group income statement.

There is no impact on assets or liabilities reported at either 3 June 2012 or 29 May 2011, hence no balance sheet has been presented as at 29 May 2011.

The change in accounting policy has resulted in an increase in cost of sales and a decrease in operating expenses of £4,702,000 in the income statement for the 53 weeks to 3 June 2012.

The impact of the change in policy for the current financial period is an increase in cost of sales and a decrease in operating expenses of £4,787,000 in the consolidated income statement.