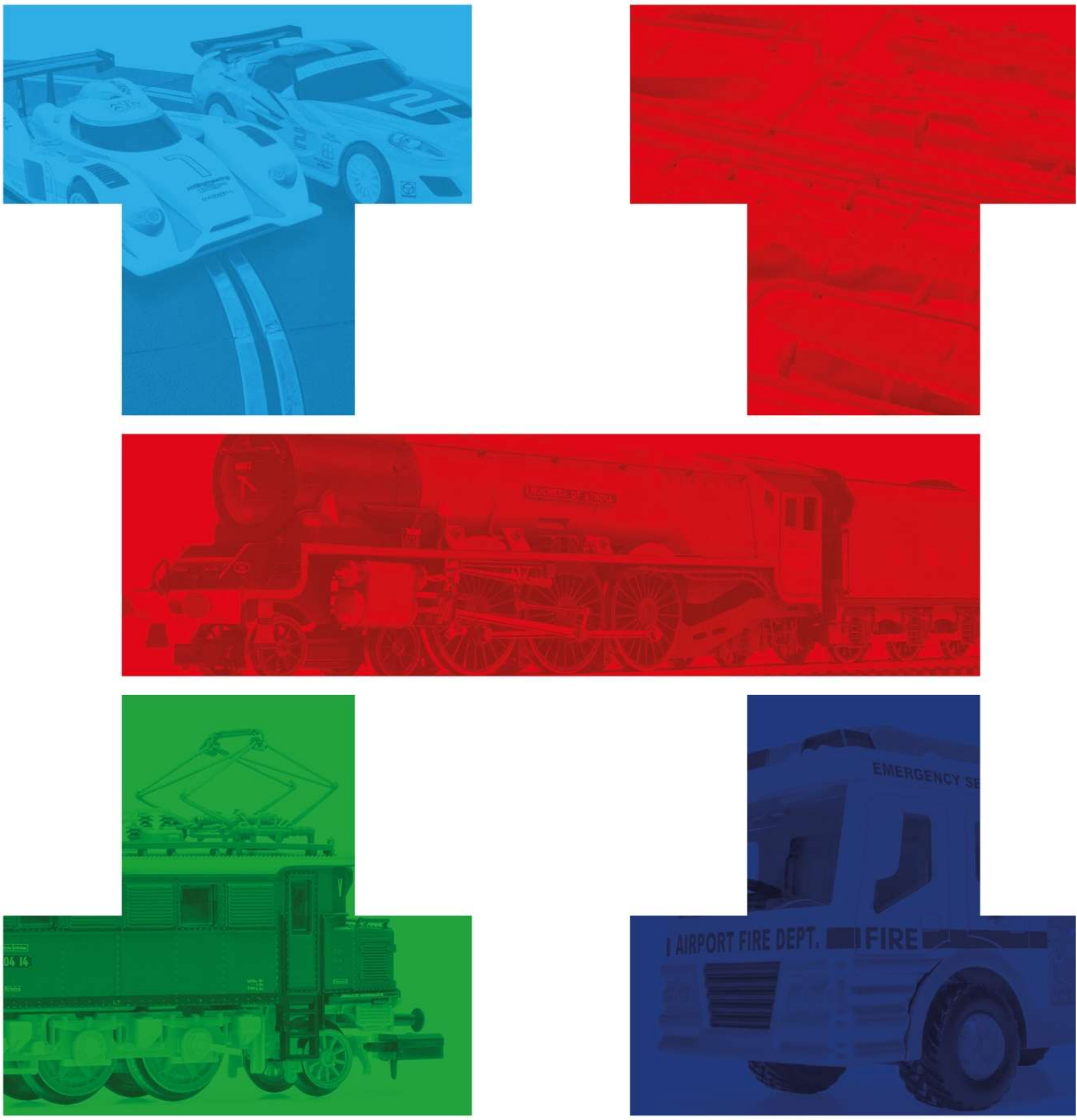
INTERIM REPORT AND ACCOUNTS 2020



HORNBY PLC

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

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Success in a time of adversity

As we entered 2020 we knew it would be a difficult year, with the UK exiting the EU at the end of the year, but we could not have foreseen the problems which would be presented by the Covid-19 pandemic.

We have observed hitherto successful and profitable companies worldwide crumbling under the pressure, with losses, closures and tumbling share values.

Yet we have not only weathered this shattering storm, our sales have increased by 33% in the first half of 2020 (compared to prior year), moving Hornby back into profitability. The growth built on the back of the introduction of some fantastic new products, new technology and the changing environment.

And this was in the 'quieter' half of the year; traditionally 55%-60% of our sales fall into the second half.

We cannot predict any future adverse effects of the pandemic, but we have exciting plans for all our brands.

This update will set out our progress to date:

The Turnaround

Much of my time so far at Hornby has been spent on restructuring the business, correcting the problems which were allowed to build up in the past and 'fixing the engine'. It has been a longer journey than I had hoped, but it was important to get it right.

As you can see, during the first six months of our financial year, Hornby has moved back into profitability – a small, but significant milestone, especially considering the Covid-19 pandemic overshadowing every move we make. Achieving this turnaround has been a battle which was fought on many fronts, demanding a massive effort from the senior management team, and we now move into what is traditionally the busier period in our financial year.

More recently the team has been focussed on our future plans. We will not only build on the success of the fantastic new products that have begun to release to the market, we also have to plan our best strategy to deal with the 'new normal' after the changes we have seen in the course of this year.

The points I will cover will be as follows:

The Global Pandemic
The impact on our business

The Brands
The brands we control

Product Innovation
What we are doing

The Markets
Where we operate

The Routes To Market
How they have changed and continue to change

Our People
Yes the people; our most important asset

Brexit
Planning

The Outlook

The Global Pandemic

As we entered April 2020, we had no idea how our business would be impacted by this pandemic. During February and March, I sent out strong signals to our supply chains, clearly stating that we would *not* be reducing our demand. We did lose a few weeks of shipments (our purchasing requirements for this financial year were higher than in the last few years), but by late April we were back on schedule, as the factories responded.

All of our offices had to close at one time or another during these past six months, but all of them have now reopened.

We have seen more online sales than we predicted and at the half-year point we had exceeded the sales levels through this channel than we had achieved in the entire 2019-20 financial year, Families stayed at home, where they spent more time buying online, and using our products. The biggest risk, and the one we feared the most, would have been a closure of the warehousing facilities. This did not materialise; through effective partnership and working together as a team, Hornby battled through.

As I have said before (and no doubt will say again) past experience tells us that during periods of crisis people often turn inwards, finding comfort from things they know and love - among which are our great brands, supporting their hobbies and interests.

The Brands

Having been in this industry for all of my working life, I am sure that every one of our stakeholders is fully aware of the brands that we have and understands their value. Some may suppose that with so many brands, it could be difficult to focus. From my viewpoint, however, I can see the potential in every individual brand, in terms of their product offering, the loyalty they engender in specific markets, and the different ethos each brand presents. Our challenge now is to empower every one of these brands to grow and develop in the way most suited to each one - there is no one single solution that can fit all.

So, let me remind you of the brands we own, that are currently in use.

AIRFIX

Airfix produced its first kit as a promotional item in 1949 - from that point the Airfix name quickly became, and still is, a shorthand term for a plastic kit, in a similar fashion to Hornby when thinking about model railways.

Airfix became part of the Hornby Hobbies portfolio in 2006. It has had massive investment in new tooling which continues today, with the products distributed in 54 countries.

ARNOLD

The Arnold company was founded in Germany in 1904, and was acquired by Hornby Hobbies a century later, in 2004. Arnold is synonymous with the production of European-outline models in 'N' gauge and 'TT' gauge. In fact, Arnold is considered by many to have been the originator of 'N' gauge. Ongoing investment in the brand ensures that the current range continues to be distributed in 27 countries worldwide.

BASSETT-LOWKE

This classic brand associated with large scale models dates back to the late 19th century and was acquired by Hornby Hobbies in 2008.

With its origins in the very late Victorian period, Bassett-Lowke was the perfect brand to support a variety of products based around the Steampunk genre. With the range made up of fantastically imaginative model steam locomotives, rolling stock and other amazing accessories, the product selection was launched at the beginning of 2020 and received by the press and public with fascination and amazement.

With the Steampunk genre crossing many cultural borders the Bassett-Lowke product range is available in 30 countries, and with plans to further enhance the product selection the future is very much based in the imaginative past.

CORGI

The first Corgi diecast cars appeared on the market in 1956, heralded with the slogan, 'The ones with windows'. From there the brand of Corgi Toys expanded and developed; they were not just toys, but exquisite diecast models including cars, aircraft, lorries and a wide selection of vehicles seen on TV and films with possibly the James Bond Aston Martin DB5 being the most famous.

The Corgi brand was acquired by Hornby in 2008, a steady programme of investment thereafter seeing the release of new models and past classics, with distribution in 38 countries. Corgi products continue to be a firm favourite both as toys and as collectable models, with over a billion pieces manufactured to date.

ELECTROTEN

1951 saw the launch of the Spanish model railway company, Electrotren, which mainly focused on Spanish-outline trains. The company was acquired by Hornby Hobbies as part of their international expansion plans in 2004.

Electrotren today has the same product ethos laid down by the founder, Jaime Gonzalez Forrellech and with the ongoing investment in tooling the brand continues to be a major force not only in the Spanish model railway market but also has continued interest in the other 26 countries which distribute the brand.

HORNBY

Hornby is the UK brand leader in model railways with 2020 its centenary year. Manufacturing in ‘00’ scale (1:76), the brand continues to cater for the broad model railway market, offering models to suit everyone from beginners to the most discerning enthusiasts and collectors, who demand the highest levels of detail and accuracy.

The impressive range of Hornby products is distributed in over 38 countries. With the latest smartphone technology beginning to roll-out to control model railways, Hornby is set to continue being the top UK brand for another century.

HUMBROL

Originally formed in 1919 as the Humber Oil Company, during the 1950s and 1960s the brand (by then known as Humbrol) developed a range of paints and glues plus other products specifically aimed at model-makers. Humbrol is probably best known for its vast range of specialist miniature 50ml tinlets of paint.

Hornby acquired the brand in November 2006 and since then it has undergone extensive developments in its paint and adhesive ranges, which are distributed in 53 countries. Currently Humbrol are reviewing additional market sectors, including arts and crafts, with a view to expanding the brand's product base.

JOUEF

This French brand was created in 1954, and the company was acquired by Hornby Hobbies a half-century later, in 2004. Jouef focuses mainly on French-outline railways, with a selection of products which offer an interesting cross section of train sets, locomotives and rolling stock, all of which appeal to newcomers to the hobby as well as to seasoned enthusiasts, with their more critical requirements.

Jouef produces highly-detailed models which are distributed in 27 countries, and the brand benefits from continual investment in new tooling.

LIMA

This Italian company was founded in 1946 and Hornby acquired the brand in 2004. Lima’s particular strength was the manufacture of H0 (1:87) model railway products, concentrating mainly on Italian, Swiss and other European-outline trains.

Lima has been reinvigorated under our ownership, as our 'Value' brand with the product line expanding, thanks to investment in new tooling and the reintroduction of classic models. Following Lima's return to the Italian and Swiss markets in 2019, the reintroduction of German-outline and Australian-outline models will continue this market expansion.

POCHER

Pocher was created in Italy in 1951 as a model railway producer, but by 1966 manufacturing had switched to creating highly detailed 1:8 scale luxury car kits. Considered by many to be the ultimate in kits, Pocher was acquired by Hornby Hobbies in 2004, but it was some years later before a new model was added to the range and introduced to the market. That model was the Lamborghini Aventador, followed by other Lamborghini models. In the last few years the first 1:4 scale motorcycle was launched – the Ducati Panigale 1299cc, with other Ducati variants following soon.

With distribution in 27 countries and with plans to launch more new and varied models in the not too distant future, the Pocher legacy of high-quality large-scale model kits will continue.

QUICKBUILD

When the Airfix designers were challenged to produce an Airfix kit that could be assembled without glue they created a series of models which were launched in 2013 under the brand name Quickbuild. Their design featured pre-shaped and coloured parts that when plugged together in the correct sequence produced a detailed model. No painting was required, as decals were supplied to add the finishing touches. Initially the range consisted of supercars, military aircraft (including the iconic Spitfire) and for good measure a Challenger tank as well.

Quickbuild kits are available in 53 countries, but development stalled in 2015-2017. Now, however, a steady flow of additional models have further extended the selection with plans to create even more, Quickbuild is very much a brand destined for longevity.

RIVAROSSI

Acquired by Hornby Hobbies in 2004, Rivarossi started manufacturing model railway products almost 60 years earlier, in 1945. As well as a broad international subject range of interest to European enthusiasts there is a fine selection of North American locomotives and rolling stock.

Rivarossi has always been justifiably classed as a truly international brand, but it was sorely in need of more tooling investment before Hornby Hobbies took control in 2004. The product line since then has been strengthened with new models which appeal to Rivarossi's European and North American markets, and the products are distributed to 27 countries worldwide.

SCALEXTRIC

Scalextric is a range of slot racing systems in 1:32, 1:43 and 1:64 scales. The brand was established in 1957, and it has been a major part of the Hornby Hobbies portfolio of brands for over 60 years.

With distribution in 40 countries, Scalextric offers a variety of slot racing excitement from supercar racing to TV and film vehicles as diverse as the DeLoreans from *Back To The Future* to Del Boy's Reliant three-wheeler van from *Only Fools and Horses*.

As you can see from this roster of brands, we have plenty to consider for the future. I strongly believe that some of the past difficulties in the Group have been due to lack of understanding of where each brand has its unique positioning.

Just because we own a brand, it doesn't mean that we have to use it at any given time. We have other brands which are currently 'sleeping', including Tri-ang, Heico, MKD, and various sub-brands that will one day reappear when the opportunity arises.

In order for a brand to deliver its potential, the people who control it have to understand the brand's heritage, its possibilities and its public perception. Once they have this understanding, and they have faith in the brand, they will be energised to develop it to the full.

In order to unlock the full potential in all our brands I am deeply investigating all of the possibilities - mining for the gold that I know is there. It is not always the 'obvious' brands which have all the best prospects; we own so many of the world's top brands, whose inherent qualities offer untapped possibilities to develop. As we focus on the future, one of my aims is to unlock these prospects.

Product Innovation

We needed to make our products more relevant to today's and tomorrow's market, and in part we have done this with licensing. Adopting the latest technology is just as important, so we have been developing new products which combine the physical with the digital.

HORNBY TRAINS ARE LAUNCHING THESE FEATURES IN EARLY 2021:

- Our latest Bluetooth circuit and accessory controllers provide consumers with untethered control of a model analogue railway system, using Apple and Android smart devices; units can be hidden away, further improving model railway continuity whilst adding new functionality and enhancing existing methods of control.

- Comprising a specialised Bluetooth Mesh Architecture developed in-house, Bluetooth chipped units seamlessly interact with each other to create a responsive and stable system that becomes stronger and stronger the more a layout grows; this provides a solid structure to create more accessories and products that utilise the latest technology and bring the DC Analogue model railway world into the roaring 2020s, whilst still maintaining backwards compatibility with all previously manufactured analogue stock.

- Supporting the application is the integrated Track Builder; users can build extensive layouts by multi-selecting, rotating, duplicating and snapping Hornby track pieces together. Once finished, layouts can be exported as a bill of materials that will aid in the sale process.

SCALEXTRIC SPARKPLUG:

- Last year Sparkplug, the newly-developed wireless app-controlled system was added as an accessory for Scalextric, appealing to the younger generation who are very familiar with mobile phones and tablets. As well as controlling the cars on the track, other fun features provide entertainment value.

- The second evolution took place this year adding licensing in the form of *Batman v Joke*r sets, the app being re-skinned to *Batman,* allowing someone to select their favourite hero or villain from the *Batman* franchise.

  Both technologies are backwards-compatible with older systems.

As with all technology, we cannot sit still. We were already late to the table, but on the positive side we have learned from mistakes made by others. Now the challenge is to get ahead of the competition, and in each of the above cases we have planned the evolutions. We are also developing other new lines of thought and evaluating the opportunities which are offered.

The Markets

We are selling in over 50 markets worldwide, with over 37% of our sales in the first six months of 2020 being outside of the UK. To support this, we have offices in France, Germany, Italy and Spain. In the USA we have our own office and warehouse. All of these teams have been rebuilt or restructured over the last two to three years, in order that we can better supply those products that are directly relevant to the markets concerned.

We are seeing recovery with our international brands, thanks to the hard work that has been done in developing new products. All of our teams across Europe and the USA are part of the web that we have created, and all of them are platforms for growth.

The Routes To Market

Physical retailers are an important part of our supply chain. They promote our products, provide personalised advice to customers, and offer comprehensive after sales support. The work they do is important to customers and we want to ensure that those of our retail stockists who invest in this side of the business can survive and we have striven to provide a fair playing field for all.

Vast upfront investment is required to create the products that our customers value and cherish. My focus going forward, now we have ‘fixed the engine’, is to ensure that both maintaining the integrity of our brands and creating an excellent experience for our end customer remains paramount. This should hold true no matter where our products are sold.

No-one could have foreseen the acceleration in online shopping that took place this year. We want to engage more with our existing customers and to recruit new ones, and we all know that retail will never be the same again. We need to create 'Community' and have more direct engagement, where customers come to us to learn about our products. This is now more important than ever, but unfortunately the pandemic delayed the release of our new website. We expect completion over the coming months; in its early days it will have to be functional, but over time each of the brands will develop their own identity and will move in the direction that best suits their needs. As we move forward our website will feature rich content with images and videos generated by ourselves and our customers, a place where we can interact.

Foremost in my mind is 'Community'.

Our People

We, the older members of staff, are only too aware of the possibility that we could create something today that later withered and died. That must never happen, so from the day that I joined Hornby, the senior team and myself have always borne in mind on the next generation that will take over the running of this business. This consideration has always been at the forefront of our minds while we have been rebuilding our teams.

Brexit

At the time of writing the outcome of Brexit is still unclear. We are, however, prepared for all eventualities and we have arrangements in place for the warehousing and distribution of our products in Europe. Whatever happens, we will adapt and overcome.

The Outlook

We are heading into our key Christmas trading period and right now it is hard to tell what the outcome will be for the full year results. Our sales continue to be higher than where they were last year, and there is a real energy within the Company for the Christmas season.

I will provide a more comprehensive analysis of the year and our KPIs in our final results announcement next year.

Financial review

PERFORMANCE

Group revenue for the six months to September 2020 of £21.1 million was 33% higher than the prior year (2019: £15.9 million). The gross margin for the period was 47% (2019: 41%), which is an improvement on prior year and reflects the increase in direct sales, cessation of discounting stock and improved production processes.

Underlying overheads increased year-on-year from £9.1 million to £9.5 million, or by 4% reflecting an increase in investment in R&D, investment in high calibre staff to support our systems offset by a reduction in overheads in our US operation.

The operating profit before exceptional costs (including IFRS 16) for the six months to September 2020 was £0.2 million compared to a loss of £2.5 million for the same period last year. This improvement was due to the year on year increase in sales and gross margin noted above offset by the impact of slightly higher overheads.

Exceptional costs during the first half year were £0.1 million (2019: £0.02 million) and these comprised of one off costs to exit the historic lease at Discovery Park.

Group profit before tax was £0.02 million (2019: loss of £2.8 million). The basic profit per share was 0.14p (2019: loss per share of 2.18p).

SEGMENTAL ANALYSIS

Third party revenue for the UK business increased by 27% in the period and generated an underlying profit before taxation of £0.3 million compared to £2.2 million loss last year. Revenue for the first half of 2020 has increased compared with the same period last year due to the work invested in creating desirable products and receiving them on time from suppliers, improved sales in our US operations and an increase in direct sales to customers.

The International segment revenue increased by 32% in the period and generated an underlying loss of £0.04 million (2019: £0.5 million loss). The increase in revenue is due to the time and effort invested in creating suitable products for the International markets.

BALANCE SHEET

Group inventories increased during the period by 19% from £14.2 million at March 2020 to £16.9 million at September 2020, due to a seasonal build-up of stocks in the lead-up to the busy Christmas trading period and improved delivery timescales from suppliers.

Trade & other receivables and trade & other payables are higher than the start of the year due to seasonality of the business, but both are in line with the same time in the previous year.

Investment in new tooling, new computer software and other capital expenditure was £3.1 million (2019: £1.2 million) reflecting the increased focus on getting new tooling into the product range and investment in our new website.

CAPITAL STRUCTURE

There was a decrease in net cash compared to 31 March 2020. The September period end net cash balance stood at £3.9 million, from £5.9 million of net cash at the end of the last financial year. This is due to spending on stocks and tooling ahead of Christmas trading and 2021 Line Plans, this is in line with budgets.

GOING CONCERN

The Group has in place a £12.0 million Asset Based Lending (ABL) facility with PNC Credit Limited through to June 2023. The PNC Covenants are customary operational covenants applied on a monthly basis. In addition, the Group entered a committed £9.0 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required which is a three-year rolling facility.

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, the facilities with PNC and Phoenix, the recent equity raise of £14.7 million and after a detailed review of trading, financial position and cash flow models (taking COVID-19 into account), 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 2020

	Notes	**Six months to 30 September 2020 (unaudited)**	Six months to 30 September 2019 (unaudited)	Year to 31 March 2020 (audited)
		£'000	£'000	£'000
REVENUE	4	**21,138**	15,862	37,842
Cost of Sales		**(11,276)**	(9,376)	(21,140)
GROSS PROFIT		**9,862**	6,486	16,702
Distribution costs		**(3,133)**	(2,732)	(5,787)
Selling and marketing costs		**(3,682)**	(3,435)	(8,153)
Administrative expenses		**(2,657)**	(2,926)	(5,685)
Other operating expenses		**(151)**	126	181
OPERATING PROFIT/(LOSS) BEFORE EXCEPTIONAL	4	**239**	(2,481)	(2,742)
Exceptional Items	4	**(76)**	(24)	(75)
OPERATING PROFIT/(LOSS)		**163**	(2,505)	(2,817)
Finance income		**2**	-	3
Finance costs		**(162)**	(253)	(615)
Net finance costs		**(160)**	(253)	(612)
Share of profit of investments accounted for using the equity method		**14**	48	34
PROFIT/(LOSS) BEFORE TAXATION		**17**	(2,710)	(3,395)
Taxation	11	**38**	-	-
PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION		**55**	(2,710)	(3,395)
OTHER COMPREHENSIVE (LOSS)/INCOME *(Items that may be classified subsequently to profit and loss)*				
Cash flow hedges, net of tax		**(193)**	654	247
Currency translation differences		**(111)**	(215)	(332)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(304)**	439	(85)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(249)**	(2,271)	(3,480)
PROFIT/(LOSS) PER ORDINARY SHARE				
Basic		**0.14p**	(2.18)p	(2.67)p
Diluted		**0.14p**	(2.18)p	(2.67)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 2020

	Notes	**Six months to 30 September 2020 (unaudited)**	Six months to 30 September 2019 (unaudited)	Year to 31 March 2020 (audited)
		£'000	£'000	£'000
ASSETS				
NON-CURRENT ASSETS				
Goodwill	5	**4,565**	4,564	4,564
Intangible assets	5	**3,032**	2,987	2,824
Property, Plant and equipment	5	**5,894**	3,615	4,165
Right of Use Lease Asset	6	**2,432**	2,437	2,573
Investments		**1,744**	1,745	1,730
Deferred income tax assets		**2,030**	2,030	2,030
		19,697	17,378	17,886
CURRENT ASSETS				
Inventories		**16,891**	14,804	14,235
Trade and other receivables		**6,968**	7,735	6,525
Derivative financial instruments	10	**97**	523	116
Cash and cash equivalents		**3,998**	769	5,921
		27,954	23,831	26,797
LIABILITIES				
CURRENT LIABILITIES				
Borrowings	9	**-**	(3,487)	-
Derivative financial instruments	10	**(174)**	-	-
Trade and other payables		**(8,048)**	(5,906)	(4,889)
Lease Liabilities	7	**(363)**	(610)	(384)
		(8,585)	(10,003)	(5,273)
NET CURRENT ASSETS		**19,369**	13,828	21,524
NON-CURRENT LIABILITIES				
Borrowings	9	**-**	(5,666)	-
Lease Liabilities	7	**(2,160)**	(1,862)	(2,255)
Deferred tax liabilities		**(150)**	(150)	(150)
		(2,310)	(7,678)	(2,405)
NET ASSETS		**36,756**	23,528	37,005
SHAREHOLDERS' EQUITY				
Share capital	8	**1,669**	1,253	1,669
Share premium		**52,857**	38,587	52,857
Capital redemption reserve		**55**	55	55
Translation reserve		**(1,913)**	(1,685)	(1,802)
Hedging reserve		**(77)**	523	116
Other reserves		**1,688**	1,688	1,688
Retained earnings		**(17,523)**	(16,893)	(17,578)
		36,756	23,528	37,005

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

Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital redemption reserve (unaudited) £'000	Translation reserve (unaudited) £'000	Hedging reserve (unaudited) £'000	Other reserves (unaudited) £'000	Retained earnings (unaudited) £'000	Total equity (unaudited) £'000
Balance at 1 April 2020	**1,669**	**52,857**	**55**	**(1,802)**	**116**	**1,688**	**(17,578)**	**37,005**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**55**	**55**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**	**(111)**	**(193)**	**-**	**-**	**(304)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(111)**	**(193)**	**-**	**55**	**(249)**
Balance at 30 September 2020	**1,669**	**52,857**	**55**	**(1,913)**	**(77)**	**1,688**	**(17,523)**	**36,756**
Balance at 1 April 2019	1,253	38,587	55	(1,470)	(131)	1,688	(14,183)	25,799
Loss for the period	-	-	-	-	-	-	(2,710)	(2,710)
Other comprehensive income/(loss) for the period	-	-	-	(215)	654	-	-	439
Total comprehensive loss for the period	-	-	-	(215)	654	-	(2,710)	(2,271)
Balance at 30 September 2019	1,253	38,587	55	(1,685)	523	1,688	(16,893)	23,528

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 2020

	Six months to 30 September 2020 (unaudited) £'000	Six months to 30 September 2019 (unaudited) £'000	Year to 31 March 2020 (audited) £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(utilised) in operations	**1,767**	(4,695)	(3,241)
Interest paid	**(176)**	(253)	(446)
Interest element of lease payments	**(77)**	-	(169)
Net cash generated from/(utilised in) operating activities	**1,514**	(4,948)	(3,856)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(2,581)**	(1,123)	(2,481)
Purchase of intangible assets	**(532)**	(108)	(237)
Interest received	**1**	1	3
Net cash utilised in investing activities	**(3,112)**	(1,230)	(2,715)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares	**-**	-	15,000
Share issue costs	**-**	-	(314)
Net (repayments to)/proceeds from ABL facility	**-**	1,594	(1,893)
Proceeds from shareholder loan	**-**	5,105	7,776
Repayment of shareholder loan	**-**	-	(8,337)
Payment of lease liability	**(304)**	(477)	(462)
Net cash (used in)/generated from financing activities	**(304)**	6,222	11,770
Net decrease/(increase) in cash and cash equivalents	**(1,902)**	44	5,199
Cash, cash equivalents and bank overdrafts at beginning of period	**5,921**	704	704
Effect of exchange rate movements	**(21)**	21	18
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF PERIOD	**3,998**	769	5,921
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS CONSIST OF:			
Cash and cash equivalents	**3,998**	769	5,921
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF PERIOD	**3,998**	769	5,921

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

Note to the Cash Flow Statement

For the six months ended 30 September 2020

Cash flows from operating activities

	Six months to 30 September 2020 (unaudited) £'000	Six months to 30 September 2019 (unaudited) £'000	Year to 31 March 2020 (audited) £'000
Profit/(Loss) before taxation	**55**	(2,710)	(3,395)
Interest payable	**176**	253	446
Interest paid on Lease liabilities	**77**	-	169
Interest receivable	**(1)**	(1)	(3)
Share of profit of associate	**(14)**	(48)	(34)
Amortisation of intangible assets	**324**	311	603
Depreciation	**870**	1,295	2,100
Depreciation on Right of Use Asset	**252**	429	528
Loss on disposal of property, plant and equipment	**-**	-	-
(Increase)/decrease in inventories	**(2,778)**	(3,830)	(3,277)
(Increase)/decrease in trade and other receivables	**3,208**	(783)	680
(Decrease)/increase in trade and other payables	**(402)**	389	(1,058)
CASH HENERATED FROM/ (UTILISED IN) OPERATIONS	**1,767**	(4,695)	(3,241)

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 28 October 2020.

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 2020 were approved by the Board of Directors on 16 June 2020 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 2020 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2020 which have been prepared in accordance with IFRSs as adopted by the European Union. 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 2020, 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 2020.

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 2020.

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 2020. Further details of the Group's financial instruments are set out within note 10 of this half-yearly report as required by IFRS 13.

4. SEGMENT INFORMATION AND EXCEPTIONAL ITEMS

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 £'000	USA £'000	Spain £'000	Italy £'000	Rest of Europe £'000	**Total Reportable Segments £'000**
Six months ended 30 September 2020 (unaudited)						
Total revenue	17,181	2,289	563	852	1,644	**22,529**
Inter-segment revenue	(1,391)	-	-	-	-	**(1,391)**
Revenue (from external customers)	**15,790**	**2,289**	**563**	**852**	**1,644**	**21,138**
Operating profit/(loss) before exceptionals	279	(72)	(7)	2	37	**239**
Exceptionals	(76)	-	-	-	-	**(76)**
Operating profit/(loss)	**203**	**(72)**	**(7)**	**2**	**37**	**163**
Six months ended 30 September 2019 (unaudited)						
Total revenue	13,529	1,586	511	637	1,314	17,577
Inter-segment revenue	(1,715)	-	-	-	-	(1,715)
Revenue (from external customers)	11,814	1,586	511	637	1,314	15,862
Operating loss before exceptionals	(1,966)	(457)	(23)	(16)	(19)	(2,481)
Exceptionals	(24)	-	-	-	-	(24)
Operating loss	(1,990)	(457)	(23)	(16)	(19)	(2,505)

	Six months to 30 September 2020 (unaudited)	Six months to 30 September 2019 (unaudited)	Year to 31 March 2020 (audited)
	£'000	£'000	£'000
Exceptional items comprise:			
Restructuring costs	**(1)**	(24)	(71)
Refinancing	**-**	-	(7)
Relocation	**(75)**	-	-
Legal costs	**-**	-	-
COVID-19	**-**	-	3
	(76)	(24)	(75)

5. TANGIBLE AND INTANGIBLE ASSETS AND GOODWILL

The additions comprise new product tooling (£2,496,000), property, plant and equipment (£85,000) and intangible assets – computer software (£532,000).

The Group has again performed impairment reviews as at 30 September 2020 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 2020 have remained constant with the impairment reviews conducted in March 2020.

Tangible and intangible assets and goodwill (unaudited)	**Six months ended 30 September 2020**	Six months ended 30 September 2019
	£'000	£'000
Opening net book amount 1 April 2020 and 1 April 2019	**11,553**	11,536
Exchange adjustment	**19**	5
Additions	**3,113**	1,231
Disposals	**-**	-
Depreciation, amortisation and impairment	**(1,194)**	(1,606)
Closing net book amount 30 September 2020 and 30 September 2019	**13,491**	11,166

CAPITAL COMMITMENTS	**2020 (unaudited)**	2019 (unaudited)
	£'000	£'000
At 30 September commitments were:		
Contracted for but not provided for	**2,163**	1,703

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

6. RIGHT OF USE ASSETS

GROUP	Property	Motor Vehicles	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000	£'000
COST				
At 1 April 2020	2,898	192	11	**3,101**
Additions at cost	11	94	6	**111**
At 30 September 2020	**2,909**	**286**	**17**	**3,212**
ACCUMULATED DEPRECIATION				
At 1 April 2020	445	76	7	**528**
Charge	218	33	1	**252**
At 30 September 2020	663	109	8	**780**
Net book amount at 30 September 2020	**2,246**	**177**	**9**	**2,432**

7. RIGHT OF USE LEASE LIABILITIES

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

	2020
	£'000
As at 1 April 2020	**2,639**
New leases	**111**
Interest payable	**77**
Repayment of lease liabilities	**(304)**
As at 30 September 2020	**2,523**
Lease liability less than one year	**363**
Lease liability greater than one year and less than five years	**684**
Lease liability greater than five years	**1,476**
Total Liability	**2,523**

Maturity analysis of contracted undiscounted cashflows is as follows:

	2020
	£'000
Lease liability less than one year	**502**
Lease liability greater than one year and less than five years	**1,004**
Lease liability greater than five years	**2,197**
Total Liability	**3,703**
Finance charges included above	**(1,180)**
Total Liability	**2,523**

8. SHARE CAPITAL

At 31 March 2020 and 30 September 2020 the Group had 166,927,838 ordinary 1p shares in issue with nominal value £1,669,278 (2019 - £1,252,617).

No employee share options were exercised during the first half to 30 September 2020 (2019 - £nil). No employee share option schemes were in place between 1 April and 30 September 2020.

9. BORROWINGS

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000	31 March 2020 (audited) £'000
SECURED BORROWING AT AMORTISED COST			
Asset Based Lending facility	-	3,487	-
Stakeholder loan	-	5,666	-
	-	9,153	-
Total borrowings			
Amount due for settlement within 12 months	-	3,487	-
Amount due for settlement after 12 months	-	5,666	-
	-	9,153	-

At 30 September 2020 the Group has in place a £12.0 million Asset Based Lending (ABL) facility with PNC Credit Limited through to June 2023. The PNC Covenants are customary operational covenants applied on a monthly basis. In addition, the Group entered a committed £9.0 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required which is a three-year rolling

In the period to 30 September 2020 loan repayments were £nil (2019 - £nil).

10. FINANCIAL INSTRUMENTS

The following tables present the Group's assets and liabilities that are measured at fair value at 30 September 2020 and 31 March 2020. 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	**-**	**97**	-	**97**
Total assets as at 30 September 2020	**-**	**97**	-	**97**
Liabilities				
Derivatives used for hedging	**-**	**(174)**	-	**(174)**
Total liabilities at 30 September 2020	**-**	**(174)**	**-**	**(174)**

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Derivatives used for hedging	**-**	116	-	116
Total assets at 31 March 2020	**-**	116	-	116
Liabilities				
Derivatives used for hedging	**-**	**-**	-	-
Total liabilities at 31 March 2020	**-**	**-**	-	**-**

11. TAXATION

The Group has elected not to recognise a deferred tax movement on the half year profit 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.

12. EARNINGS/(LOSS) PER SHARE

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

	30 September 2020 (unaudited)	30 September 2019 (unaudited)	31 March 2020 (audited)
Earnings/(loss) per share from continuing operations attributable to the equity of the Company			
- basic	**0.14p**	(2.18)p	(2.67)p
- diluted	**0.14p**	(2.18)p	(2.67)p

13. DIVIDENDS

No interim dividend has been declared for the interim period ended 30 September 2020 (2019 - £nil).

14. 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.

15. RELATED-PARTY TRANSACTIONS

Key management compensation amounted to £457,000 for the six months to 30 September 2020 (2019 - £498,000). Key management include directors and senior management. For the period to 30 September 2020:

	30 September 2020 (unaudited)	30 September 2019 (unaudited)	31 March 2020 (audited)
	£'000	£'000	£'000
Salaries and other short-term benefits	**439**	482	981
Other pension costs	**18**	16	33
Redundancy and compensation for loss of office	-	-	39
	457	498	1,053

Hornby Hobbies Limited purchased £208,701 of inventory and tooling from Oxford Diecast Limited, a company which is wholly owned by LCD Enterprises Limited, a Company in which L Davies owns a controlling 51% share. Hornby PLC purchased a 49% stake in LCD Enterprises Limited on 7 December 2017. L Davies remains a director of Oxford Diecast Limited.

Phoenix Asset Management Partners who own the majority shareholding in Hornby PLC have also provided a funding facility to the Group. During the period non-utilisation fees of £49,484 were accrued and remain unpaid at 30 September 2020.

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.

16. 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 and for the foreseeable future Brexit and COVID-19. The disclosures on pages 12 and 13 of the Group's Annual report for the year ended 31 March 2020 provide a description of each risk along with the associated impact and mitigating actions. The issues surrounding supply chain, liquidity, and market conditions are covered in more detail within the interim management report itself. The Board will continue to focus on risk mitigation plans to address these areas.

17. SEASONALITY

Sales are subject to seasonal fluctuations, with peak demand in the October - December quarter. For the six months ended 30 September 2020 sales represented 56 per cent of the annual sales for the year ended 31 March 2020 (2019 - 48 per cent of the annual sales for the year ended 31 March 2019).

18. 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

Lyndon Davies
Chief Executive

Kirstie Gould
Chief Finance Officer

28 October 2020