

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

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

#### CEO Statement

I shall cover the following points:

#### Supply Chain Update

#### Digital Update

#### New Products

#### New CEO

#### Outlook

#### Supply Chain

A year ago, I reported difficulties with our supply chain, as we suffered shipment delays, shortages in container availability and higher costs. This resulted in us receiving products from our factories after the Christmas trading period. The situation has now greatly eased and shipments from our factories are 40% ahead of last year. We are still suffering with late departure dates, however, as the shipping industry trims capacity by cancelling sailings. Despite this, although costs are not back to pre-Covid levels, container rates continue to fall. We have also mitigated potential supply disruptions this Christmas by bringing forward the shipping dates on key product lines, which are already available in our warehouse.

#### Digital Update

Direct sales via our website continue to increase, with a year-on-year increase of more than 50% in the first two quarters of 2022/23. I expect this increase to continue into the second half of our financial year.

|         | Q1         | Q2         | Q3         | Q4         | Total      |
|---------|------------|------------|------------|------------|------------|
| 2018/19 | £301,100   | £479,767   | £582,434   | £362,688   | £1,725,988 |
| 2019/20 | £426,382   | £497,494   | £731,252   | £638,260   | £2,293,388 |
| 2020/21 | £1,222,578 | £1,169,936 | £1,574,834 | £976,711   | £4,944,058 |
| 2021/22 | £849,782   | £1,038,172 | £2,128,918 | £1,687,916 | £5,704,787 |
| 2022/23 | £1,389,736 | £1,519,917 |            |            |            |

#### New Products

Over the next few years, we are transitioning away from the traditional announcements of products in the January window. In October we announced that we were introducing a new scale for model railways, smaller than the traditional 00 gauge (1:76 scale). This is Hornby TT (1:120 scale), a new compact scale - perfect for creating your big ideas in a small world. Development of this new range began in 2019 with many items already in production it means that shipments to customers will commence in this financial year.

#### New CEO

On 15 November 2022, Hornby was pleased to announce that Olly Raeburn had been appointed as the new CEO of Hornby, joining us 23 January 2023.

Olly became CEO of Paperchase in September 2020, having joined the company as Chief Marketing Officer in June 2019.

Before joining Paperchase, he enjoyed 7 years in Executive Board level roles at both Rank PLC and Ladbrokes Coral PLC, having spent the first 20 years of his career in advertising and marketing agencies, including an 8-year period as founder of his own agency which was acquired by a communications group.

Since taking over as CEO at Paperchase, Olly has led the business through an administration and driven the turnaround strategy that culminated in the successful sale of the business in August 2020. He was responsible for the overall strategy of the business, with subject matter expertise being brought to bear in the areas of Brand Marketing, Customer Insights, Design and Communications.

Previous key appointments:

- Chief Marketing Officer - ExCo, Rank PLC
- Brand Director - ExCo, Ladbroke's Coral PLC
- Marketing Director - ExCo, Gala Coral Group

"I'm enormously excited about the prospect of working in a business with such a rich British heritage, and an iconic set of brands. It is a wonderful business with some great opportunities to build upon, across the board, and I'm really looking forward to setting off on this journey" – Olly Raeburn

## **Outlook**

Our order book is very strong and higher than a year ago. 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. It is over forty years since the UK last experienced an inflationary shock on the scale we are witnessing today; and the UK economy of the 1970s - with its reliance on highly subsidised and geographically concentrated heavy industry - was incomparably different to the economy of today.

A more comprehensive analysis of the year will be given in the January 2023 trading update.

## **Financial review**

### **Performance**

Group revenue for the six months to September 2022 of £22.4 million was 3% higher than the prior year (2021: £21.8million). The gross margin for the period was 48% (2021: 46%), a slight increase reflecting the product/channel mix in the first half of 2022 compared to prior year.

Underlying overheads increased year-on-year from £10.3 million to £12.5 million, or by 21%, reflecting the inclusion of overheads in our LCD enterprises subsidiary, which was previously an associate, share based payments (£532,000 (2021:nil), FX translation of hedged liabilities to spot (£406,000 (2021: £10,000), an increase in staff in the third-party warehouse to speed up dispatch times, general inflationary increases and increased focus on direct selling routes and e-commerce costs.

The operating loss before exceptional costs (including IFRS 16) for the six months to September 2022 was £2.6 million compared to a loss of £0.3 million for the same period last year. This is due to the continued high cost of container, increased overheads as mentioned above and non-cash share-based payment of £0.5m.

Exceptional costs during the first half year were £0.2 million (2021: £0.2 million) and these comprised of one-off costs relating to the transition of our Asset Based Lending finance from PNC Credit Limited to Secure Trust Bank PLC.

Group loss before tax was £2.9 million (2021: loss of £0.7 million). The basic loss per share was 1.29p (2021: loss per share of 0.45p).

### **Segmental analysis**

Third party revenue for the UK business increased by 7% in the period and generated a loss before taxation of £2.3 million compared to £0.5 million loss last year. Revenue for the first half of 2022 has increased slightly compared with the same period last year due to the increased speed of shipping goods out of China and into the UK.

The International segment revenue decreased by 8% in the period and generated an underlying loss of £0.6 million (2021: £0.2 million loss). The decrease in revenue is a result of capacity constraints at our manufacturing partners.

### **Balance sheet**

Group inventories increased during the period by 36% from £16.5 million at March 2022 to £22.5 million at September 2022, 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 £1.9 million (2021: £2.3 million).

### **Capital structure**

There was a decrease in net cash compared to 31 March 2022. The September period end net debt balance stood at £4.9 million, from £3.8 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 as budgeted.

### **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 £9.0 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required which runs through to December 2023. 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 2022 is £192,000.

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 (taking COVID-19 within China 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 2022

|   |       | Six months to<br>30 September<br>2022<br>(unaudited) | Six months to<br>30 September<br>2021<br>(unaudited) | Year to<br>31 March<br>2022<br>(audited) |
|---|-------|--|--|--|
|   | Notes | £'000  | £'000  | £'000                                    |
| REVENUE   | 4     | 22,410   | 21,845   | 53,739                                   |
| Cost of Sales   |       | (11,683)   | (11,720)   | (28,023)                                 |
| GROSS PROFIT  |       | 10,727   | 10,125   | 25,716                                   |
| Distribution costs  |       | (3,833)  | (3,137)  | (6,991)                                  |
| Selling and marketing costs   |       | (5,003)  | (4,151)  | (8,832)                                  |
| Administrative expenses   |       | (4,183)  | (2,999)  | (8,514)                                  |
| Other operating expenses  |       | (328)  | (160)  | (294)                                    |
| OPERATING PROFIT/(LOSS) BEFORE<br>EXCEPTIONAL   |       | (2,620)  | (322)  | 1,085                                    |
| Exceptional Items   | 5     | (148)  | (241)  | (139)                                    |
| OPERATING PROFIT/(LOSS)   |       | (2,768)  | (563)  | 946                                      |
| Finance income  |       | 4  | 10   | 15                                       |
| Finance costs   |       | (122)  | (172)  | (358)                                    |
| Net finance costs   |       | (118)  | (162)  | (343)                                    |
| Share of profit of investments accounted<br>for using the equity method   |       | -  | (20)   | (20)                                     |
| PROFIT/(LOSS) BEFORE TAXATION   | 4     | (2,886)  | (745)  | 583                                      |
| Taxation  | 12    | 87   | -  | 896                                      |
| PROFIT/(LOSS) FOR THE PERIOD AF-<br>TER TAXATION  |       | (2,799)  | (745)  | 1,479                                    |
| OTHER COMPREHENSIVE IN-<br>COME/(LOSS)<br><i>(Items that may be classified subsequently<br/>to profit and loss)</i> |       |  |  |  |
| Cash flow hedges, net of tax  |       | 793  | 582  | 858                                      |
| Currency translation differences  |       | 441  | 102  | 175                                      |
| OTHER COMPREHENSIVE IN-<br>COME/(LOSS) FOR THE PERIOD, NET<br>OF TAX  |       | 1,234  | 684  | 1,033                                    |
| TOTAL COMPREHENSIVE LOSS FOR<br>THE PERIOD  |       | (1,565)  | (61)   | 2,512                                    |
| Comprehensive income attributable to:   |       |  |  |  |
| Equity holders of the Company   |       | (1,544)  | -  | 2,500                                    |
| Non-controlling interests   |       | (21)   |  | 12                                       |
| (LOSS)/PROFIT PER ORDINARY SHARE  |       |  |  |  |
| Basic   |       | (1.29)p  | (0.45)p  | 0.89p                                    |
| Diluted   |       | (1.29)p  | (0.45)p  | 0.85p                                    |

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 2022

|   |       | <b>Six months to<br/>30 September<br/>2022<br/>(unaudited)<br/>£'000</b> | Six months to<br>30 September<br>2021<br>(unaudited)<br>£'000 | Year to<br>31 March<br>2022<br>(audited)<br>£'000 |
|---|-------|--|---|---|
|   | Notes |  |   |   |
| <b>ASSETS</b>                           |       |  |   |   |
| <b>NON-CURRENT ASSETS</b>               |       |  |   |   |
| Goodwill                                | 6     | <b>4,647</b>   | 4,562   | 4,644   |
| Intangible assets                       | 6     | <b>3,097</b>   | 3,211   | 3,187   |
| Property, plant and equipment           | 6     | <b>10,477</b>  | 9,602   | 10,057  |
| Right of Use Lease Asset                | 7     | <b>2,484</b>   | 2,724   | 2,584   |
| Deferred income tax assets              |       | <b>3,423</b>   | 2,956   | 3,425   |
|   |       | <b>24,128</b>  | 23,055  | 23,897  |
| <b>CURRENT ASSETS</b>                   |       |  |   |   |
| Inventories                             |       | <b>22,548</b>  | 17,563  | 16,462  |
| Trade and other receivables             |       | <b>9,154</b>   | 9,060   | 8,786   |
| Derivative financial instruments        | 11    | <b>1,808</b>   | 270   | 504   |
| Cash and cash equivalents               |       | <b>1,874</b>   | 1,174   | 4,139   |
|   |       | <b>35,384</b>  | 28,067  | 29,891  |
| <b>LIABILITIES</b>                      |       |  |   |   |
| <b>CURRENT LIABILITIES</b>              |       |  |   |   |
| Borrowings                              | 10    | <b>(5,558)</b>   | (741)   | (50)  |
| Derivative financial instruments        | 11    | <b>0</b>   | (32)  | 0   |
| Trade and other payables                |       | <b>(8,454)</b>   | (8,576)   | (7,372)   |
| Lease liabilities                       | 8     | <b>(450)</b>   | (437)   | (433)   |
|   |       | <b>(14,462)</b>  | (9,786)   | (7,855)   |
| <b>NET CURRENT ASSETS</b>               |       |  |   |   |
|   |       | <b>20,922</b>  | 18,281  | 22,036  |
| <b>NON-CURRENT LIABILITIES</b>          |       |  |   |   |
| Borrowings                              | 10    | <b>(1,252)</b>   | (192)   | (277)   |
| Lease liabilities                       | 8     | <b>(2,213)</b>   | (2,427)   | (2,313)   |
| Deferred tax liabilities                |       | <b>(233)</b>   | (384)   | (233)   |
|   |       | <b>(3,698)</b>   | (3,003)   | (2,823)   |
| <b>NET ASSETS</b>                       |       |  |   |   |
|   |       | <b>41,352</b>  | 38,333  | 43,110  |
| <b>SHAREHOLDERS' EQUITY</b>             |       |  |   |   |
| Share capital                           | 9     | <b>1,698</b>   | 1,669   | 1,669   |
| Share premium                           |       | <b>52,857</b>  | 52,857  | 52,857  |
| Capital redemption reserve              |       | <b>55</b>  | 55  | 55  |
| Translation reserve                     |       | <b>(1,373)</b>   | (1,887)   | (1,814)   |
| Hedging reserve                         |       | <b>1,356</b>   | 238   | 377   |
| Other reserves                          |       | <b>1,688</b>   | 1,688   | 1,688   |
| Retained earnings                       |       | <b>(14,920)</b>  | (16,287)  | (11,734)  |
| Equity attributable to PLC shareholders |       | <b>41,361</b>  | 38,333  | 43,098  |
| Non-controlling interests               |       | <b>(9)</b>   | -   | 12  |
| <b>Total equity</b>                     |       | <b>41,352</b>  | 38,333  | 43,110  |

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 2022

|  | Share<br>capital<br>(unaudited)<br>£'000 | Share<br>premium<br>(unaudited)<br>£'000 | Capital<br>redemption<br>reserve<br>(unau-<br>dited)<br>£'000 | Translation<br>reserve<br>(unaudited)<br>£'000 | Hedging<br>reserve<br>(unaudited)<br>£'000 | Other<br>reserves<br>(unaudited)<br>£'000 | Non-controlling<br>interests<br>(unaudited)<br>£'000 | Retained<br>earnings<br>(unaudited)<br>£'000 | Total<br>equity<br>(unaudited)<br>£'000 |
|--|--|--|---|--|--|---|--|--|---|
| <b>Balance at 1 April 2022</b>                   | <b>1,669</b>                             | <b>52,857</b>                            | <b>55</b>   | <b>(1,814)</b>                                 | <b>377</b>                                 | <b>1,688</b>                              | <b>12</b>  | <b>(11,734)</b>                              | <b>43,110</b>                           |
| Profit for the period                            | -  | -  | -   | -  | -  | -   | (21)   | (2,778)                                      | (2,799)                                 |
| Other comprehensive income/(loss) for the period | -  | -  | -   | 441  | 979  | -   | -  | -  | 1,420                                   |
| <b>Total comprehensive loss for the period</b>   | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>  | <b>441</b>                                     | <b>979</b>                                 | <b>-</b>                                  | <b>(21)</b>  | <b>(2,778)</b>                               | <b>(1,379)</b>                          |
| Transactions with owners                         |  |  |   |  |  |   |  |  |   |
| Share based payments                             | 29                                       |  |   |  |  |   |  | (408)  | (379)                                   |
| Total transactions with owners                   | 29                                       |  |   |  |  |   |  | (408)  | (379)                                   |
| <b>Balance at 30 September 2022</b>              | <b>1,698</b>                             | <b>52,857</b>                            | <b>55</b>   | <b>(1,373)</b>                                 | <b>1,356</b>                               | <b>1,688</b>                              | <b>(9)</b>   | <b>(14,920)</b>                              | <b>41,352</b>                           |
| Balance at 1 April 2021                          | 1,669                                    | 52,857                                   | 55  | (1,989)  | (481)                                      | 1,688                                     | -  | (15,542)                                     | 38,257                                  |
| Profit for the period                            | -  | -  | -   | -  | -  | -   | -  | (745)  | (745)                                   |
| Other comprehensive income/(loss) for the period | -  | -  | -   | 102  | 719  | -   | -  | -  | 821                                     |
| Total comprehensive loss for the period          | -  | -  | -   | 102  | 719  | -   | -  | (745)  | 76                                      |
| Balance at 30 September 2021                     | 1,669                                    | 52,857                                   | 55  | (1,887)  | 238  | 1,688                                     | -  | (16,287)                                     | 38,333                                  |

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 2022

|  | Six months to<br>30 September<br>2022<br>(unaudited) | Six months to<br>30 September<br>2021<br>(unaudited) | Year to<br>31 March<br>2022<br>(audited) |
|--|--|--|--|
|  | £'000  | £'000  | £'000                                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |  |  |  |
| Cash utilised in operations  | (6,583)  | (413)  | 4,862                                    |
| Interest paid  | (43)   | (89)   | (192)                                    |
| Tax received   | -  | -  | -  |
| Interest element of lease payments                                 | (79)   | (83)   | (166)                                    |
| Net cash utilised in operating activities                          | (6,705)  | (585)  | 4,504                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |  |  |  |
| Acquisition of subsidiary net of cash acquired                     | -  | (1,015)  | (1,015)                                  |
| Proceeds from sale of property, plant and equipment                | -  | -  | -  |
| Purchase of property, plant and equipment                          | (1,720)  | (1,865)  | (3,551)                                  |
| Purchase of intangible assets                                      | (168)  | (451)  | (149)                                    |
| Interest received  | 4  | 10   | 15                                       |
| Net cash utilised in investing activities                          | (1,884)  | (3,321)  | (4,700)                                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |  |  |  |
| Proceeds from issuance of ordinary shares                          | 29   |  |  |
| Repayment of loan  | (25)   | (8)  | (25)                                     |
| Proceeds from ABL facility   | 5,508  | 691  | -  |
| Proceeds from shareholder loan                                     | 1,000  |  | 110                                      |
| Payment of lease liability   | (248)  | (299)  | (446)                                    |
| Net cash generated from financing activities                       | 6,264  | 384  | (361)                                    |
| Net increase in cash and cash equivalents                          | (2,325)  | (3,522)  | (557)                                    |
| Cash, cash equivalents and bank overdrafts at beginning of period  | 4,139  | 4,685  | 4,685                                    |
| Effect of exchange rate movements                                  | 60   | 11   | 11                                       |
| <b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF PERIOD</b> | <b>1,874</b>   | <b>1,174</b>   | <b>4,139</b>                             |
| <b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS CONSIST OF:</b>      |  |  |  |
| Cash and cash equivalents  | 1,874  | 1,174  | 4,139                                    |
| <b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT END OF PERIOD</b> | <b>1,874</b>   | <b>1,174</b>   | <b>4,139</b>                             |

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 2022

**Cash flows from operating activities**

|  | Six months to<br>30 September<br>2022<br>(unaudited) | Six months to<br>30 September<br>2021<br>(unaudited) | Year to<br>31 March<br>2022<br>(audited) |
|--|--|--|--|
|  | £'000  | £'000  | £'000                                    |
| Profit/(Loss) before taxation                      | (2,886)  | (745)  | 583                                      |
| Interest payable                                   | 43   | 89   | 192                                      |
| Interest element of lease payments                 | 79   | 83   | 166                                      |
| Interest receivable                                | (4)  | (10)   | (15)                                     |
| Share of profit of associate                       | -  | 240  | 20                                       |
| Disposal of equity interest                        | -  | -  | 219                                      |
| Amortisation of intangible assets                  | 259  | 268  | 308                                      |
| Depreciation                                       | 1,311  | 1,008  | 2,239                                    |
| Depreciation on right of use asset                 | 267  | 239  | 490                                      |
| Share-based payments – non-cash                    | 532  | -  | 2,341                                    |
| Share-based payments - cash                        | (919)  | -  | -  |
| (Increase)/decrease in inventories                 | (5,700)  | (261)  | 994                                      |
| (Increase)/decrease in trade and other receivables | (199)  | (1,549)  | (1,150)                                  |
| (Decrease)/increase in trade and other payables    | 634  | 225  | (1,525)                                  |
| <b>CASH UTILISED IN OPERATIONS</b>                 | <b>(6,583)</b>                                       | <b>(413)</b>   | <b>4,862</b>                             |



## 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 23 November 2022.

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 2022 were approved by the Board of Directors on 15 June 2022 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 2022 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 2022 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 2022, 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 2022.

#### 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 2022.

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 2022. Further details of the Group's financial instruments are set out within note 11 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<br>£'000    | USA<br>£'000 | Spain<br>£'000 | Italy<br>£'000 | Rest of<br>Europe<br>£'000 | Intra<br>Group<br>£'000 | Total<br>Reportable<br>Segments<br>£'000 |
|---|----------------|--------------|----------------|----------------|----------------------------|-------------------------|--|
| <b>Six months ended 30 September 2022<br/>(unaudited)</b> |                |              |                |                |                            |                         |  |
| Revenue - External  | 16,290         | 2,220        | 692            | 1,245          | 1,963                      | -                       | <b>22,410</b>                            |
| Inter-segment revenue                                     | 1,716          | -            | -              | -              | -                          | (1,716)                 | -  |
| Operating (Loss)/Profit                                   | (2,355)        | (393)        | (69)           | (53)           | 102                        | -                       | <b>(2,768)</b>                           |
| Finance income - external                                 | 4              | -            | -              | -              | -                          | -                       | <b>4</b>                                 |
| Finance income - other segments                           | 236            | -            | -              | -              | -                          | (236)                   | -  |
| Finance costs - external                                  | (122)          | -            | -              | -              | -                          | -                       | <b>(122)</b>                             |
| Finance costs - other segments                            | (87)           | -            | (105)          | (8)            | (36)                       | (236)                   | -  |
| <b>(Loss)/Profit before taxation</b>                      | <b>(2,324)</b> | <b>(393)</b> | <b>(174)</b>   | <b>(61)</b>    | <b>66</b>                  | -                       | <b>(2,886)</b>                           |
| Taxation  | 87             | -            | -              | -              | -                          | -                       | <b>87</b>                                |
| <b>Profit/(Loss) after taxation</b>                       | <b>(2,237)</b> | <b>(393)</b> | <b>(174)</b>   | <b>(61)</b>    | <b>66</b>                  | -                       | <b>(2,799)</b>                           |

#### 5. EXCEPTIONAL ITEMS

|                             | Six months to<br>30 September<br>2022<br>(unaudited)<br>£'000 | Six months to<br>30 September<br>2021<br>(unaudited)<br>£'000 | Year to<br>31 March<br>2022<br>(audited)<br>£'000 |
|-----------------------------|---|---|---|
| Exceptional items comprise: |   |   |   |
| Restructuring costs         | -   | (21)  | (88)  |
| Refinancing                 | (148)   | -   | -   |
| Relocation                  | -   | -   | (9)   |
| Adjustment on Acquisition   | -   | (220)   | (219)   |
| Amortisation adjustment     | -   | -   | 177   |
|                             | <b>(148)</b>  | <b>(241)</b>  | <b>(139)</b>                                      |

The exceptional items totalling £148,000 (2021: £241,000) include refinancing cost for the transition from PNC Credit Management Limited to Secure Trust Bank PLC.

## 6. TANGIBLE AND INTANGIBLE ASSETS AND GOODWILL

The additions comprise new product tooling (£1,692,000), property, plant and equipment (£28,000) and intangible assets – computer software (£168,000).

The Group has again performed impairment reviews as at 30 September 2022 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 2022 have remained constant with the impairment reviews conducted in March 2022.

| <b>Tangible and intangible assets and goodwill (unaudited)</b>         | <b>Six months ended<br/>30 September<br/>2022</b> | <b>Six months ended<br/>30 September<br/>2021</b> |
|--|---|---|
|  | <b>£'000</b>                                      | <b>£'000</b>                                      |
| Opening net book amount 1 April 2022 and 1 April 2021                  | <b>17,888</b>                                     | 14,258  |
| Exchange adjustment  | <b>14</b>   | 12  |
| Additions  | <b>1,888</b>                                      | 1,986   |
| Acquired from LCD  | <b>-</b>  | 2,394   |
| Depreciation, amortisation and impairment                              | <b>(1,569)</b>                                    | (1,275)   |
| <b>Closing net book amount 30 September 2022 and 30 September 2021</b> | <b>18,221</b>                                     | 17,375  |
|  | <b>2022</b>                                       | 2021  |
| <b>CAPITAL COMMITMENTS</b>   | <b>(unaudited)</b>                                | (unaudited)                                       |
|  | <b>£'000</b>                                      | <b>£'000</b>                                      |
| At 30 September commitments were:                                      |   |   |
| Contracted for but not provided for                                    | <b>3,033</b>                                      | 1,889   |

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

## 7. RIGHT OF USE ASSETS

| <b>GROUP</b>                                | <b>Property</b> | <b>Motor Vehicles</b> | <b>Fixtures, Fittings and Equipment</b> | <b>Total</b> |
|---|-----------------|-----------------------|---|--------------|
|   | <b>£'000</b>    | <b>£'000</b>          | <b>£'000</b>                            | <b>£'000</b> |
| <b>COST</b>                                 |                 |                       |   |              |
| At 1 April 2022                             | 3,726           | 346                   | 22                                      | <b>4,094</b> |
| Additions at cost                           | 147             | 16                    | 4                                       | <b>167</b>   |
| At 30 September 2022                        | <b>3,873</b>    | <b>362</b>            | <b>26</b>                               | <b>4,261</b> |
| <b>ACCUMULATED DEPRECIATION</b>             |                 |                       |   |              |
| At 1 April 2022                             | 1,266           | 226                   | 18                                      | <b>1,510</b> |
| Charge                                      | 215             | 49                    | 3                                       | <b>267</b>   |
| At 30 September 2022                        | <b>1,481</b>    | 275                   | 21                                      | <b>1,777</b> |
| <b>Net book amount at 30 September 2022</b> | <b>2,392</b>    | <b>87</b>             | <b>5</b>                                | <b>2,484</b> |

## 8. RIGHT OF USE LEASE LIABILITIES

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

|  | 2022<br>£'000 |
|--|---------------|
| <b>As at 1 April 2022</b>                                      | <b>2,746</b>  |
| New leases   | 166           |
| Interest payable   | 79            |
| Repayment of lease liabilities                                 | (328)         |
| <b>As at 30 September 2022</b>                                 | <b>2,663</b>  |
| Lease liability less than one year                             | 450           |
| Lease liability greater than one year and less than five years | 613           |
| Lease liability greater than five years                        | 1,600         |
| <b>Total Liability</b>   | <b>2,663</b>  |

Maturity analysis of contracted undiscounted cashflows is as follows:

|  | 30 September<br>2022<br>£'000 |
|--|-------------------------------|
| Lease liability less than one year                             | 601                           |
| Lease liability greater than one year and less than five years | 1,048                         |
| Lease liability greater than five years                        | 2,200                         |
| <b>Total Liability</b>   | <b>3,849</b>                  |
| Finance charges included above                                 | (1,186)                       |
|  | <b>2,663</b>                  |

## 9. SHARE CAPITAL

At 30 September 2022 the Group had 169,853,770 ordinary 1p shares in issue with nominal value £1,698,538 (2021: £1,669,278).

Since 31 March 2022 2,925,932 share options were exercised during the first half to 30 September 2022 (2021: £nil). One employee share option scheme was in place between 1 April and 30 September 2022 and is detailed in Note 16.

## 10. BORROWINGS

|   | 30 September<br>2022<br>(unaudited)<br>£'000 | 30 September<br>2021<br>(unaudited)<br>£'000 | 31 March<br>2022<br>(audited)<br>£'000 |
|---|--|--|--|
| <b>SECURED BORROWING AT AMORTISED COST</b>    |  |  |  |
| Shareholder Loan                              | (1,110)                                      | -  | (110)                                  |
| Asset Based Lending facility                  | (5,508)                                      | (691)  | -                                      |
| Coronavirus Business Interruption Loan (CBIL) | (192)  | (242)  | (217)                                  |
|   | <b>(6,810)</b>                               | <b>(933)</b>                                 | <b>(327)</b>                           |
| <b>Total borrowings</b>                       |  |  |  |
| Amount due for settlement within 12 months    | (5,558)                                      | (741)  | -                                      |
| Amount due for settlement after 12 months     | (1,252)                                      | (192)  | -                                      |
|   | <b>(6,810)</b>                               | <b>(933)</b>                                 | <b>-</b>                               |

At 30 September 2022 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 £9.0 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required. The facility currently expires December 2023.

In the period to 30 September 2022 loan repayments were £25,000 (2021: £8,334).

## 11. FINANCIAL INSTRUMENTS

The following tables present the Group's assets and liabilities that are measured at fair value at 30 September 2022 and 31 March 2022. 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 |
| <b>Assets</b>                                 |         |         |         |       |
| Derivatives used for hedging                  | -       | 1,808   | -       | 1,808 |
| <b>Total assets as at 30 September 2022</b>   | -       | 1,808   | -       | 1,808 |
| <b>Liabilities</b>                            |         |         |         |       |
| Derivatives used for hedging                  | -       | -       | -       | -     |
| <b>Total liabilities at 30 September 2022</b> | -       | -       | -       | -     |
|   | Level 1 | Level 2 | Level 3 | Total |
|   | £'000   | £'000   | £'000   | £'000 |
| <b>Assets</b>                                 |         |         |         |       |
| Derivatives used for hedging                  | -       | 504     | -       | 504   |
| <b>Total assets at 31 March 2022</b>          | -       | 504     | -       | 504   |
| <b>Liabilities</b>                            |         |         |         |       |
| Derivatives used for hedging                  | -       | -       | -       | -     |
| <b>Total liabilities at 31 March 2022</b>     | -       | -       | -       | -     |

## 12. 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.

## 13. EARNINGS/(LOSS) PER SHARE

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

|  | 30 September<br>2021<br>(unaudited) | 30 September<br>2021<br>(unaudited) | 31 March<br>2022<br>(audited) |
|--|-------------------------------------|-------------------------------------|-------------------------------|
| Earnings/(loss) per share from continuing operations attributable to the equity of the Company |                                     |                                     |                               |
| - basic  | (1.67)p                             | (0.45)p                             | 0.89p                         |
| - diluted  | <u>(1.67)p</u>                      | <u>(0.45)p</u>                      | <u>0.85p</u>                  |

#### 14. DIVIDENDS

No interim dividend has been declared for the interim period ended 30 September 2022 (2021: £nil).

#### 15. 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.

#### 16. PERFORMANCE SHARE PLANS AWARDS

At 30 September 2022, outstanding awards to Directors under the PSP were as follows:

| Director      | Award date | Vesting date | Market price at award date | At 1 April 2022 | Awarded during the year | Lapsed during the year | As at 30 September 2022 |
|---------------|------------|--------------|----------------------------|-----------------|-------------------------|------------------------|-------------------------|
| Lyndon Davies | Nov 2020   | June 2022    | 54p                        | 2,670,846       | (1,682,633)             | (988,213)              | -                       |
| Kirstie Gould | Nov 2020   | June 2022    | 54p                        | 2,670,846       | (1,682,633)             | (988,213)              | -                       |

#### 17. RELATED-PARTY TRANSACTIONS

Key management compensation amounted to £1,083,000 for the six months to 30 September 2022 (2021: £507,000). Key management include directors and senior management. For the period to 30 September 2022:

|  | 30 September<br>2022<br>(unaudited)<br>£'000 | 30 September<br>2021<br>(unaudited)<br>£'000 | 31 March<br>2022<br>(audited)<br>£'000 |
|--|--|--|--|
| Salaries and other short-term benefits | 528  | 488  | 900                                    |
| Other pension costs                    | 23   | 19   | 38                                     |
| Share-based payments                   | <u>532</u>                                   | <u>-</u>                                     | <u>2,341</u>                           |
|  | <u><b>1,083</b></u>                          | <u>507</u>                                   | <u>3,279</u>                           |

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 £53,733 were accrued and remain unpaid at 30 September 2022.

Hornby Hobbies Limited purchased services totalling £590,435 from Rawnet Limited which is 100% owned by Phoenix Asset Management, the controlling party of the Group. At 30 September 2022 £169,281 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.

## **18. 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 10 and 11 of the Group's Annual report for the year ended 31 March 2022 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.

## **19. SEASONALITY**

Sales are subject to seasonal fluctuations, with peak demand in the October - December quarter. For the six months ended 30 September 2022 sales represented 42 per cent of the annual sales for the year ended 31 March 2022 (2021: 46 per cent of the annual sales for the year ended 31 March 2021).

## **20. 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  
23 November 2022

**Kirstie Gould**  
Chief Finance Officer