23 November 2023

HORNBY ANNOUNCES INTERIM RESULTS

Hornby Plc ("Hornby"), the international hobby products Group, today announces its unaudited interim results for the six months ended 30 September 2023.

Interim Results Highlights

Financial

- Group revenue of £23.8 million (2022: £22.4 million) an increase of 6% on prior year
- Underlying Operating Group loss before tax* of £4.2 million (2022: loss of £1.5 million)
- Statutory loss before taxation for the period of £5.1 million (2022: loss of £2.9 million)
- Net debt £14.6 million (September 2022: Net debt £4.9 million)

* Stated before exceptional items, FX, share based payment and amortisation of intangibles.

Operational

- New senior team in place, including a Chief Marketing Officer (ex Lego) and a Group Sales Director (ex Mattel)
- Launch of our first retail experience under the name The WonderWorks (www.wonderworksmargate.co.uk)
- Continued revenue growth in the digital channel, up +30% YOY
- Further progress made on driving price down on select products, through further supply chain diversification into India.

Olly Raeburn, Hornby Chief Executive, commented:

"In a year of structural, strategic and operational change, we are starting to see critical improvements in many areas of the business. Whilst topline revenue is growing, and remains in line with management guidance for the full year, there is a cost increase associated with what's being implemented. We head into the key Christmas trading period with a strong order book, a full calendar of promotional activity and a strong team in place. Whilst we do not expect the full benefits of this year's initiatives to take effect until the next financial year, I remain excited about the progress being made and look forward to seeing the impact of these changes over the next 12 months."

-ends-

23 November 2023

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Hornby Plc ("Hornby" or "the Group")

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

CEO Statement

In my letter to shareholders as part of the Annual Report that was released in June, I highlighted a number of key areas of focus for the remainder of this financial year. To accompany these half year results, I shall talk to progress made in some of those areas, as well as referencing the changes we have made from a key personnel perspective.

Brand and Strategy

I shared details of the Brand Positioning work we had undertaken in the early part of the year, identifying 'Building Happiness' as the core proposition for Hornby, with our Mission being 'To build a happier world for all of us'. These two organising thoughts have become integrated into our product and communications planning this year and, more importantly, are a fundamental component of the FY24 strategy and planning process.

Beyond the proposition work, a key part of my vision for the future sees the Group being organised to give greater individuality to the brands, and that process is already underway. It's an evolutionary transformation that should see the brands, which have different audiences, develop in different ways and at different rates.

Ultimately, we will see the structure of the Group evolve from a traditional corporate hierarchy, towards a confederation of semi-autonomous, brand-focused, business units. This approach will give those at the coal face greater autonomy, accountability and capacity to obsess about the brands and how to drive growth in distinctive ways.

Significant progress has been made during the last quarter, and we expect to start implementing change before the end of the current financial year, allowing us to see the associated benefits come through from the start of the next one.

Product Development and Merchandising

One of the challenges we were facing as we exited the last financial year was a significant stock holding on account of a combination of over-commitment and under performance in the second half of last year. We committed to improving our analysis of stock performance and inventory management, and to reduce the volume of aged stock in the business, whilst protecting brand value by avoiding aggressive discounting.

Our approach to inventory management is evolving, but we will not see the impact and benefit of that until the second half of the next financial year when the decisions made in the last 6 months flow through.

Whilst we materially reduced forward inventory orders at the start of the year, the lead times in our supply chain mean we are still receiving product from the orders placed between 12 and 18 months ago. This unavoidable reality, combined with the normal stock build for forthcoming peak trading, means that our overall stock holding in the business at the half year, remains at similar levels to the start of the year. That said, we have reduced the amount of stock aged more than 12 months, that we held at 31st March, by 18%, through effective promotional activity and close management of key existing retailer relationships.

Additionally, we have opened up new channels through rekindling some lapsed relationships with valuable National retailers, and adding additional, sector specific, independent retailers to our portfolio. That said, as we hit the half year, our inventory position still remains high on account of the natural stock build ahead of peak trading.

Entry Level Product and Pricing

Having identified a clear opportunity to present some of our product at more accessible prices, we have undertaken a number of workstreams in this area. We have developed some prototype entry-level priced Hornby train sets and Scalextric sets that were well received when presented to potential buyers at the New York Toy Fair at the end of September. We are continuing to develop this initiative through gleaning end-consumer feedback and further buyer input.

Additionally, we have now moved production of the majority of our Quickbuild product from the UK to India where we will see significant savings, enabling us to present this high-potential range at a much more attractive price point from the end of the current financial year.

Data, Loyalty and CRM

In the Annual Report I talked about our desire to use pre-existing data to start to build better relationships with our customers, based on their preferences and their behaviours. Since then, through our Customer Loyalty Lead, we have been able to build a view of previous browsing and transaction history to create a series of automated CRM / email journeys to drive consideration and purchase.

Launched in August, these programmes are running in the background and created c£100K of incremental revenue in their first six weeks. This is just the beginning and we are increasing the number of 'live' journeys to ensure this revenue stream continues to grow, adding value and contribution on an ongoing basis.

As our understanding of customer behaviour deepens, so too will the volume and impact of the automated CRM journeys that will continue to run in the background, supporting our BAU customer development activities.

Customer Experience and Retail

One of the first outward manifestations of the new strategy at Hornby is the opening of The WonderWorks in Margate (www.wonderworksmargate.co.uk) on the site of the old Hornby Visitors' Centre. Our first experiential site is set over 11,000 sq ft of engaging and immersive space, comprising an exhibit, a large retail space and a café.

This is our first experiential site that hosts all the hobbies and products of the Group, including Warlord Games. Many new concepts are being trialled for the first time, and once we have learned lessons from this site, and assuming it is successful, we aim to develop more sites in the future.

We opened the doors to The WonderWorks in Margate on 30th October and, whilst it's early days, we have consistently seen close to 100% increases in revenues from the site, versus the same period last year through the Hornby Visitors' Centre.

As evidenced in the progress we're making with Data, Loyalty and CRM, we want to develop deeper, more insight driven, direct relationships with our existing and potential customers; The WonderWorks is another way in which we can begin do that, and early reactions give us high hopes for its success.

People Changes

Much of what I have described above represents a new direction for Hornby, and a critical contributing factor to our future success relies on us having the right people in key roles. With the departures of Simon Kohler (Marketing and Development Director) and Tim Mulhall (COO) earlier in the year, we have invested in a handful of high calibre, senior, individuals to help drive the new strategy forward, including;

- Chief Marketing Officer (ex Lego)
- Group Sales Director (ex Mattel)
- Head of Export Sales (ex WHSmith)
- Head of Research and Insight (ex Lego)

With a stronger and more diverse senior team in place we are already starting to see the impact of new strategies for improving performance, albeit the benefits will accelerate and truly start to flow through into the next financial year.

Digital Update

Direct sales via our website continue to increase, with a year-on-year uplift of more than 30% in the first two quarters of 2023/24. I expect this increase to continue to accelerate into the second half of our financial year.

	Q1	Q2	Q3	Q4
2018/19	£301,100	£479,767	£582,434	£362,688
2019/20	£426,382	£497,494	£731,252	£638,260
2020/21	£1,222,578	£1,169,936	£1,574,834	£976,711
2021/22	£849,782	£1,038,172	£2,128,918	£1,687,916
2022/23	£1,389,736	£1,519,917	£2,834,467	£2,863,283
2023/24	£1,787,510	£1,981,956		

In addition to a general improvement in performance, we are also seeing the benefits of bringing more digital capability in-house and relying less on external agency support. This not only allows us to be more agile and responsive but also upskills the organisation, making us better fit for future growth.

Outlook

As with the 2022/2023 financial year, we expect profitability to be depressed in 2023/2024 as we restructure the business and make necessary investments in people and processes. We certainly expect 2023/2024 to show improvement at the topline, and our guidance of 'high single digit / low double digit revenue growth' remains unchanged. It is from next year onwards that we are targeting a return to profitability as the restructuring improves efficiencies and margins on continued increasing revenues.

As far as current trading and the outlook for the second half of the year are concerned, our order book is strong and although, like everyone, we are seeing the ramp up into Christmas trade coming later than in previous years, we are starting to see some encouraging increases in performance. We have a stronger calendar of seasonal promotional activities than in previous years and are operating in a far more joined up way in execution, so remain positive about the potential for the coming months.

A more comprehensive analysis of the year will be given in the January 2024 trading update.

Financial review

Performance
Group revenue for the six months to September 2023 of £23.8 million was 6% higher than the prior year (2022: £22.4 million). The gross margin for the period was 44% (2022: 48%), a slight decrease reflecting the product/channel mix in the first half of 2023 compared to prior year and increased tooling amortisation costs.

Underlying overheads increased year-on-year from £12.5 million to £14.6 million, or by 17%, reflecting an increase in minimum wages, general inflationary increases and increased focus on direct selling routes and e-commerce costs including personnel.

The operating loss before exceptional costs (including IFRS 16) for the six months to September 2023 was £4.3 million compared to a loss of £2.6 million for the same period last year. This is due to the increased overheads as mentioned above and changes to senior staff within sales and marketing and associated costs.

Exceptional costs during the first half year were £0.05 million (2022: £0.2 million) and these comprised of one-off costs relating to the departure of 2 senior executives.

Group loss before tax was £5.1 million (2022: loss of £2.9 million). The basic loss per share was 3.00p (2022: loss per share of 1.29p).

Segmental analysis

Third party revenue for the UK business increased by 4% in the period and generated a loss before taxation of £5.0 million compared to £2.3 million loss last year. Revenue for the first half of 2023 has increased slightly compared with the same period last year due to the increase in sales direct to consumers.

The International segment revenue decreased by 17% in the period and generated an underlying loss of £0.1 million (2022: £0.6 million loss). The decrease in revenue is a result of the global cost of living crisis impacting European markets..

Balance sheet
Group inventories increased during the period by 13% from £21.3 million at March 2023 to £24.1 million at September 2023, due to a seasonal build-up of stocks in the lead-up to the busy Christmas trading period.

Trade & other receivables and Trade & other payables are higher than the start of the year due to seasonality of the business.

Investment in new tooling, new computer software and other capital expenditure was £2.9 million (2022: £1.9 million).

Capital structure
There was an increase in net debt compared to 31 March 2023. The September period end net debt balance stood at £14.8 million, from £5.5 million of net debt at the end of the last financial year. This is due to the operational cash outflow in the business, purchase of 25% stake in Warlord Games Limited which was announced on 7 July 2023, spending on stocks and tooling ahead of Christmas trading as budgeted and increased overheads as we continue to invest in people and technology. Headroom at 30 September 2023 was £5 million.

Going concern
The Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank Limited (STB) through to October 2024. The STB Covenants are customary operational covenants applied on a monthly basis. In addition, the Group has a committed £11.25 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) which runs through to December 2024. The Group also carries a Covid Business Interruption Loan (CBIL) liability as a result of the acquisition of LCD Enterprises Limited on 30 July 2021. Balance at 30 September 2023 is £142,000.

The Group has prepared trading and cash flow forecasts for a period of three years, which have been reviewed and approved by the Board. On the basis of these forecasts, and after a detailed review of trading, financial position and cash flow models the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2023

	Notes	**Six months to 30 September 2023 (unaudited)**	Six months to 30 September 2022 (unaudited)	Year to 31 March 2023 (audited)
		£'000	£'000	£'000
REVENUE	4	**23,794**	22,410	55,105
Cost of Sales		**(13,368)**	(11,683)	(28,166)
GROSS PROFIT		**10,426**	10,727	26,939
Distribution costs		**(3,988)**	(3,833)	(8,196)
Selling and marketing costs		**(6,487)**	(5,003)	(11,448)
Administrative expenses		**(4,109)**	(4,183)	(7,712)
Other operating expenses		**(157)**	(328)	(653)
OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL		**(4,315)**	(2,620)	(1,070)
Exceptional Items	5	**(47)**	(148)	(3,974)
OPERATING PROFIT/(LOSS)		**(4,362)**	(2,768)	(5,044)
Finance income		**11**	4	11
Finance costs		**(725)**	(122)	(843)
Net finance costs		**(714)**	(118)	(832)
Share of profit of investments accounted for using the equity method		**(2)**	-	-
PROFIT/(LOSS) BEFORE TAXATION	4	**(5,078)**	(2,886)	(5,876)
Taxation	13	**(14)**	87	(46)
PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION		**(5,092)**	(2,799)	(5,922)
OTHER COMPREHENSIVE INCOME/(LOSS) *(Items that may be classified subsequently to profit and loss)*				
Cash flow hedges		**794**	793	(932)
Currency translation differences		**48**	441	161
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**842**	1,234	(771)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(4,250)**	(1,565)	(6,693)
Comprehensive income attributable to:				
Equity holders of the Company		**(4,234)**	(1,544)	(6,676)
Non-controlling interests		**(16)**	(21)	(17)
(LOSS)/PROFIT PER ORDINARY SHARE				
Basic		**(3.00)p**	**(1.29)p**	(3.50)p
Diluted		**(3.00)p**	**(1.29)p**	(3.50)p

All of the activities of the Group are continuing. The notes form an integral part of this condensed consolidated half-yearly financial information.

BALANCE SHEET

As at 30 September 2023

	Notes	**Six months to 30 September 2023 (unaudited) £'000**	Six months to 30 September 2022 (unaudited) £'000	Year to 31 March 2023 (audited) £'000
ASSETS				
NON-CURRENT ASSETS				
Goodwill	6	**1,731**	4,647	1,732
Intangible assets	6	**2,724**	3,097	2,986
Investment	7	**1,437**	-	-
Property, plant and equipment	6	**13,786**	10,477	12,041
Right of Use Lease Asset	8	**2,144**	2,484	2,087
Deferred income tax assets		**3,571**	3,423	3,571
		25,393	24,128	22,417
CURRENT ASSETS				
Inventories		**24,112**	22,548	21,282
Trade and other receivables		**9,115**	9,154	9,181
Derivative financial instruments	12	**256**	1,808	2
Cash and cash equivalents		**1,014**	1,874	1,337
		34,497	35,384	31,802
LIABILITIES				
CURRENT LIABILITIES				
Borrowings	11	**(6,219)**	(5,558)	(6,750)
Derivative financial instruments	12	**(17)**	-	(557)
Trade and other payables		**(9,509)**	(8,454)	(8,067)
Lease liabilities		**(403)**	(450)	(409)
		(16,148)	(14,462)	(15,783)
NET CURRENT ASSETS		**18,349**	20,922	16,019
NON-CURRENT LIABILITIES				
Borrowings	11	**(9,595)**	(1,252)	(117)
Lease liabilities	9	**(2,125)**	(2,213)	(2,047)
Deferred tax liabilities		**(233)**	(233)	(233)
		(11,953)	(3,698)	(2,397)
NET ASSETS		**31,789**	41,352	36,039
SHAREHOLDERS' EQUITY				
Share capital	10	**1,699**	1,698	1,699
Share premium		**52,857**	52,857	52,857
Capital redemption reserve		**55**	55	55
Translation reserve		**(1,605)**	(1,373)	(1,653)
Hedging reserve		**239**	1,356	(555)
Other reserves		**1,688**	1,688	1,688
Retained earnings		**(23,123)**	(14,920)	(18,047)
Equity attibutable to PLC shareholders		**31,810**	41,361	36,044
Non-controlling interests		(21)	(9)	(5)
Total equity		**31,789**	41,352	36,039

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2023

	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital redemp-tion reserve (unau-dited) £'000	Translation reserve (unaudited) £'000	Hedging reserve (unaudited) £'000	Other reserves (unaudited) £'000	Non-controlling interests (unaudited) £'000	Retained earnings (unaudited) £'000	Total equity (unaudited) £'000
Balance at 1 April 2023	**1,699**	**52,857**	**55**	**(1,653)**	**(555)**	**1,688**	**(5)**	**(18,047)**	**36,039**
Profit for the period	-	-	-	-	-	-	(16)	(5,076)	(5,092)
Other comprehensive income/(loss) for the period	-	-	-	48	794	-	-	-	842
Total comprehensive loss for the period	-	-	-	48	794	-	(16)	(5,076)	(4,250)
Balance at 30 September 2023	**1,699**	**52,857**	**55**	**(1,605)**	**239**	**1,688**	**(21)**	**(23,123)**	**31,789**
Balance at 1 April 2022	**1,669**	**52,857**	**55**	**(1,814)**	**377**	**1,688**	**12**	**(11,734)**	**43,110**
Profit for the period	-	-	-	-	-	-	(21)	(2,778)	(2,799)
Other comprehensive income/(loss) for the period	-	-	-	441	979	-	-	-	1,420
Total comprehensive loss for the period	-	-	-	441	979	-	(21)	(2,778)	(1,379)
Transactions with owners		-							
Share based payments	29	-	-	-	-	-	-	(408)	(379)
Total transactions with owners	29							(408)	(379)
Balance at 30 September 2022	**1,698**	**52,857**	**55**	**(1,373)**	**1,356**	**1,688**	**(9)**	**(14,920)**	**41,352**

The notes form an integral part of this condensed consolidated half-yearly financial information.

STATEMENT OF CASH FLOWS
for the six months ended 30 September 2023

	Note	Six months to 30 September 2023 £'000	Six months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Loss before taxation		(5,078)	(2,886)	(5,875)
Interest payable		653	43	322
Interest paid on Lease liabilities	9	72	79	153
Interest receivable		(11)	(4)	(11)
Share of profit of Minority Interest		2	-	-
Amortisation of intangible assets		288	259	553
Impairment of Goodwill		-	-	2,915
Depreciation		1,819	1,311	2,762
Depreciation on right of use assets	8	243	267	528
Share-based payments (non cash)		-	532	532
Share-based payments (cash)		-	(919)	(940)
Decrease / (increase) in inventories		(2,799)	(5,700)	(4,680)
Decrease / (increase) in trade and other receivables		225	(199)	(373)
(Decrease) / increase in trade and other payables		1,301	634	733
Cash flows from operating activities		(3,285)	(6,583)	(3,381)
Interest paid		(653)	(43)	(322)
Interest element of ROU lease payments		(72)	(79)	(153)
Net cash (used in)/generated from operating activities		(4,010)	(6,705)	(3,856)
Cash flows from investing activities				
Purchase of business	7	(1,439)	-	-
Purchase of property, plant and equipment	6	(3,562)	(1,720)	(4,744)
Purchase of intangible assets	6	(25)	(168)	(351)
Interest received		11	4	11
Net cash (used in)/generated from investing activities		(5,015)	(1,884)	(5,084)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	30	30
Repayment of CBIL loan		(50)	(25)	(50)
Proceeds from Asset Based Lending Facility		1,579	5,508	4,590
Shareholder Loan		7,418	1,000	2,000
Payment of lease liabilities		(228)	(248)	(460)
Net cash generated from/(used in) financing activities		8,719	6,265	6,110
Net (decrease)/increase in cash and cash equivalents		(306)	(2,324)	(2,830)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,337	4,139	4,139
Effect of exchange rate movements		(17)	59	28
Cash, cash equivalents and bank overdrafts at end of year		1,014	1,874	1,337
Cash, cash equivalents and bank overdrafts consist of:				
Cash and cash equivalents		1,014	1,874	1,337
Cash, cash equivalents and bank overdrafts at end of year		1,014	1,874	1,337

The notes form an integral part of this condensed consolidated half-yearly financial information.

NOTES TO CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL REPORT

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in the UK. The address of the registered office is Enterprise Road, Westwood Industrial Estate, Margate, CT9 4JX. The Group is principally engaged in the development, design, sourcing and distribution of hobby and interactive home entertainment products.

The Company has its primary listing on the Alternative Investment Market and is registered in England No. 01547390.

This condensed consolidated half-yearly financial information was approved for issue on 22 November 2023.

This condensed consolidated half-yearly financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and is unaudited. Statutory accounts for the year ended 31 March 2023 were approved by the Board of Directors on 21 June 2023 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Forward Looking Statements

Certain statements in this half-yearly report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. BASIS OF PREPARATION

The financial statements are presented in sterling, which is the Parent's functional currency and the Group's presentation currency. The figures shown in the financial statements are rounded to the nearest thousand pounds.

This condensed consolidated half-yearly financial information for the half-year ended 30 September 2023 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2023 which have been prepared in accordance with UK-adopted international accounting standards. The consolidated Group financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2023, as described in those annual financial statements with the exception of tax which is accrued using the tax rate that would be applicable to expected total annual earnings.

Judgements and Estimates

The preparation of interim financial statements 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 half-yearly financial report, 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 31 March 2023.

Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated half-yearly financial report does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2023.

There have been no changes in the risk management policies since year end.

The Group's financial instruments, measured at fair value, are all classed as level 2 in the fair value hierarchy, which is unchanged from 31 March 2023. Further details of the Group's financial instruments are set out within note 12 of this half-yearly report as required by IFRS 13.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company that makes strategic decisions.

Operating profit of each reporting segment includes revenue and expenses directly attributable to or able to be allocated on a reasonable basis. Segment assets and liabilities are those operating assets and liabilities directly attributable to or that can be allocated on a reasonable basis.

Management has determined the operating segments based on the reports reviewed by the Board (chief operating decision-maker) that are used to make strategic decisions.

The Board considers the business from a geographic perspective. Geographically, management considers the performance in the UK, USA, Spain, Italy and rest of Europe. Although these segments do not meet the quantitative thresholds required by IFRS 8, management has concluded that these segments should be reported, as it is closely monitored by the chief operating decision-maker.

	UK	USA	Spain	Italy	Rest of Europe	Intra Group	**Total Reportable Segments**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Six months ended 30 September 2023 (unaudited)							
Revenue - External	16,932	1,788	978	1,504	2,592	-	**23,794**
Inter-segment revenue	1,502	-	-	-	-	(1,502)	-
Operating (Loss)/Profit	(4,441)	(248)	36	130	161	-	(4,362)
Finance income - external	11	-	-	-	-	-	11
Finance income - other segments	230	-	-	-	-	-	230
Finance costs - external	(719)	(4)	(1)	(1)	-	-	(725)
Finance costs - other segments	(87)	0	(107)	0	(36)	-	(230)
Share of profit of investments accounted for using the equity method	(2)	-	-	-	-	-	(2)
(Loss)/Profit before taxation	(5,008)	(252)	(72)	129	125	-	(5,078)
Taxation	-	-	-	-	(14)	-	(14)
Profit/(Loss) after taxation	(5,008)	(252)	(72)	129	111	-	(5,092)

5. EXCEPTIONAL ITEMS

	Six months to 30 September 2023 (unaudited)	Six months to 30 September 2022 (unaudited)	Year to 31 March 2023 (audited)
	£'000	£'000	£'000
Exceptional items comprise:	**-**	-	-
– Refinancing costs	**-**	149	149
– Hornby World Experience	**-**	-	910
– Goodwill impairment	**-**	-	2,915
– Restructuring costs	**47**	-	-
	47	149	3,974

The exceptional items totalling £47,000 (2022: £148,000) include restructuring costs within senior management within sales and marketing.

6. TANGIBLE AND INTANGIBLE ASSETS AND GOODWILL

The additions comprise new product tooling (£2,783,000), property, plant and equipment (£60,000) and intangible assets – computer software (£25,000).

The Group has again performed impairment reviews as at 30 September 2023 and consider the carrying value of the assets held to be recoverable. The discount rates and key assumptions used within the updated models at 30 September 2023 have remained constant with the impairment reviews conducted in March 2023.

Tangible and intangible assets and goodwill (unaudited)	**Six months ended 30 September 2023**	Six months ended 30 September 2022
	£'000	£'000
Opening net book amount 1 April 2023 and 1 April 2023	**16,759**	17,888
Exchange adjustment	**2**	14
Additions	**2,868**	1,888
Depreciation, amortisation and impairment	**(2,107)**	(1,569)
Closing net book amount 30 September 2023 and 30 September 2022	**17,522**	18,221

CAPITAL COMMITMENTS	**2023 (unaudited)**	2022 (unaudited)
	£'000	£'000
At 30 September commitments were:		
Contracted for but not provided for	**2,175**	3,033

The commitments relate to the acquisition of tooling as part of property, plant and equipment.

7. INVESTMENTS

	Interests in associate undertakings at cost £'000
At 1 April 2023	**-**
Acquisition of 25% of Warlord Games Limited including costs	1,439
Share of profit of investments accounted for using the equity method	(2)
At 30 September 2023	**1,437**

On 7 July 2023 Hornby Plc acquired a 25% share in Warlord Games Limited for cash consideration of £1.25 million. Hornby has the option to acquire a majority stake in Warlord on or around the second anniversary of this initial acquisition and then to acquire any remaining shares in Warlord on future anniversaries.

Warlord will continue to be managed by its existing Directors and the Company believes that this transaction creates a number of opportunities to accelerate growth of the business further still.

8. RIGHT OF USE ASSETS

GROUP	Property £'000	Motor Vehicles £'000	Fixtures, Fittings and Equipment £'000	Total £'000
COST				
At 1 April 2023	3,757	310	22	**4,089**
Additions at cost	297	3	-	**300**
At 30 September 2023	**4,054**	**313**	**22**	**4,389**
ACCUMULATED DEPRECIATION				
At 1 April 2023	1,697	287	18	**2,002**
Charge	220	23	-	**243**
At 30 September 2023	1,**917**	310	18	**2,245**
Net book amount at 30 September 2023	**2,137**	**3**	**4**	**2,144**

9. RIGHT OF USE LEASE LIABILITIES

The movement in the right of use lease liabilities over the period was as follows:

	2023 £'000	2022 £'000
As at 1 April 2023	**2,456**	2,746
New leases	300	166
Interest payable	72	79
Repayment of lease liabilities	(300)	(328)
As at 30 September 2023	**2,528**	2,663
Lease liability less than one year	403	450
Lease liability greater than one year and less than five years	677	613
Lease liability greater than five years	1,448	1,600
Total Liability	**2,528**	2,663

Maturity analysis of contracted undiscounted cashflows is as follows:

	30 September 2023 £'000	30 September 2022 £'000
Lease liability less than one year	**549**	**601**
Lease liability greater than one year and less than five years	**1,143**	**1,048**
Lease liability greater than five years	**1,911**	**2,200**
Total Liability	**3,603**	**3,849**
Finance charges included above	**(1,075)**	**(1,186)**
	2,528	**2,663**

10. SHARE CAPITAL

At 30 September 2023 the Group had 169,853,770 ordinary 1p shares in issue with nominal value £1,698,538 (2022: £1,698,538).

11. BORROWINGS

	30 September 2023 (unaudited)	30 September 2022 (unaudited)	31 March 2023 (unaudited)
	£'000	£'000	£'000
SECURED BORROWING AT AMORTISED COST			
CBIL Bank Loan	**(146)**	(192)	(167)
Shareholder Loan	**(9,499)**	(1,110)	(2,110)
ABL Facility	**(6,169)**	(5,508)	(4,590)
	(15,814)	(6,810)	(6,867)
Total borrowings			
Amounts due for settlement within 12 months	**(6,219)**	(5,558)	(6,750)
Amounts due for settlement after 12 months	**(9,595)**	(1,252)	(117)
	(15,814)	(6,810)	(6,867)

At 30 September 2023 the Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank PLC through to October 2024. The Covenants are customary operational covenants applied on a monthly basis. The Group also has a CBIL loan with Barclays, acquired as part of the LCD acquisition. The CBIL payback commenced in August 2021 and finishes July 2026. In addition, the Group has a committed £11.25 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required. The facility currently expires December 2024.

In the period to 30 September 2023 loan repayments were £25,000 (2022: £25,000).

12. FINANCIAL INSTRUMENTS

The following tables present the Group's assets and liabilities that are measured at fair value at 30 September 2023 and 31 March 2023. The table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

There were no transfers or reclassifications between levels within the period. Level 2 hedging derivatives comprise forward foreign exchange contracts and an interest rate swap and have been fair valued using forward exchange rates that are quoted in an active market. The fair value of the following financial assets and liabilities approximate their carrying amount: Trade and other receivables, other current financial assets, cash and cash equivalents, trade and other payables and bank overdrafts and borrowings.

Fair values are determined by a process involving discussions between the Group finance team and the Audit Committee which occur at least once every 6 months in line with the Group's reporting dates.

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Assets				
Derivatives used for hedging	**-**	**256**	-	**256**
Total assets as at 30 September 2023	**-**	**256**	-	**256**
Liabilities				
Derivatives used for hedging	**-**	**(17)**	-	**(17)**
Total liabilities at 30 September 2023	**-**	**(17)**	**-**	**(17)**

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Derivatives used for hedging	**-**	2	-	2
Total assets at 31 March 2023	**-**	2	**-**	2
Liabilities				
Derivatives used for hedging	**-**	(557)	-	(557)
Total liabilities at 31 March 2023	**-**	(557)	-	(557)

13. TAXATION

The Group has elected not to recognise a deferred tax movement on the half year losses at this time and there is no tax credit associated with this in the profit and loss. There is a small credit associated with a prior year adjustment on current taxation. The Group has significant brought forward trading losses which can be utilised.

14. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share attributable to equity holders of the Company arises from continuing operations as follows:

	30 September 2023 (unaudited)	30 September 2022 (unaudited)	31 March 2023 (audited)
Earnings/(loss) per share from continuing operations attributable to the equity of the Company			
- basic	**(3.00)p**	**(1.29)p**	(3.50)p
- diluted	**(3.00)p**	**(1.29)p**	(3.50)p

15. DIVIDENDS

No interim dividend has been declared for the interim period ended 30 September 2023 (2022: £nil).

16. CONTINGENT LIABILITIES

The Company and its subsidiary undertakings are, from time to time, parties to legal proceedings and claims, which arise in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

17. PERFORMANCE SHARE PLANS AWARDS

At 30 September 2023, there are no outstanding awards to Directors under any PSP schemes:

18. RELATED-PARTY TRANSACTIONS

Key management compensation amounted to £769,000 for the six months to 30 September 2023 (2022: £1,083,000). Key management include directors and senior management. For the period to 30 September 2023:

	30 September 2023 (unaudited) £'000	30 September 2022 (unaudited) £'000	31 March 2023 (audited) £'000
Salaries and other short-term benefits	**692**	528	1,022
Other pension costs	**32**	23	47
Compensation for loss of office	**45**	-	-
Share-based payments	**-**	532	532
	769	1,083	1,601

Phoenix Asset Management Partners who own the majority shareholding in Hornby PLC have also provided a funding facility to the Group. During the period interest fees of £396,426 were accrued and remain unpaid at 30 September 2023.

Hornby Hobbies Limited purchased services totalling £471,808 from Rawnet Limited which is 100% owned by Phoenix Asset Management, the controlling party of the Group. At 30 September 2023 £96,790 was owing to Rawnet Limited for services rendered.

There were no other contracts with the Company or any of its subsidiaries existing during or at the end of the financial year in which a Director of the Company or any of its subsidiaries was interested. There are no other related-party transactions.

19. RISKS AND UNCERTAINTIES

The Board has reviewed the principal risks and uncertainties and have concluded that the key risks continue to be UK market dependence, market conditions, exchange rates, supply chain, product compliance and liquidity. The disclosures on pages 11 and 12 of the Group's Annual report for the year ended 31 March 2023 provide a description of each risk along with the associated impact and mitigating actions. The Board will continue to focus on risk mitigation plans to address these areas.

20. SEASONALITY

Sales are subject to seasonal fluctuations, with peak demand in the October - December quarter. For the six months ended 30 September 2023 sales represented 43 per cent of the annual sales for the year ended 31 March 2023 (2022: 42 per cent of the annual sales for the year ended 31 March 2022).

21. SUBSEQUENT EVENTS

No other significant events have occurred between the end of the reporting period and the date of signature of the Annual Report and Accounts.

By order of the Board

Oliver Raeburn
Chief Executive
22 November 2023

Kirstie Gould
Chief Finance Officer