PRESS ANNOUNCEMENT

GAMES WORKSHOP GROUP PLC

For immediate release **26 July 2011**

PRELIMINARY RESULTS 2011

Games Workshop Group PLC (ñGames Workshopò or the ñGroupò) announces its preliminary results for the year ended 29 May 2011.

Highlights

- Revenue at £123.1m (2010: £126.5m)
- Revenue at constant currency* at £122.8m (2010: £126.5m)
- Operating profit - pre-royalties receivable at £12.8m (2010: £13.0m)
- Operating profit at £15.3m (2010: £16.0m)
- Pre-tax profit at £15.4m (2010: £16.1m)
- Earnings per share of 36.1p (2010: 48.4p)
- Year end net funds of £17.6m (2010: £17.1m)
- Dividends per share paid in the year of 45p (2010: nil)
- Proposed dividend per share of 18p (2010: 25p)

Mark Wells, chief executive officer of Games Workshop, said:

ñ2010/11 has seen satisfactory performance, driven by improved gross margins and good cost control leading to a healthy cash inflow. Although sales were down in the first half, Games Workshop delivered improved results in the second half as the focus on customer service training for Hobby centre managers and investment in new product development started to feed through into results.

Games Workshop is in good shape. We know what we need to do to remain successful and to grow.ò

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Investor relations website http://investor.games-workshop.com
General website www.games-workshop.com

The 2011 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 2010 and 2011, both converted at the 2010 average exchange rates.

FINANCIAL HIGHLIGHTS

	2011	2010
Revenue	**£123.1m**	£126.5m
Revenue at constant currency	**£122.8m**	£126.5m
Operating profit - pre-royalties receivable	**£12.8m**	£13.0m
Royalties receivable	**£2.5m**	£3.0m
Operating profit	**£15.3m**	£16.0m
Pre-tax profit	**£15.4m**	£16.1m
Year end net funds	**£17.6m**	£17.1m
Earnings per share	**36.1p**	48.4p
Dividends per share paid in the year	**45p**	-
Proposed dividend per share	**18p**	25p

CEO's COMMENTARY

Performance

2010/11 has seen satisfactory performance, driven by improved gross margins and good cost control leading to a healthy cash inflow. Although sales were down in the first half, Games Workshop delivered improved results in the second half as the focus on customer service training for Hobby centre managers and investment in new product development started to feed through into results.

Continental Europe performed better this year in constant currency terms although France slipped back in the second half and a new management team is now in place. After a slow start to the year, North America and the UK both improved in the second half in constant currency terms. Our specialist businesses, Forge World and Black Library, again showed strong growth in constant currency terms, a good indicator of the underlying health of the Hobby.

Since Christmas more Hobby centres have delivered like for like growth, particularly in North America where last year's changes to store staffing and regional management are settling down. We are now confident Games Workshop has a profitable retail model for North America and we have started the gradual geographical expansion into new cities, with new Games Workshop Hobby centres opening in San Antonio, Texas and Bowie, Maryland, with more cities to follow.

Sales to independent retailers finished the year at the same level as last year, which is encouraging given the economic pressure on independent retailers across the globe. Over the last few years Games Workshop has improved its service to these accounts by ensuring that they are stocked with our best selling products and are rewarded for offering value added services to our customers. It is good therefore to report a net increase in Games Workshop's account base of 128 stockist accounts, with increases in the UK, North America and Japan.

Sales through the Games Workshop webstore finished slightly behind a strong performance last year, when the limited edition Space Hulk product sold exceptionally well through the Web. The number of new customer registrations on the Games Workshop webstore grew by over 150,000 across all territories. We achieved this not by offering discounts but by providing access to the full range, with good product information and a fast and reliable delivery service.

Our focus on return on capital has continued. Inventory has been reduced by £1.7 million through automatic stock replenishment in Hobby centres and careful management of warehouse inventory levels. Despite a difficult economic climate for independent shops, our responsible trade terms and practices have ensured that we have remained in control of trade debt, with asset turn increasing from 3.45 to 3.67 and return on capital improving to 45.7%.

Strategic initiatives 2011/12

Last year I described to you the key elements of our strategy, namely, the continual investment in new product development to give our customers a constantly evolving range of products to keep them excited and engaged in the Hobby, and the recruitment and development of new customers through our network of Games Workshop Hobby centres. We have made significant progress in both of these strategic value drivers this year.

Citadel Finecast

In May 2011, Games Workshop launched Citadel Finecast, a new range of highly detailed resin miniatures and box sets. Citadel Finecast is a ground breaking development for Games Workshop and it's important that I take time to explain to shareholders its strategic and commercial significance.

The single most important factor to Games Workshop customers is the quality of our miniatures. It is for that reason we invest millions of pounds every year in developing and launching new and improved products. Over recent years Games Workshop has made huge strides in improving the quality of our plastic miniatures. However, after 30 years, the scope for improving the quality of our metal miniatures is limited and we believe that the optimum level of quality with that material has now been achieved.

Metal miniatures also come with inherent disadvantages for hobbyists, as larger kits are difficult to assemble and often require pinning to support the weight of the various parts. They are difficult to convert or pose without a high degree of skill and specialist tools. They are also susceptible to paint chipping off either in transit or if they topple over while gaming.

For many years Games Workshop has been making a small range of highly detailed large resin kits through the Forge World business. The quality of these kits is exceptional because of the detail that is possible by using a resin manufacturing process. Compared to their metal cousins resin models are far easier to assemble, are lighter and less prone to chipping and are much easier to convert with a hobby knife and superglue. Crucially, resin miniatures provide a much higher level of detail for the customer.

However, manufacturing in resin is a very labour intensive process which involves mixing chemicals in flexible moulds that can deteriorate after a small number of casts. Quality control has to be 100% as the potential for miscasts is much higher than for metal or plastic miniatures. As a consequence the price of each kit is necessarily somewhat higher than the former metal versions and production runs are small to ensure that quality standards are maintained.

Four years ago, Games Workshop released Apocalypse, a game supplement for Warhammer 40,000 which allowed customers to play games on a much bigger scale. In these games many customers chose to field their large Forge World models and sales of Forge Worldös resin kits boomed. For about six months we struggled to manufacture enough Forge World kits to meet demand and, while it was painful at the time, we learnt some valuable lessons about how to make resin kits in higher volumes.

With the seemingly inexorable rise in the commodity price of metal, combined with the experience we have gained from making Forge World kits and the obvious benefits to customers of resin miniatures, our manufacturing team have spent the last two years looking at the possibility of converting Games Workshop's metal range of miniatures and kits to resin. That is what Games Workshop has now done with Citadel Finecast.

The initial launch in May 2011 was limited to replacing the metal range stocked in Games Workshop Hobby centres. This comprised over 100 model codes and was the largest range launch in Games Workshop's history. The scale of this task is not to be underestimated, as making finely detailed resin miniatures in these sorts of quantities has never been attempted before. The initial production run achieved a 97% quality level, far exceeding previous levels achieved in the development phase. There is a continuous improvement programme in place to ensure that the quality level in production is improved even further.

The reaction of customers and staff to Citadel Finecast has been overwhelmingly positive. The level of detail achieved in this material is truly incredible. To make this more visible to our customers when making a purchase, we have introduced a new recyclable clam pack design to replace the traditional blister packs. Given the popularity of the new resin range, we will replace the majority of the metal miniatures in our back catalogue gradually over time. We have fully provided for the metal Hobby centre stock in this year's accounts.

Games Workshop already makes the best fantasy miniatures in the world. All Games Workshop miniatures will now be made either in resin or plastic to ensure Games Workshop customers get the best quality miniatures available. From a strategic perspective, Citadel Finecast has established an even greater quality differential for Games Workshop over other miniature makers using traditional metal manufacturing methods. Importantly, it will be difficult technically, with a high entry cost, for anyone to try to establish manufacturing facilities to replicate product of this quality in significant volume.

Warhammer relaunch

This was an important year for our Warhammer game. The huge success that had been enjoyed by the futuristic Warhammer 40,000 game over recent years had rather overshadowed its older sibling. As a result, many new customers had yet to experience the joy of massed regiments of swordsmen and mounted cavalry doing battle with monsters and wizards across the magic infested landscapes of the Warhammer world. In commercial terms this meant that we were not getting a good enough return on the investment in product development for this range, so we decided it was time to redress the balance.

Our design team made a number of changes to the Warhammer game that make it much more exciting to play and introduced a range of new plastic kits, including plenty of new monsters that have not only reignited interest from existing customers but attracted new hobbyists to the fantasy genre. To add further weight to the Warhammer universe, Forge World has launched a range of large scale models and books under the brand Warhammer Forge to much excitement among the Hobby community.

We will continue our support for this revitalised game system this summer with a new Warhammer gaming supplement, Storm of Magic, accompanied by a range of impressive new monsters and scenery. There has never been a better time to be a Warhammer customer.

Retail Standards
The other area of strategic investment is in growing our customer base through our Games Workshop Hobby centres. One of our key priorities this year was to improve Games Workshop Hobby centre performance by introducing Retail Standards, an initiative to raise the quality of customer service through regular Hobby skills training programmes for all staff. This was supported by introducing a performance related pay element in Hobby centre manager rewards.

Good progress has been made here. Across the world, every Games Workshop Hobby centre manager now attends a Hobby skills camp once a quarter, where they are trained on Games Workshop's Ten Commandments of customer service. These training camps are then followed up in Hobby centres by regional managers who coach individual managers on the application of this training.

Not only are these Hobby skills camps really effective at developing managers' skill levels, they are also great fun and give our front line staff a great morale boost each quarter. It is encouraging to report that the number of Hobby centres in growth has gradually increased since Christmas and we have now embedded this consistent approach to training and coaching to ensure continuous improvement in customer service as the way we do business.

Another initiative that has proven to be successful in growing our customer base has been the introduction of Facebook across our Hobby centres. Traditionally, we have found that most customers discover the Games Workshop Hobby by word of mouth from friends and family. With Facebook becoming the new ‘word of mouth’ among many of our customers, individual Facebook accounts are being rolled out to all 392 Games Workshop Hobby centres across the world. This allows each manager to keep local hobbyists informed of activities and events, such as new product launches. It also makes it easier for customers to recommend Games Workshop to friends and family.

Black Library
Black Library, which has delivered another strong performance amidst the disruption in the book trade, has also significantly strengthened its strategic position this year by launching its first range of digital books through the Black Library website. These downloadable eBooks proved popular immediately and Black Library has been steadily adding back catalogue and new titles in this format. Black Library eBooks are now also available on Apple’s iBooks store. Sales of this highly profitable format are growing steadily with no apparent adverse effect on their paper counterparts, which continue to figure in fantasy and science fiction bestseller lists on both sides of the Atlantic.

Black Library also launched its first foreign language novels in France. The launch took place at French Games Day in April 2011 and the entire shipment of 1,200 novels sold out on the day. Following this successful launch, Black Library will be introducing a range of novels into Games Workshop’s French Hobby centres and has signed a distribution agreement for the profitable book channels in France which still benefit from a law that maintains a fixed selling price for books sold in France.

Licensing
Finally, we have renewed our highly successful Warhammer 40,000 licence deal with THQ Inc. until 2020. This will allow THQ to continue to release excellent expansions to the Dawn of War PC game and complete the development and launch of its Warhammer 40,000 massively multiplayer online game. Later this year, THQ will also launch Kill Team, a downloadable console game, and the eagerly anticipated Space Marine ‘first person shooter game’ for Xbox and Playstation, which was demonstrated at the video and computer game trade show, E3, in June 2011 to much critical acclaim. We are also in the process of renewing our successful licence deal with Fantasy Flight Publishing Inc. which continues to release high quality products in the board game, card game and role playing genres.

Focus for 2011/12

While Games Workshop has seen an improving trend in sales in the second half, consistent volume growth remains the priority for this year. Further exciting product releases are planned and all Hobby centre managers will continue to be trained at quarterly Hobby skills camps to continue to improve our customer service. In addition, we will be implementing two new initiatives this year, manager pipeline and trade standards, both of which will support the drive for volume growth.

We have learned from experience that an enthusiastic and hard working manager who lives close to his or her Games Workshop Hobby centre is the most effective way for us to build a happy and loyal customer base. He or she gets to know local schools, clubs and gaming groups and provides a focal point for Hobby activity in that town, even more so when using Facebook to keep everyone in touch with what is going on locally. Over time this should lead to a larger customer base and stronger like for like growth. This growth is recognised in the manager's performance related pay, ensuring that he or she can earn a good living in that town without the need to move on to another role.

People do move on, of course, particularly when there are so many opportunities within Games Workshop for advancement, and many of our senior roles are now filled by people who started out as Hobby centre managers. This, and the fact that we open new Hobby centres every year, puts constant pressure on our staff recruitment processes. We need to improve these if we are to deliver consistent volume growth.

Given the importance of having enough local Hobby centre managers, the manager pipeline project is a global initiative to review how best to attract, recruit, induct and train new managers in all the locations where Games Workshop has an existing Hobby centre or plans to open one. Once the best practice approach has been identified and agreed with each business, it will be rolled out across all territories in the same way as the Hobby skills camps and Facebook initiatives have been.

With our Hobby centre channel showing some early signs of improvement, this year we will also be seeking to improve the performance of our profitable independent retailer channel. Over the last few years Games Workshop's North American trade team have consistently delivered growth in both sales and the number of accounts. They have done so by establishing processes, structures and training programmes which have proven to be highly effective at delivering sustainable growth through independent stockist accounts. We intend to use this proven approach from North America to establish trade standards for all territories over the coming year.

Risks

For Games Workshop to continue to be successful, we need a continual supply of highly motivated, hardworking managers in all parts of the business who understand Games Workshop's niche business model and who are aligned with its values and behaviours. The biggest risk for Games Workshop is that we don't have enough of these managers to continue to grow the business globally. Over recent years, this risk has been mitigated through annual succession planning reviews and implementation with continual personal development of all managers through the Games Workshop Academy.

This year a new programme will be introduced for all managers: "Understanding the Games Workshop Business". Tom Kirby will lead this programme with the objective of educating the future leaders of Games Workshop on the critical success factors for running our niche business model. The first modules will focus on how to identify people who "fit" Games Workshop's unique and demanding culture. The politically correct need not apply.

Summary

2010/11 was an important year for Games Workshop. Citadel Finecast has helped us establish a new level of detail and quality for fantasy miniatures. It is also the year in which we revitalised Warhammer, the premier fantasy game in tabletop wargaming. We introduced digital products through our Black Library publishing business for the first time. We have started to improve our standards of customer service in our Hobby centres and are confident we have the right model for opening more across North America.

Over the last few years Games Workshop has systematically improved its webstore, its Hobby centres and is now focusing on refining its independent retailer channel. In each case we have applied the same approach, taking a proven formula, building a project team with the necessary experience and implementing their recommendations globally to ensure consistent standards of delivery. These practical global initiatives are laying the foundations for sustainable growth in all territories.

With our manufacturing and warehousing teams using continuous improvement methodologies and innovative approaches to improve product quality and minimise the impact of rising input costs, Games Workshop's gross margins remain healthy. Further investment in systems will be needed to continue to drive efficiencies, but no major capital projects will be required for the foreseeable future.

Games Workshop is in good shape. We know what we need to do to remain successful and to grow. The board believe the prospects for this business are good.

Mark Wells
CEO

CONSOLIDATED INCOME STATEMENT

	Notes	**Year to 29 May 2011 £000**	Year to 30 May 2010 £000
Revenue	3	**123,052**	126,511
Cost of sales		**(28,288)**	(30,683)
Gross profit		**94,764**	95,828
Operating expenses		**(81,975)**	(82,839)
Other operating income - royalties receivable		**2,538**	3,056
Operating profit	3	**15,327**	16,045
Finance income		**132**	442
Finance costs		**(89)**	(367)
Profit before taxation		**15,370**	16,120
Income tax expense	5	**(4,100)**	(1,040)
Profit attributable to equity shareholders		**11,270**	15,080
Basic earnings per ordinary share	4	**36.1p**	48.4p
Diluted earnings per ordinary share	4	**35.8p**	48.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year to 29 May 2011 £000	Year to 30 May 2010 £000
Profit attributable to equity shareholders	**11,270**	15,080
Other comprehensive income		
Exchange differences on translation of foreign operations	**(981)**	1,885
Cash flow hedges:		
- transferred to the income statement	**-**	112
Tax on items recognised directly in equity	**-**	(31)
Other comprehensive income for the year	**(981)**	1,966
Total comprehensive income attributable to equity shareholders	**10,289**	17,046

CONSOLIDATED BALANCE SHEET

	As at 29 May 2011 £000	As at 30 May 2010 £000
Non-current assets		
Goodwill	**1,433**	1,433
Other intangible assets	**4,968**	5,889
Property, plant and equipment	**21,047**	23,264
Trade and other receivables	**1,815**	1,678
Deferred tax assets	**6,865**	5,917
	36,128	38,181
Current assets		
Inventories	**8,431**	10,138
Trade and other receivables	**9,790**	10,043
Current tax assets	**593**	301
Cash and cash equivalents	**17,572**	17,089
	36,386	37,571
Total assets	**72,514**	75,752
Current liabilities		
Trade and other payables	**(13,883)**	(15,550)
Current tax liabilities	**(3,119)**	(1,027)
Provisions	**(1,384)**	(1,848)
	(18,386)	(18,425)
Net current assets	**18,000**	19,146
Non-current liabilities		
Other non-current liabilities	**(434)**	(582)
Provisions	**(1,677)**	(1,442)
	(2,111)	(2,024)
Net assets	**52,017**	55,303
Capital and reserves		
Called up share capital	**1,561**	1,557
Share premium account	**8,048**	7,837
Other reserves	**2,741**	3,722
Retained earnings	**39,667**	42,187
Total shareholders' equity	**52,017**	55,303

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 1 June 2009	1,556	7,822	1,837	26,776	37,991
Profit for the year to 30 May 2010	-	-	-	15,080	15,080
Exchange differences on translation of foreign operations	-	-	1,885	-	1,885
Cash flow hedges:					
- transferred to the income statement (net of tax)	-	-	-	81	81
Total comprehensive income for the year	-	-	1,885	15,161	17,046
Transactions with owners:					
Share-based payments	-	-	-	170	170
Shares issued under employee sharesave scheme	1	15	-	-	16
Deferred tax credit relating to share options	-	-	-	80	80
Total transactions with owners	1	15	-	250	266
At 30 May 2010 and 31 May 2010	1,557	7,837	3,722	42,187	55,303
Profit for the year to 29 May 2011	-	-	-	11,270	11,270
Exchange differences on translation of foreign operations	-	-	(981)	-	(981)
Total comprehensive income for the year	**-**	**-**	**(981)**	**11,270**	**10,289**
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)
Total transactions with owners	**4**	**211**	**-**	**(13,790)**	**(13,575)**
At 29 May 2011	**1,561**	**8,048**	**2,741**	**39,667**	**52,017**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Year to 29 May 2011 £000**	Year to 30 May 2010 £000
Cash flows from operating activities			
Cash generated from operations	8	**25,825**	29,787
UK corporation tax paid		**(2,160)**	(1,802)
Overseas tax paid		**(1,378)**	(1,417)
Net cash from operating activities		**22,287**	26,568
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,522)**	(4,611)
Proceeds on disposal of property, plant and equipment		**89**	10
Purchases of other intangible assets		**(694)**	(900)
Expenditure on product development		**(2,692)**	(2,524)
Interest received		**55**	51
Net cash from investing activities		**(7,764)**	(7,974)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**215**	16
Repayment of borrowings		**-**	(12,000)
Repayment of principal under finance leases		**-**	(2)
Interest paid		**(72)**	(315)
Dividends paid to company shareholders		**(14,028)**	-
Net cash from financing activities		**(13,885)**	(12,301)
Net increase in cash and cash equivalents		**638**	6,293
Opening cash and cash equivalents		**17,089**	10,355
Effects of foreign exchange rates on cash and cash equivalents		**(155)**	441
Closing cash and cash equivalents	7	**17,572**	17,089

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 Standard 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 year to 29 May 2011 together with the corresponding amounts for the year to 30 May 2010 are extracts from the 2011 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 29 May 2011, 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 27 July 2011 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 15 September 2011.

   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 2010 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, 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 29 May 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 Japan. This combines the Emerging Markets and Capital Cities and Japan 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 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. This is the net income receivable from third party licensees after deducting directly attributable costs.

- Service centre. 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.

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”. This has been reconciled to the Group’s total profit before tax below.

The segment information reported to the executive directors for the year ended 29 May 2011 is as follows:

	External revenue		Internal revenue		Total	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Sales businesses						
UK	**30,839**	32,594	**-**	-	**30,839**	32,594
Continental Europe	**35,147**	35,974	**-**	-	**35,147**	35,974
North America	**30,250**	31,270	**-**	-	**30,250**	31,270
Australia	**10,630**	10,795	**-**	-	**10,630**	10,795
Emerging Markets and Japan	**7,818**	7,591	**-**	-	**7,818**	7,591
All other sales businesses	**8,368**	8,287	**1,861**	1,214	**10,229**	9,501
Other segments						
Product and supply	**-**	-	**57,725**	55,297	**57,725**	55,297
Total	**123,052**	126,511	**59,586**	56,511	**182,638**	183,022
Intra-group sales eliminations	**-**	-	**(59,586)**	(56,511)	**(59,586)**	(56,511)
Total revenue	**123,052**	126,511	**-**	-	**123,052**	126,511

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 total profit before taxation below:

	2011	2010
	£000	£000
Operating profit		
Sales businesses		
UK	**4,805**	3,377
Continental Europe	**2,095**	2,050
North America	**3,120**	3,270
Australia	**(406)**	654
Emerging Markets and Japan	**1,025**	1,273
All other sales businesses	**3,215**	3,254
Other segments		
Product and supply	**21,260**	20,345
Total segment operating profit	**35,114**	34,223
Logistics and stock management	**(10,588)**	(10,230)
Licensing	**2,301**	2,546
Service centre costs	**(5,712)**	(4,942)
Web costs	**(1,824)**	(1,937)
Central costs	**(3,823)**	(3,445)
Share-based payments charge	**(141)**	(170)
Total group operating profit	**15,327**	16,045
Finance income	**132**	442
Finance costs	**(89)**	(367)
Profit before taxation	**15,370**	16,120

Internal revenue for product and supply for the year ended 30 May 2010 has been restated since the last annual report from £52,071,000 to £55,297,000 to reflect carriage and warehousing recharges that are now included in the intra-group sales value charged to other segments.

Segment revenue of £4,175,000 and segment operating profit of £1,447,000 for the Scandinavian sales business for the year ended 30 May 2010 have been restated since the last annual report into Emerging Markets and Japan rather than being in Northern Europe. This reflects the management structure in place for the year ended 29 May 2011. The Northern Europe segment has also been renamed as UK following this change.

Certain costs have been reclassified between Continental Europe, product and supply, logistics and stock management and service centre costs for the year ended 30 May 2010 to reflect current management structures. Consequently Continental Europe operating profit has increased from £635,000 to £2,050,000, product and supply operating profit has increased from £19,045,000 to £20,345,000, logistics and stock management operating loss has increased from £6,748,000 to £10,230,000, and service centre operating loss has decreased from £5,709,000 to £4,942,000. Overall Group profit remains unchanged for the year ended 30 May 2010.

Interest income and expense and tax income and expense are not included in the information reported to the executive directors and therefore are not analysed by segment.

4. Earnings per share

The calculation of basic earnings per ordinary share has been based on the profit attributable to equity shareholders of £11.3 million (2010: £15.1 million) and the weighted average number of shares in issue throughout the year of 31,182,000 (2010: 31,131,000).

The calculation of diluted earnings per ordinary share has been based on the profit attributable to equity shareholders of £11.3 million (2010: £15.1 million) and the weighted average number of shares in issue throughout the year, adjusted for the dilutive effect of share options outstanding at the year end of 281,000 (2010: 220,000).

5. Income tax expense

	2011 £000	2010 £000
Current UK taxation:		
UK corporation tax on profits for the year	**3,957**	1,038
Under/(over) provision in respect of prior years	**134**	(11)
	4,091	1,027
Current overseas taxation:		
Overseas corporation tax on profits for the year	**1,064**	909
Under/(over) provision in respect of prior years	**193**	(228)
Total current taxation	**5,348**	1,708
Deferred taxation:		
Origination and reversal of timing differences	**(1,042)**	(855)
(Over)/under provision in respect of prior years	**(206)**	187
Tax expense recognised in the income statement	**4,100**	1,040
Deferred tax charge on cash flow hedges	**-**	31
Deferred tax credit relating to sharesave scheme	**(97)**	(80)
Credit taken directly to equity	**(97)**	(49)

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

	2011	2010
	£000	£000
Profit before taxation	**15,370**	16,120
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 27.67% (2010: 28%)	**4,252**	4,514
Effects of:		
Expenses not deductible for tax purposes	**1,207**	148
Movement in provision for tax enquiry	**-**	(1,351)
Movement in deferred tax not recognised	**(122)**	(322)
Deferred tax on losses now recognised	**(1,814)**	(2,060)
Higher tax rates on overseas earnings	**456**	163
Adjustments to tax charge in respect of previous years	**121**	(52)
Total tax charge for the year	**4,100**	1,040

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 Budget Statements. The Finance (No 3) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes would not be material to the deferred tax asset recognised at 29 May 2011 as the full reduction in rate to 23% would decrease the deferred tax asset and profit by £65,000.

6. Dividends per share

A dividend of 18p per share, amounting to a total dividend of £5,620,000, is to be proposed at the annual general meeting on 15 September 2011. Subject to shareholder agreement this will be paid on 21 October 2011 for shareholders on the register at 23 September 2011. The financial statements do not reflect this proposed dividend. Dividends of 45p, amounting to total dividends of £14,028,000, were paid in the year to 29 May 2011 (2010: nil).

7. Analysis of net funds

	As at 30 May 2010 £000	Cash flow £000	Exchange movement £000	**As at 29 May 2011 £000**
Cash at bank and in hand	17,089	638	(155)	**17,572**
Net funds	17,089	638	(155)	**17,572**

8. Reconciliation of profit to net cash from operating activities

	2011	2010
	£000	£000
Operating profit	**15,327**	16,045
Depreciation of property, plant and equipment	**5,848**	6,772
Net impairment charge on property, plant and equipment	**664**	139
Loss on disposal of property, plant and equipment	**57**	91
Loss on disposal of intangible assets	**61**	18
Amortisation of capitalised development costs	**2,905**	2,438
Amortisation of other intangibles	**1,207**	952
Share-based payments	**141**	170
Changes in working capital:		
-Decrease in inventories	**1,432**	1,004
-(Increase)/decrease in trade and other receivables	**(49)**	122
-(Decrease)/increase in trade and other payables	**(1,582)**	1,601
-(Decrease)/increase in provisions	**(186)**	435
Net cash from operating activities	**25,825**	29,787