HORNBY PLC

ANNUAL REPORT AND ACCOUNTS 2024

Hornby PLC

The Group's principal business is the development, production and supply of toy and hobby products for a global market, through a series of heritage brands. The Group distributes its products through a network of hobby specialists, multiple retailers and its own website in the UK and overseas.

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Highlights 2024

Revenue
(2023: £55.1m)
£56.2m

Operating loss
(2023: £5.0m loss)
(£7.1m)

Reported loss before taxation
(2023: £5.9m loss)
(£8.7m)

Underlying[1] loss before taxation
(2023: £1.1m loss)
(£7.3m)

Reported loss after taxation
(2023: £5.9m loss)
(£12.1m)

Reported loss per share
(2023: 3.50p loss)
(7.10p)

Underlying[2] basic loss per share
(2023: 1.22p)
(6.40p)

Net debt
(2023: £5.5m) (see Note 28)
(£14.3m)

1 Underlying profit before taxation is before amortisation of intangibles (brand names and customer lists), and net unrealised foreign exchange movements on intercompany loans exceptional items and share-based payments (see page 11).

2 Underlying basic profit per share is before amortisation of intangibles (brand names and customer lists), and net unrealised foreign exchange movements on intercompany loans, exceptional items and share-based payments (see Note 7).

Non-Executive Chairman's Report

The Strategic Report comprises the Non-Executive Chairman's Report, the Chief Executive's Report, the Operating and Financial Review of the year and our Key Performance Indicators (KPIs).

Revenue in the year of £56.2 million (2023: £55.1 million) was 2% above the previous year. Underlying loss before tax was £7.3 million (2023: £1.1million loss). Reported loss after tax was £12.1 million (2023: £5.9 million loss).

Sales were slightly depressed in March compared to expectations by Red Sea delivery delays and the resultant movement of some high value containers into April.

Hornby Group (pre-acquisition) stocks were £21.0 million (2023: £21.3 million), however total stock increased very slightly due to the acquisition of Corgi Model Club in March 2024 bringing total stock at year end to £21.5 million. Nevertheless net debt at year end increased to £14.3 million (2023: £5.5 million) due to increased overheads and capital expenditure on tooling and Wonderworks in Margate.

WONDERWORKS

During the year the Hornby Visitor Centre was totally refurbished and modernised into a state-of-the-art visitor attraction, rebranded WonderWorks and launched in November. The new facility displays the Group's history and products in a modern environment and initial customer reaction has been extremely encouraging.

BOARD CHANGES

For personal, health related reasons Lyndon Davies stepped down from his position as Chairman on 30 April 2024 and continues to serve on the Board as a Non-Executive Director. John Stansfield, an existing Non-Executive Director, and past Chairman of Hornby PLC, stepped into the role as Interim Chairman while the search for an Independent Non-Executive Chairman is conducted.

The Group thanks Lyndon for his service in the role over the last 15 months and welcomes his continued involvement on the Board.

GOVERNANCE

Good corporate governance provides a framework for delivering the objectives of the Company and is fundamental to a sound decision making process. It supports the executive management to control and achieve the maximum performance of the Company. I am pleased to report that the Board believes it applies the 10 principles of the Quoted Companies Alliance Code ("QCA"). In the current uncertain economic and political period, management of risks remains a key focus for the Board. The Board has in place a robust process for identifying the major risks facing the business and for developing appropriate polices to manage those risks. The Board reviews those risks on an annual basis carrying out regular reviews and annual updates on our compliance with the QCA Code.

I am delighted that once again this year, we will be hosting our Annual General Meeting at the Hornby headquarters in Margate on Wednesday 11 September 2024. This will be an excellent opportunity for shareholders to see the new products for themselves and to understand the progress that the Company is making. Personally I am looking forward to welcoming as many shareholders as possible that are able to attend.

John Stansfield
Non-Executive Chairman
10 July 2024

CEO Report

As outlined in the last couple of trading statements, this has been a year of significant change – structurally, strategically, culturally and operationally. We have made promising progress on multiple fronts and there are many success stories to celebrate. Unsurprisingly, this progress has required investment in people, technology and time, impacting our profitability this year. All of which, however, has set solid foundations for future growth.

In this report I will be covering:

1. Headlines and financial overview

- Revenue growth of 2%, D2C (direct to consumer) growth of 18%
- Increase in fixed costs due to investments in future growth
- £7.1 million operating loss, but improvements in H2

2. Key initiatives and continuous improvement

- *Investments in people and structural change:* Creation of Brand MD roles, plus strengthened Export Sales, In-sights and Digital capabilities
- *Acquisitions and partnerships:* Acquisitions of a 25% stake in Warlord Games and 100% of the trade and assets of The Corgi Model Club, plus a partnership with Mash Holdings following a further share purchase from Frasers Group
- *Retail Experience:* Encouraging performance from our first site – footfall +42%, NPS (Net Promoter Score) above 50%
- *Loyalty and CRM:* 80% increase in Hobby Rewards members and over £450K of incremental revenue from CRM initiatives
- *TT:120:* Continued growth in this initiative with sales of £2.8 million since launch
- *Digital Channel:* Re-platforming almost completed and relaunch of all brand websites over the coming months

3. A focus on the next 12 months

- Improved inventory management and exploration of pricing and subject matter development
- A robust approach to capital allocation
- The journey to profitability

1. HEADLINES AND FINANCIAL OVERVIEW

H1 revenues were in line with expectations, with £23.8 million being 6% ahead of last year. A strong third quarter, bolstered by highly effective Black Friday activities, driving a 10% outperformance vs last year for November, saw us hold that 6% outperformance to end of December.

Whilst fourth quarter revenue performance was ahead of management expectations, the compound impact of an early Easter and shipping delays due to Red Sea disruption saw us fall 8% behind the same period last year.

For the full year, and for the fifth year in a row, we saw an improvement in sales at the top line, growing 2% to £56.2 million. Another strong year of growth in our D2C channel saw digital revenues up 18% vs last year, to £10 million.

Gross margin fell by 5%, to 44%, for the full year, although we saw an improvement of 1.2% in H2. As highlighted in previous trading updates, the greatest contributor to margin reduction relates to high tooling amortisation charges, on account of higher capex in prior financial years. The balance of the negative impact was driven by rising costs, investment in growth initiatives and our decision to withhold from putting through any price increases. This was a deliberate and conscious choice in a year where consumer spending was impacted by ongoing rises in cost of living.

Gross profit reduced by £1.9 million, to £25.0 million, for the year, albeit 76% of that difference, or £1.3 million, directly relates to tooling amortisation charges. Critical investments for the future in sales, insights, data & loyalty, digital marketing and development, contributed to an 11% increase in fixed costs.

Net debt still remains high at £14.3 million compared to £5.5 million at the end of March 2023, but shows a slight improvement from £14.6 million at the half year. Similarly, inventory is still too high at £21.0 million (excluding acquisition stocks of £471,000) compared to £21.3 million in the prior year, but has reduced by 12%, or £3 million, since the half year.

Whilst a full year operating loss of £7.1 million, versus an H1 operating loss of £4.9 million, is a disappointing outcome, the progress in several areas in H2 represents the start of the journey to the return to profitability, and the early signs of the positive impact of the investments that have been made in the year.

Sales and margins are ahead of prior year for the first two months of the current year.

CEO Report continued

1. HEADLINES AND FINANCIAL OVERVIEW continued

Key figures and KPI's:

	2024 £'000	2023 £'000
Sales	56,244	55,105
Growth	2.07%	2.50%
Variable Costs	(31,248)	(28,165)
Gross Profit	24,996	26,940
Margin %	44%	49%
Underlying margin*	31,869	32,449
Underlying margin %	56.7%	58.9%
Fixed Costs	(31,631)	(28,009)
Operating Loss	(7,124)	(1,069)
Operating margin %	(12.67%)	(1.50%)
Underlying Operating Loss	(5,679)	(309)
Underlying operating loss %	(10.10%)	(0.60%)
KPI's		
Digital sales	9,998	8,501
Digital sales growth	17.61%	49.00%
Tooling Capex	4,946	4,640
Underlying Gross profit per capex (PY capex)	£6.87	£9.69
Net debt	14,292	5,530
Gross cash	1,116	1,337
Inventory	21,484	21,282
% of sales	38%	39%

* Underlying margin is pure cost of goods sold margin.

2. KEY INITIATIVES AND CONTINUOUS IMPROVEMENT

As will always be the case with a business going through a turnaround, there are many actions and initiatives being developed across the organisation and across the globe. All of the updates that follow represent momentum in a changing strategy that sees us broadening our footprint, appeal and opportunity to engage with new customers. Alongside all of these new growth initiatives there is a very clear focus on ensuring we continue to support and serve our existing customer base. Some of the more significant highlights include:

(i) Investment in people and structural change

Brand MDs and Commercial Ownership

In the H1 Interims we talked about the need to give greater individuality to the brands, creating a structure that champions and supports their differing strengths, trajectories and opportunities. By creating a new role in the organisation, the Brand MD, we have restructured to give those at the coal face greater autonomy, accountability and responsibility for driving brands as business units. This restructuring is now complete, and we enter the new financial year with a far greater focus on the differences between the brands and their unique potential for growth.

We have appointed Brand MDs in three of our five core brands already; Martyn Weaver was promoted from Head of Brand to Brand MD for Hornby, Scott Elsey was promoted from Development Manager for Corgi and Pocher, to Brand MD for Pocher, and Guy Stainthorpe, previously MD of Corgi Model Club (CMC), who joined the business as part of the CMC acquisition, has been appointed Brand MD for Corgi. We have yet to appoint Brand MDs for Airfix and Scalextric, although we will be doing so in due course.

The Brand MDs are entirely focused on driving profitable growth of their business unit, and charged with delivering positive contribution before shared costs.

Export Sales

A Head of Export Sales was a key hire last summer, tasked with opening up new international retail partnerships, with an initial focus on the USA. Having had no national distribution in the US at the start of the year, we now find ourselves with orders for Airfix in 850 Michael's Craft stores and for Quickbuild in 1,600 Lowes stores, giving us presence in almost 2,500 locations across the States ahead of the peak season in 2024. In addition to these developments in the US, we have seen orders from new partners in Latin America, Indonesia and Australia.

Insights

Another gap in our capabilities was insights and research. Our Head of Insights joined us, from Lego, in January 2024 and is making a significant impact on our ability to understand customer dynamics, desires and behaviours. With projects under way for Hornby, Airfix, Scalextric and Pocher, we are already starting to shape plans and initiatives for new product development and new subject matter, new propositions and new territories for expansion.

Digital Marketing and Development

A significant change in our operating model has seen us 'in-housing' digital marketing and development over the second half of the year. Having been outsourcing the majority of these competencies, at a cost of more than £1 million per annum, as we were building our digital proposition, we have since bolstered our internal team to include front-end and back-end development and full digital marketing capabilities. This delivers a significant cost saving, upskills our teams and gives us far greater flexibility and agility in execution.

(ii) Acquisitions and partnerships

Warlord Games

In July 2023 we announced our acquisition of a 25% share of Warlord Games, a Nottingham-based designer and manufacturer of tabletop war games, miniatures and accessories. The last nine months has seen us building a strong relationship with the team at Warlord and many initiatives are under way. In addition to collaborations around sales and distribution we are exploring the potential for a jointly branded range of paints, drawing on our Humbrol inventory and creating a Warlord specific set of products.

Corgi Model Club

In March 2024 we announced the acquisition, via a trade and assets deal, of the Corgi Model Club, a subscription-based proposition set up in partnership with Hornby in 2021. The acquisition immediately brought in £2 million of annualised revenue at 15% operating margin and represents an excellent opportunity for further growth.

In the early weeks since the acquisition we are in advanced stages of planning the launch of Corgi Model Club USA, cross selling the proposition within the wider Hornby Hobbies brand ecosystem (i.e. to existing customers of Corgi, Hornby and Airfix) and exploring new routes to market, including Direct Response TV.

Frasers Group and Mash Holdings

We were delighted to report that Frasers increased their shareholding in the Group to 9.1% through two separate transactions across February and March. Our brands are already part of GAME's product offering and we're looking forward to exploring other opportunities, including leveraging Frasers Group's scale in retail logistics and distribution. An additional benefit from these transactions has been the consultancy agreement the Group has entered into with Mike Ashley, through Mash Holdings, which will see him providing support to the Board wherever relevant.

(iii) Retail experience: the WonderWorks

As highlighted in the last report, we strongly believe that bringing our brands to life in a meaningful way in an experiential retail environment provides an opportunity to deepen engagement and drive growth as a result.

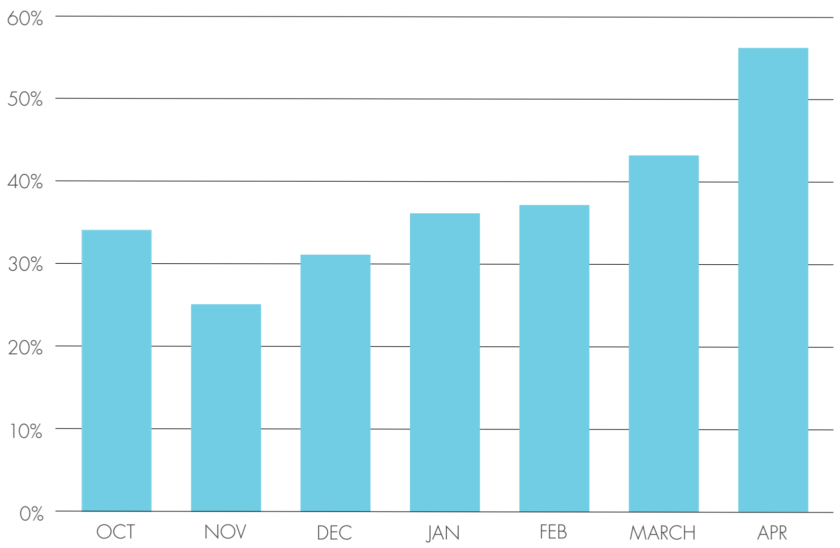
Our first purposeful experiment in this space saw us opening the WonderWorks in Margate, on the site of the old Hornby Visitor Centre, at the end of October 2023.

The project encompassed the reimagining of 11,000 sq ft of space and creating a blended experience including a shop, a café and an engaging set of immersive attractions that showcase our key brands. After a successful opening, with significant broadcast, digital and print media coverage, we have continued to test and learn on site over the first six months since launch.

Footfall and ticket sales have lifted by 42%, café sales have lifted by 29% but shop sales are flat meaning overall revenue for the site has only lifted by 8%. Given that average transaction values in the shop have also remained flat, we surmise that we are driving more visits from the same captive audience and are not seeing retail spend increase with those return visits as a result.

Pleasingly, we are seeing the NPS (Net Promoter Score) from visitors consistently growing over time, as evidenced in the table below, suggesting that the experience is improving as the team is more settled over time. Also worth noting that anything above 50% is considered world class for this category so these are very encouraging results:

NPS



CEO Report continued

2. KEY INITIATIVES AND CONTINUOUS IMPROVEMENT continued

(iii) Retail experience: the WonderWorks continued

There were many good reasons for trialling our first WonderWorks on the site of the old Hornby Visitor Centre and we have benefitted from the proximity to the office in many ways. The insurmountable challenge is that there is almost no opportunity to capture passing footfall or drive new footfall to a trading estate on the outskirts of Margate.

We still believe in the value of bringing our brands to life in an experiential retail setting and are evaluating options and timings for the next iteration of The WonderWorks as a result. The likely outcome of this work will see us identifying a location with high footfall and creating a commercial model that ensures most effective allocation of capital, based on learnings to date.

(iv) TT:120

As highlighted this time last year, November 2022 saw the launch of TT:120, arguably the first major development in model railway systems in the UK for decades. TT:120 revenues to date are c£2.8 million, up from c£1.5 million at the end of March 2023.

TT:120 has been received extremely well by the Model Rail community attracting a lot of interest at events and through our owned media. In addition to owned media, specialist TT:120 social media groups have been formed with ever growing audiences and content.

Initially launched with six models, a further eight have been added to broaden the scope of interest by era and region. By the end of March 2024, over 4,000 TT:120 sets had been sold, with an additional 8,000 locomotives and a staggering 30,000 coaches and wagons, reflecting the appetite for a new scale in the hobby.

TT:120 sets sales have surpassed our forecasts resulting in three re-orders on key product lines and the TT:120 Scotsman set has become the best-selling trainset, in value terms, from the entire Hornby catalogue over the last 18 months.

Initially launched as a D2C exclusive through (www.hornby.com), TT:120 was opened up to the independent trade in late 2023 to grow the accessibility and footprint of the range and continues to be a focus for growth in the coming year.

(v) Loyalty and customer relationship management

Hobby Rewards

Launched in November 2022, Hobby Rewards is a loyalty currency that will allow us to create value in the relationships with our customers, vertically, within each of our brands, and horizontally across the portfolio.

From a base of 36,000 customers in March 2023 we have seen an 80% increase in membership to 65,000 at end of March 2024, and membership continues to grow at an average rate of 600 new customers per week.

Whilst this last year has seen Hobby Rewards members make up 39% of the total active D2C base, they have delivered over 53% of total D2C revenue, having contributed less than 50% in the previous year.

D2C CRM

Unlocking value from existing customer data was one of the things we highlighted as an opportunity in the last Annual Report. With expertise in place we started running our first CRM campaigns, focused on incentivising growth from our existing base, in August 2023. Key strategies have been concerned with (i) converting 'never purchased' and 'purchased once' to their first/next purchase, and (ii) targeted, 10-day, Spend Stretch campaigns designed to grow basket size through a time limited offer.

We have grown our consented customer volumes by 17% in the year, to 65,000, and have generated £435,000 of incremental revenue from these two initial CRM strategies since August.

The real beauty of these campaigns is that, outside of the cost of the incentive – which equates to £44,000 – they require no investment in terms of production and distribution, and the number of concurrent campaigns and strategies can grow exponentially as they are all driven via automated journeys. As such, the year ahead will see us broadening the numbers of campaigns, and associated revenue will grow as a result.

B2B CRM

Off the back of the success of our initial D2C CRM activity we trialed our first B2B CRM campaign in the run up to Christmas with an Advent Calendar campaign. This resulted in c£150,000 of orders being written and is a clear indication of the opportunity to further expand these B2B initiatives throughout the coming financial year.

(vi) Digital platform

In another year of solid growth we saw digital revenue increase by 18% and traffic to all sites increased by 15% to just over 10 million visits.

In the 12 months to end of March 2024 we saw an average basket value of £70.31, compared to £66.96 in the prior 12 months.

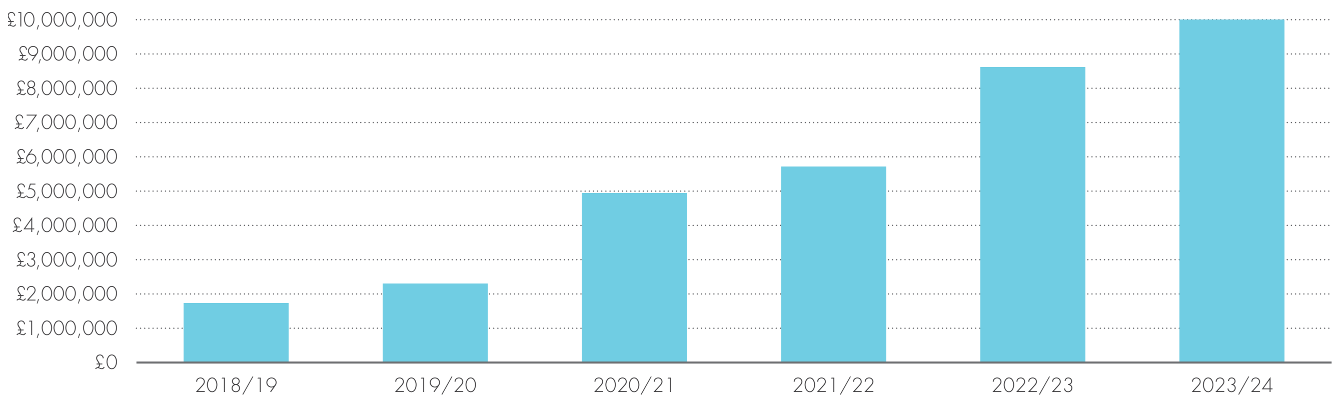
One of the deliberate changes in strategy across the year was to shift the focus of our marketing and merchandising towards increasing in-stock orders (i.e. transactions for products that were immediately available) and relying less on advanced pre-orders. The result was a 38% uplift in in-stock orders and a 22% reduction in pre-order cancellations.

In addition to the drive to upskill our in-house digital marketing and development teams and reduce reliance on, and investment in, external support, our focus for 2024/25 is to migrate all of our websites to a headless e-commerce infrastructure.

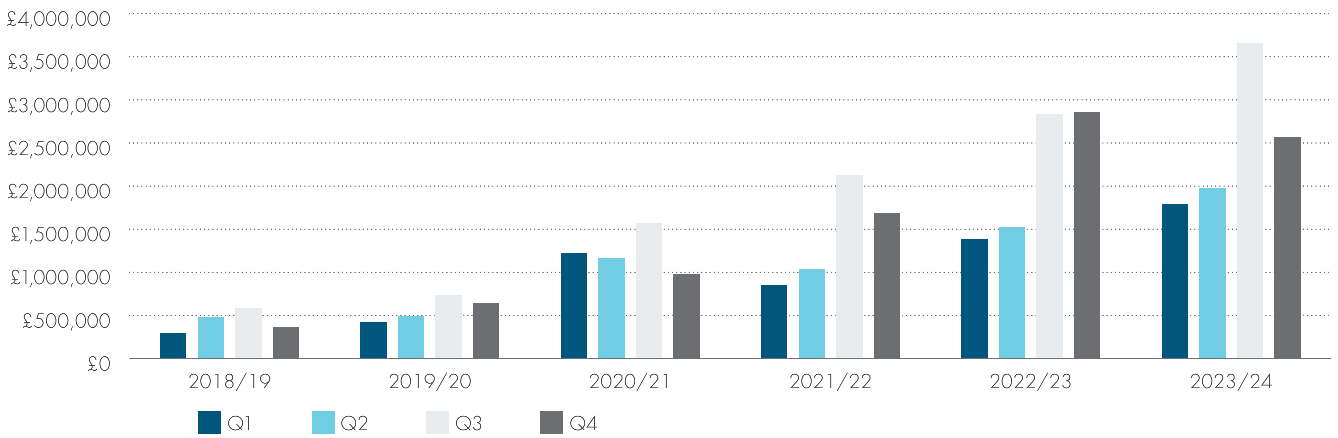
This will provide a framework which will significantly improve foundations for future growth and development, giving us greater control, flexibility and agility in our D2C actions.

With a new infrastructure in place we will also be launching newly designed websites, across the full suite of brands, which will build on our overall strategy of presenting each one in a more individual and engaging way.

Total Digital Revenue



Digital Revenue by Quarter



CEO Report continued

3. A FOCUS ON THE NEXT 12 MONTHS

(i) Inventory management

The current inventory position is still too high and in large part a reflection of an over-commitment to evergreen stock in prior years. Continuing to look at ways of reducing that number is a key focus in the next 12 months.

We have deliberately avoided the temptation to sell large quantities, and values, of stock at prices that would quickly reduce the volume and release some cash, as this short-term solution comes with unintended longer-term consequences. Flooding the market with heavily discounted product simply limits opportunities to build the business effectively in the following months and years.

Where we can find outlets that don't damage future potential (internationally, for example, where the dynamics and impact are different to the UK market), we will continue to do so.

Equally, we are very focused on ensuring that future buying decisions are firmly rooted in performance analysis and customer understanding, mitigating the likelihood of repeating or sustaining this over-stocked scenario.

A continued emphasis on commercial analysis of performance of specific product categories, and subject matter, will improve the quality of our decision making moving forwards.

(ii) Pricing and subject matter

In the last Annual Report we highlighted the need to review our pricing and approach to entry level products across the brands. We have a very loyal base of existing customers who we continue to serve in ways we know to be effective. Acquiring new customers that help build our brands into the future requires some recalibration of pricing and subject matter to drive trial and engagement.

By way of example, in the last 12 months we have seen some good work on exploring the impact of more accessibly priced Scalextric Sets, driving significant uplifts in sales through our D2C channel with a test in the run up to Christmas. Reducing a 1:32 set to sub £100 drove a 100% increase in total set volumes from our website vs same period last year, and 66% of the total volume was driven by the sub £100 set.

Similarly, we have been working hard on successfully driving down the cost of goods (at source) for our Hornby train sets and our Micro Scalextric sets. Getting more sets into the market, at the right price, is a critical requirement for driving growth and new customer acquisition. We anticipate a positive impact from this work to flow through during peak trading in the current financial year.

Our existing Airfix customers are huge fans of military subject matter and we have been serving their needs extremely well in recent years. Initial studies carried out by our Head of Insights, however, have highlighted the opportunities that exist in attracting new customers, pre-disposed to engaging in modelling, with alternative subject matter. We are at the early stages of this process but anticipate introducing new mini-ranges of new subject matter in the year ahead as part of our ongoing efforts to grow the brand and category.

These examples are indications of a new approach to driving growth through testing and learning, based on customer and market insight, and form a key component of our product strategy moving forwards.

(iii) Capital allocation

Investment in growth is a critical part of our strategy as we positively impact the trajectory and performance of the business. A key element of getting that right requires a greater focus on the merits of, and approach to, capital allocation on a case by case basis.

Strategic transactions like the acquisition of the business and assets of Corgi Model Club evidenced a thoughtful and effective approach to capital allocation, and we must ensure we continue to take a similar approach to the way we drive growth through investment on an ongoing basis.

Given that capital expenditure is fundamental requirement of a business that is concerned with introducing new product and driving customer growth, we are constantly reviewing and recalibrating our approach to capex in terms of volume and frequency across the brands.

In recent years we have allowed capex to grow disproportionately versus the returns it delivers, and this has been a key contributor to our high debt and inventory positions, as well as impacting our operating profit/loss position through amortisation charges.

Redressing this situation is a key focus for the year ahead.

(iv) The journey to profitability

Our overall financial results for the year, culminating in a £6.5 million operating loss, are a long way from the desired outcomes for the business, but we have to recognise that a turnaround of this nature requires investment and takes time.

We came into the last financial year with a number of challenging headwinds relating to debt, inventory and operational inefficiencies, none of which could be addressed with quick fixes, without unintended consequences.

A year into the process, we have covered a huge amount of ground and made some very promising progress in many areas. The change in trajectory in the second half of the year gives us early indications that the investments in people, processes and product are starting to make a positive impact.

That notwithstanding, our commitment in the coming year is to get us back towards profitability with a continued effort on delivering more of the revenue driving initiatives outlined in this report, and a very clear focus on greater cost control, higher contribution and improved profitability.

The past 12 months have been both challenging and rewarding, but I remain resolute that this is a business with enormous potential. We have wonderful product, loyal customers and a great opportunity to drive change and growth, as a result.

I am hugely enthusiastic about building on the progress we have made this year, and look forward to leading the business back to success and profitability in the future.

Olly Raeburn
CEO
10 July 2024

Section 172 Statement and Stakeholder Engagement

As required by Section 172 of the Companies Act, a director of a company must act in the way he or she considers, in good faith, would likely promote the success of the company for the benefit of the shareholders. In doing so, the director must have regard, amongst other matters, to the following issues:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers/customers and others;
- impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- need to act fairly between members of the company.

CULTURE

Our values and leadership behaviours are a vital part of our culture to ensure that through good governance, our conduct and decision making we do the right thing for the business and our stakeholders. The Board acknowledges that every decision it makes will not necessarily result in a positive short-term outcome for all of the Group's stakeholders. We believe in creating solid foundations for the future, so there is a balance between short-term success and longer-term prosperity.

SHAREHOLDERS

The Board values the views of our shareholders and recognises their interest in our strategy and performance. We endeavour to update shareholders on the Board's expectations for the outlook of the business and as and when this changes. As much as possible, we try to provide information that is relevant to our shareholders on our corporate website; in our Annual Report and Accounts; and through regulatory news announcements throughout the year.

We also believe in knowing and understanding our shareholders. We encourage our shareholders to attend our Annual General Meetings (AGMs) and we welcome questions from them. At our AGMs, we provide the platform for robust discussions with our shareholders, during which the participants, both Directors and shareholders alike, are engaged with the proceedings. We believe this reflects the connection to the business which we have cultivated and continue to cultivate in our shareholders. In addition, the review of investor relations activity and analysis of our shareholder register is a standing item at each Board meeting. Our corporate website (http://www.hornby.plc.uk/) also includes the outcomes of shareholder votes cast at the AGMs, as well as Annual and Interim Reports from previous years.

The primary mechanism for engaging with our shareholders is through the Company's AGM and also through the publication of the Group's financial results for the half year and full year.

Further information is disclosed in the Corporate Governance Statement on pages 16 to 21. The Board reviews feedback received from institutional investors following publication of our financial results. At the AGM we encourage our shareholders to ask questions and participate in debate about our performance and products.

CUSTOMERS

Understanding our customers and what matters to them is key to the future success of Hornby. We listen and talk to them using all of the tools at our disposal. Our customers operate in a global, but niche market, and we interact with them either directly, or via our retailers, wholesalers and distributors.

SUPPLIERS

We have long-standing close relationships with our suppliers overseas, who we would normally visit on a regular basis. During the pandemic we communicated via video conferencing, working together with a common goal, giving them visibility and sharing our plans, which allowed them to plan their factories' capacity well into the future. We have made several visits this year now that COVID restrictions in China have been lifted.

EMPLOYEES

A key to the Group's future success is an engaged workforce. The Group's Directors, alongside our executive management teams, work hard to provide a positive working environment. As a well-respected local employer within each of the communities we operate in, it is important for us to provide opportunities for all of our staff to allow them to grow and achieve their potential.

COMMUNITY AND ENVIRONMENT

We are proud to employ people in the communities that we operate in. The strength of our brands allows us to promote both local and national charitable causes. We have product standards, policies and guidance covering the products we make to help ensure that they are manufactured safely, legally and to the required quality standards, and in as much of an environmentally friendly way as possible.

Operating and Financial Review of the Year

FINANCIAL REVIEW

	2024	2023
Revenue	£56.2m	£55.1m
Gross profit	£25.0m	£26.9m
Gross profit margin	44.4%	48.8%
Overheads	£31.7m	£28.0m
Exceptionals	£0.5m	£4.0m
Operating Loss before exceptionals	(£6.6m)	(£1.1m)
Reported loss before tax	(£8.7m)	(£5.9m)
Underlying loss before tax*	(£7.3m)	(£1.1m)
Reported loss after tax	(£12.1m)	(£5.9m)
Basic loss per share	(7.10p)	(3.50p)
Underlying basic loss per share*	(6.40p)	(1.22p)
Net debt	(£14.3m)	(£5.5m)
Undrawn Facilities	£5.2m	£11.7m

* Stated before amortisation of intangibles (brands and customer lists), net unrealised foreign exchange movements on intercompany loans, goodwill impairments and exceptional items.

PERFORMANCE ON A STATUTORY BASIS

Consolidated revenue for the year ended 31 March 2024 was £56.2 million, an increase of 2% compared to the previous year's £55.1 million. The revenue in the second half of the year of £32.4 million was in line with previous year which was £32.7 million. Gross profit margin was lower, at 44.4% (2023: 48.8%) primarily due to higher tooling amortisation costs and an increase in supply chain costs not passed on to the consumer.

Overheads increased year-on-year by 13.2% from £28.0 million to £31.7 million. UK distribution costs were higher than prior year due to an increase in revenue and minimum wage increases. Sales and marketing costs increased by £2.1 million year-on-year due to ongoing investment in direct relationships with our customers, restructuring of the sales teams, and investment in customer loyalty, insight and PR. Administration costs were £1.3 million higher due to increased Board costs, share-based payment accruals and rising insurance, maintenance and utility costs. Other operating expenses in the year of £0.2 million (2023: £0.7 million) includes foreign exchange losses and amortisation of brand names.

Exceptional costs totalling £0.5 million (2023: £4.0 million) are predominantly intangible impairment on some international brands and restructuring costs as senior heads in sales and marketing were replaced.

PERFORMANCE ON AN UNDERLYING BASIS

The underlying loss before taxation is shown to present a clearer view of the trading performance of the business. Management identified the following items, whose inclusion in performance distorts underlying trading performance: share-based payments and the amortisation of intangibles which result from historical acquisitions. Additionally, exceptional items including refinance, relocation and restructuring costs are one-off items and therefore have also been added back in calculating the underlying profit before taxation.

Operating and Financial Review of the Year continued

	Group 2024 £'000	2023 £'000
Statutory loss before taxation	(8,726)	(5,875)
Adjustments:		
Amortisation of intangibles – brands	227	227
Share-based payments	669	532
Exceptional items:		
Restructuring costs	73	–
Costs relating to Hornby World	–	910
Goodwill impairment	10	2,915
Intangibles impairment	404	–
Refinancing	2	149
Underlying loss before taxation	(7,341)	(1,142)

SEGMENTAL ANALYSIS

Third party sales by the UK business of £40.2 million increased by 1.5% in the year as a result of an increase in direct sales via the website. The loss before taxation of £8.6 million compared to a £5.9 million loss last year reflects the increased overheads as a result of investment in direct sales, restructuring of sales and marketing teams and a significant increase in the cost of finance (as a result of base rate increases and increases in borrowing).

Sales by the European businesses of £11.9 million increased by 12.3% in the year as a result of supply chain issues being resolved and goods arriving in a timely matter. We have also managed to streamline the delivery of pallets into Europe following the Brexit changes. The profit before tax was £0.6 million compared to £0.7 million profit last year.

Sales in the US business of £4.1 million decreased by 16%. The trading loss of £0.7 million compares to £0.6 million loss in last year. We expect sales to increase in this key market in the longer term and overheads to reduce following the recruitment of a new Head of Export and the listings of certain products into new stores as mentioned previously.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased year-on-year by £2.5 million to £14.5 million as a result of increased expenditure in tooling for new products and the opening of WonderWorks 1.0 in Margate.

Group inventories increased from £21.3 million to £21.7 million due to a short Q4 due to Easter and the acquisition of £0.5 million of Corgi Model Club stock. Without this acquisition the Group stock would have been slightly lower than previous year. Trade and other receivables was the same as the previous year. Trade and other payables are £3.3 million higher than previous year due to timing of supplier payments falling due over Easter while the offices were closed. Overall investment in new tooling, new intangible computer software, WonderWorks and other capital expenditure was £6.4 million (2023: £5.1 million).

DIVIDEND

The Group is still in the turnaround phase and there will not be a dividend payment this year (2023: £nil). The Board continues to keep the dividend policy under review.

FINANCING

At 31 March 2024 the UK had a £12 million Asset Based Lending facility with Secure Trust Bank Limited (STB) and a £11.25 million loan facility with Phoenix Asset Management Partners.

The facility with STB is a floating facility based on the current asset position capped at £12 million and has been extended post year end to expire December 2025 and carries a margin of 2.5–3% over base rate. The STB Facility has a fixed and floating charge on the assets of the Group. The Company provides customary operational covenants to STB on a monthly basis such as inventory turn, credit note dilutions and management accounts.

The Phoenix Facility was an £11.25 million facility which attracts interest at a margin of 5% over SONIA on funds drawn. Undrawn funds attract a non-utilisation fee of the higher of 1% or SONIA. This facility has been extended post year end to expire December 2025 with a facility limit of £12.55 million and interest margin is 5% over SONIA on £11.25 million and 15% on any drawings over £11.25 million up to £12.55 million. In addition Phoenix have provided a shareholder support letter for an additional £7 million expiring December 2025.

Borrowings in the year ended 31 March 2024 were £15,408,000 (2023: £6,867,000). This consists of a CBIL loan with £117,000 outstanding (acquired with LCD), amounts owing to STB of £5,742,000 and £9,549,000 shareholder loan drawdown.

Net debt at 31 March 2024 was £14.3 million compared with net debt of £5.5 million at 31 March 2023.

Our Key Performance Indicators (KPIs)

The Directors are of the opinion that the financial KPIs are revenues, gross margins, underlying operating profit, capex productivity, inventory, digital change, variable and fixed costs, the information for which is available in these financial statements and summarised on the financial highlights section earlier in this report. We provide current and historical analysis in the CEO's Report on pages 3 to 9 and will continue to report in future Annual Reports. The Board monitors progress against plan on a regular basis adjusting future objectives annually in line with current circumstances.

IDENTIFICATION OF PRINCIPAL RISKS AND UNCERTAINTIES

The Board has the primary responsibility for identifying the major risks facing the Group and developing appropriate policies to manage those risks. The Board completes an annual risk assessment programme to identify the major risks and has reviewed and determined any mitigating actions required as set out below. The risk assessment has been completed in the context of the overall strategic objectives and the Business Plan of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Description	Impact/Sensitivity	Mitigation/Comment
Market competition	The Group has competition in the model railway, slot racing, model kits, die cast and paint markets. Loss of market share to increased competitor activity or alternative hobbies would have a negative impact on the Group's results. Failure to evolve and innovate products may lead to brands becoming less relevant in the marketplace.	The Group performance is impacted by the actions of competitors and changes in the wider retail landscape.	In many of our markets the Group still enjoys a strong market position due to the continued development of our brands. We will strive to further improve the strength of our brands. Production of high-quality products which customers want is a key mitigating factor.
The Business Plan	The Business Plan may not fully achieve the aims of returning the Group to positive cash generation in 2024/25.	The increase in business scale and reduction of costs and the increase in direct sales currently anticipated is not achieved and the Group does not achieve sustainable profit and cash generation.	The Group has developed clear targets and has cost saving contingencies in the plan being actioned to put the necessary resources in place to deliver the aims of the plan.
Hobby market	Overall decline in the hobby market could lead to greater levels of competition in the medium term, which could have a negative impact on the Group's results.	Failing interest in traditional hobbies may impact our core Independent and National retailers and have a consequent impact upon the Group's performance.	In many of our markets the Group enjoys a strong market position due to the continued development of our brands. Brands are extremely important in the model sector with market entry costs being prohibitive. In the short term there is an opportunity to regain market share lost through previous underperformance. We have also implemented tiering and only allowing certain percentage of our goods to go wholesale with balance only being available on our website.
Exchange rates	The Group purchases goods in US Dollars and sells in Pounds Sterling, Euros and US Dollars, and is therefore exposed to exchange rate fluctuations.	Significant fluctuations in exchange rates to which the Group is exposed could have a material adverse effect on the Group's future results. In particular the negative impact on Sterling of Brexit and the continuing uncertainties could make the US Dollar purchase of its goods more expensive.	The Group continues to hedge short-term exposures by establishing forward currency purchases using fixed rate and participating forward contracts up to 12 months ahead. It is deemed impractical to hedge exchange rate movements beyond that period.

Our Key Performance Indicators (KPIs) continued

Risk	Description	Impact/Sensitivity	Mitigation/Comment
Supply chain	The Group's products are manufactured by artisan labour in China, India and Vietnam. Risk that capacity is lost which could lead to delays in production.	The Group does not have exclusive arrangements with its suppliers and there is a risk that competition for manufacturing capacity could lead to delays in introducing new products or servicing existing demand.	The Group is continuing to develop and review its vendor portfolio and has started diversifying the supplier base. A 26-step critical path analysis tool has been developed to monitor the whole manufacturing process to identify and deal with issues as they arise. The Group has its own storage facilities in China where its tooling is secured and managed. The Group manages the supply chain forecasts continuously and communicates regularly with suppliers and customers in turn. The Group maintains significant stock levels in the UK at any time and therefore this allows additional time to plan for stock output variances from overseas suppliers in time for the peak season.
Capital allocation	New tooling is important to support the production of new products.	The risk is that the Group has insufficient capital to fund new tooling or invests ineffectively in the wrong products.	The business plan includes significant capital expenditure to fund suitable products to underpin the implementation of the business plan strategy of the Group. This process will be underpinned by a robust capital allocation process aligned to brand strategies and brand delivery targets.
Product compliance	The Group's products are subject to compliance with toy safety legislation around the world.	Failure to comply could lead to a product recall resulting in damage to Company and brand reputation along with an adverse impact on the Group's results.	Robust internal processes and procedures, active monitoring of proposed legislation and involvement in policy debate and lobbying of the relevant authorities.
Stock obsolescence	Stock held in the Group's warehouses ages and becomes obsolescent.	The risk is that the Group has working capital tied up for too long in stock.	Robust internal processes and procedures to constantly monitor ageing stock and liaise with sales teams to focus on sell through.
Liquidity	Insufficient financing to meet the needs of the business.	Without the appropriate level of financing, it would be increasingly difficult to execute the Group's business plans.	The Group has a £12.0 million ABL facility with Secure Trust Bank (STB) and a £12.55 million revolving loan facility with Phoenix Asset Management Partners. Both facilities have been renewed post year end to expire December 2025. The Group's policy on liquidity risk is to maintain adequate facilities to meet the future needs of the business.
System and cyber risk	The Group continues to invest in the development of its website and ERP systems.	This exposes the business to greater risk of financial loss, disruption or damage to the reputation of an organisation from a failure of its information technology systems.	The Group is investing significant time and cost into new websites and upgrading the current ERP system that went live in 2015. The Group has dedicated web and ERP teams to monitor and maintain the Group's systems and holds appropriate insurance policies to minimise material risk.
Talent and skills	Recruitment, development and retention of talented people are the key to the success of any business.	The Group fails to retain the necessary skills and talent to deliver the Group's plans.	Management team to encourage and empower employees. Key lost talent has been reacquired and brought back into the Company. All employees (after 12 months' service) participate in profits of the Group.
Economic climate	Further cost of living increases could impact our sales.	The further increase could inhibit sales as less residual income.	The ongoing situation is being monitored and we are ensuring that our products are priced competitively.

MAIN CONTROL PROCEDURES

Management establishes control policies and procedures in response to each of the key risks identified. Control procedures operate to ensure the integrity of the Group's financial statements and are designed to meet the Group's requirements and both financial and operational risks identified in each area of the business. Control procedures are documented where appropriate and reviewed by management and the Board on an ongoing basis to ensure control weaknesses are mitigated.

The Group operates a comprehensive annual planning and budgeting system. The annual plans and budgets are approved by the Board. The Board reviews the management accounts at its monthly meetings and financial forecasts are updated monthly. Performance against budget is monitored and, where any significant deviations are identified, appropriate action is taken.

The Strategic Report incorporates the statements on pages 2 to 15 and has been signed on behalf of the Board.

Kirstie Gould
Chief Finance Officer
10 July 2024

Corporate Governance Report

CORPORATE GOVERNANCE

For the year ended 31 March 2024, and up to the date of this report, the Company has applied the main principles of the QCA Corporate Governance Code ("the Code") and complied throughout the period under review. Full details of our approach to governance are set out below and, as a Board, we continue to be committed to good standards in governance practices and will continue to review the governance structures in place, to ensure that the current practices are appropriate for our current shareholder base and that, where necessary, changes are made.

The key governance principles and practices are described in the statement below, together with the Audit and Nomination and Remuneration Committees' reports on pages 22 to 25 and the Directors' report on pages 27 to 31.

BOARD OF DIRECTORS

LYNDON DAVIES

Non-Executive Director

Aged 63

Lyndon joined the Board as Chief Executive in October 2017 and was appointed to Executive Chairman in February 2022.

He is a highly-experienced model and hobby professional with 45 years' experience in the industry. He has built Oxford Diecast into a successful international business over the past two decades, focusing on Diecast vehicles, aircraft and, more recently, rail-based products.

Lyndon is also Chairman of Oxford Diecast ("Oxford"), a business founded in 1993. He was the majority shareholder of LCD Enterprises Limited, the ultimate owner of the Oxford Diecast brands until July 2021 when Hornby acquired the remaining stake.

Lyndon is a member of the Remuneration and Nomination Committee and a member of the Audit Committee.

OLIVER RAEBURN

Chief Executive Officer

Aged 53

Oliver Raeburn was appointed as CEO on 23 January 2023.

A psychology graduate of the University of Leicester, Olly's career started out in advertising, including a nine-year stint as owner/manager of a London agency. A move into the corporate world saw Olly spend the next six years as Marketing Director at Coral and subsequently Brand Director for Ladbrokes and Coral in the newly formed Ladbrokes Coral PLC. Two years as Chief Marketing Officer at Rank PLC were followed by a move to Paperchase as CMO in 2019. Having been promoted to CEO in 2020, he guided the company through an administration process during the COVID pandemic, followed by a turnaround process, refinancing and sale of the business in August 2022.

KIRSTIE GOULD

Chief Finance Officer & Company Secretary

Aged 51

Kirstie Gould was appointed as Chief Finance Officer of the Company in January 2018 after spending over two years with Hornby as a consultant in the finance department. Kirstie also acts as Company Secretary.

Kirstie is a Fellow of the Institute of Chartered Accountants in England and Wales, qualifying with PricewaterhouseCoopers in 1997, and has since held senior management and directorship roles across a number of high growth SME firms including Affini Technology Limited (part of the TTG Group) and Gamma Communications plc.

Our Board and Committees Membership

Board | Audit | Remuneration and Nomination | C Chair

OUR BOARD AND COMMITTEES MEMBERSHIP

The Board met 12 times during the year

Director	Board	Audit	Remuneration and Nomination	Number of meetings attended
John Stansfield	Chair	Chair	Member	10
Lyndon Davies	Member	Member	Member	9
Kirstie Gould	Member			12
Daniel Carter	Member	Member	Chair	12
Nick Batram	Member	Member	Member	2
Oliver Raeburn	Member			12

DANIEL CARTER

Independent Non-Executive Director

Aged 29

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Daniel Carter was appointed as a Non-Executive Director in July 2020.

Daniel is an Investment Analyst at Phoenix Asset Management which controls the funds that own 73.38% of the ordinary shares of Hornby PLC.

Daniel studied Economics at The University of Bath.

Daniel is Chair of the Remuneration and Nomination Committee and a member of the Audit Committee.

JOHN STANSFIELD

Interim Independent Non-Executive Chairman

Aged 69

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John Stansfield was appointed interim Non-Executive Chairman on 30 April 2024. John was previously Independent Non-Executive Chairman in August 2018 to February 2022. Prior to that, he had been a Non-Executive Director of the Company, having been appointed in January 2018.

John is a Fellow of the Chartered Institute of Management Accountants and spent 31 years with the Group, 12 years of which he was Group Finance Director.

He re-joined the Company, after having left in 2013.

John helped to deliver some of the Group's most profitable years and has a wealth of experience in the toy and hobby sectors.

John is also Chair of the Audit Committee and a member of the Remuneration and Nomination Committee.

NICK BATRAM

Independent Non-Executive Director

Aged 56

Nick Batram was appointed as Non-Executive Director on 12 February 2024.

Nick has an extensive background in finance, with over 30 years' experience working for financial institutions. The vast majority of his time was spent focused on researching and advising small and mid-cap companies.

In 2016, Nick joined Entain Plc, the FTSE 100 sports betting and gaming group, initially heading up Investors Relations & Strategy and until recently as Group Director of M&A and Corporate Development.

Nick is a member of the Remuneration and Nomination Committee and a member of the Audit Committee.

Corporate Governance Report continued

COMPOSITION AND INDEPENDENCE OF THE BOARD

The Board is comprised of two Executive Directors and four Non-Executive Directors. During the year, the Board is of the opinion that the composition of the Board continues to represent an appropriate balance between Executive and Non-Executive Directors, given our size and our operations. John Stansfield is considered independent due to the time elapsed since his employment with the Group originally. Daniel Carter is considered independent as he has no control over the voting shares of Phoenix Asset Management. Nick Batram is considered independent. Lyndon is not considered independent due to the time elapsed since his employment and his shareholding.

The Board members collectively have skills and expertise embracing a range of areas including finance, auditing, e-commerce, engineering, manufacturing, design, general management, sales and innovation. The Non-Executive Chairman and Lyndon Davies in particular, have extensive, directly applicable experience of working within the toy and hobby products industry while Nick Batram has extensive corporate finance and M&A experience. We do however intend to carry out periodic reviews of the composition of the Board to ensure that its skillset and experience are appropriate for the effective leadership and long-term success of the business as it develops. These reviews will give due consideration to having more diversity on the Board, as well as to other priorities.

Details of each Directors' background and experience are set out in the table above.

APPOINTMENTS TO THE BOARD AND RE-ELECTION

The Board takes decisions regarding the appointment of new Directors as a whole following the recommendations of its Remuneration and Nomination Committee. The task of searching for appropriate candidates and assessing potential candidates' skills and suitability for the role has been delegated to the Remuneration and Nomination Committee. Further information on the roles of the Remuneration and Nomination Committee and also the Audit Committee of the Board can be found on pages 22 to 25.

The Company's Articles of Association require that one-third of Directors (excluding any Directors who have been appointed since the last Annual General Meeting (AGM) retire by rotation at each AGM. In accordance with best practice in corporate governance, all the Directors will offer themselves for re-election.

DIVISION OF RESPONSIBILITIES

There is a formal schedule of matters reserved for the Board which is set out in detail on the Hornby PLC corporate website at (http://www.hornby.plc.uk/) and summarised further on in this report.

The Board is responsible for the formulating of the overall business strategy and the Executive team is responsible for the managing of the business to realise this strategy. The Non-Executive Chairman is responsible for overseeing the Board and the implementation of the Company's strategy and its operational performance.

EXECUTIVE DIRECTORS

The Executive Directors, as with the Non-Executive Directors, are encouraged to use their independent judgement in the discharging of their duties. They are responsible for the day-to-day management of the business, including its trading, financial and operational performance. Issues and progress made are reported to the Board by the CEO.

Executive Directors are full-time employees of the Company and have entered into service agreements with the Company. Directors' contracts are available for inspection at the Company's registered office and at the AGM.

NON-EXECUTIVE DIRECTORS

The Board considers the Non-Executive Directors to be sufficiently competent. They provide objectivity and substantial input to the activities of the Board, from their various areas of expertise.

Non-Executive Directors are contracted to work no less than 15 days per year.

SUCCESSION PLANNING

During the year, the Remuneration and Nomination Committee has been tasked with strengthening the expertise and diversity on the Board. As a result Nick Batram joined the Board in February and the search continues for a new Chairman who will replace John Stansfield, who is the current interim Chairman.

The Board also recognises that diversity is a key element in strengthening the contribution made to Board deliberations, and in the course of our search for suitable candidates due regard is given to this in addition to the skills and experience a potential candidate brings.

HOW THE BOARD OPERATES

The Board retains control of certain key decisions through the Schedule of Matters reserved for the Board. Other matters, responsibilities and authorities have been delegated to its Audit and Remuneration and Nomination Committees and these are documented in the terms of reference of each of those committees, which can be found on the Company's corporate website at (http://www.hornby.plc.uk/).

The Board is responsible for:

- overall management of the business;
- developing the Company's strategy, business planning, budgeting and risk management;
- monitoring performance against agreed objectives;
- setting the business' values, standards and culture;
- internal control and risk management;
- remuneration;
- membership and chairmanship of Board and Board Committees;
- relationships with shareholders and other stakeholders;
- determining the financial and corporate structure of the business;
- major investment and divestment decisions;
- the Company's compliance with relevant legislations and regulations; and
- other ad hoc matters such as the approval of the Company's principal advisors.

THE MAIN ACTIVITIES OF THE BOARD DURING THE YEAR

Key Board activities this year included:

- recruitment of a new NED;
- discussing strategic priorities;
- reviewing feedback from our institutional shareholders following our full and half year results;
- input into implementing the next phase of the Turnaround Plan; and
- approving revised borrowing and credit facilities.

THE BOARD COMMITTEES

The Board delegates authority to two committees: the Audit and the Remuneration Committee and the Nomination Committee, to assist in meeting its business objectives. The Committees meet independently of Board meetings.

Each committee has terms of reference setting out their responsibilities, which were reviewed and approved by the Board during the year. These are available on the Company's corporate website (http://www.hornby.plc.uk/).

We have made some improvements in our governance arrangements including introducing reporting by the Remuneration and Nomination Committee as well as the Audit Committee in our Annual Report and Accounts. These reports can be found on pages 22 to 25.

The Audit Committee comprises the independent Non-Executive Directors of the Company and met three times during the year. The Chief Executive Officer, Chief Finance Officer and other managers attend by invitation. The external auditors attend meetings and have direct access to the Committee.

The Remuneration and Nomination Committee meet at least once a year with all members being present. The members are all Non-Executive Directors. The Committee is responsible for establishing and reporting to the Board, procedures for determining policy on executive remuneration and also the performance-related elements of remuneration, which align the interest of the Directors with those of the shareholders.

Its remit also includes matters of nomination and succession planning for Directors and senior key executives, with the final approval for appointments resting with the Board. Directors excuse themselves from meetings when appropriate where the matter under discussion is their own succession.

Corporate Governance Report continued

EXTERNAL ADVISORS

The Board makes use of the expertise of external advisors where necessary, to enhance knowledge or gain access to particular skills or capabilities. Areas where external advisors are used include and are not limited to: diligence work on major contracts; recruitment; and Company secretarial and corporate governance. The list of external advisors is set out on page 26.

DIRECTORS' INDUCTION, DEVELOPMENT, INFORMATION AND SUPPORT

The Board considers all Directors to be effective and committed to their roles.

All Directors receive regular and timely information on the business' operational and financial performance. Ahead of the Board and Committee meetings, papers are circulated to all Directors to ensure that they are fully informed and can participate fully in discussions.

Directors keep their skillset up to date through a combination of attendance at industry events, individual professional development and experience gained from other Board roles. The Company Secretary ensures that the Board is aware of any applicable regulatory changes and updates as and when relevant. The Board is also given an annual refresher in AIM Rules and this was last provided in February 2024 by its Nominated Advisors, Liberum Capital Limited. This refresher is designed to enable Directors to keep abreast of corporate governance developments.

Directors are also able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Directors also have direct access to the advice and services of the Company Secretary. The Company Secretary supports the Non-Executive Chairman in ensuring that the Board receives the information and support it needs to carry out its roles.

CONFLICTS OF INTEREST

Outside interests and commitments of Directors, and changes to these commitments, are reported to and agreed by the Board. In addition, no one member of the Board has unfettered powers to make decisions.

PERFORMANCE EVALUATION

The Non-Executive Chairman considers the operation of the Board and performance of the Directors on an ongoing basis as part of his duties and will bring any areas of improvement he considers are needed to the attention of the Board. However, the Board recognises the need to put in place an annual formal evaluation process for the Board, its Committees and individual directors.

The effectiveness of the Board, its Committees and Directors will be reviewed on an annual basis.

ACCOUNTABILITY

Although the Board delegates authority to its committees and also the day-to-day management of the business to the Executive Directors, it is accountable for the overall leadership, strategy and control of the business in order to achieve its strategic aims in accordance with good corporate governance principles.

RISK MANAGEMENT AND INTERNAL CONTROL

Mitigating the risks that a Company faces as it seeks to create long-term value for its shareholders is the positive by-product of applying good corporate governance. At Hornby, all employees are responsible for identifying and monitoring risks across their areas. However, the Board sets the overall risk strategy for the business. The business maintains a Risk Register and a Fraud Register, which are presented and considered at the Audit Committee meetings.

FINANCIAL AND BUSINESS REPORTING

In our half-year, final and any other ad hoc reports and other information provided by the Company, the Board seeks to present a fair, balanced and understandable assessment of the business' position and prospects. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the business' financial position.

The Board considers that this Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

BUSINESS ETHICS

Our commitment to our customers and having a people-oriented ethos is central to the success of achieving our strategy. We value the skills of our employees and it is through the efforts of these dedicated people that we are able to grow our customer base.

We endeavour to conduct our business affairs in a way that reflects our values. Our suppliers are audited to ensure that their policies and procedures comply with the Modern Slavery and Human Trafficking Act, which ensures that workplace and conditions of employment for their employees are of an acceptable standard. We reinforce our expectations to achieve and maintain these standards. Our Statement on Modern Slavery and Human Trafficking can be found on our corporate website (http://www.hornby.plc.uk/).

WHISTLEBLOWING

The business has procedures in place for detecting fraud and for whistleblowing to ensure that arrangements are in place for all employees to raise concerns in confidence, about possible irregularities and non-compliance in matters of financial reporting or other matters. These procedures and policies are reviewed by the Audit Committee.

Audit Committee Report

As Chair of the Audit Committee ("the Committee"), I am pleased to present our Audit Committee Report for the year ended 31 March 2024.

MEMBERSHIP

The Audit Committee comprises four members, Daniel Carter, Nick Batram, Lyndon Davies and myself, John Stansfield. All of us are independent Non-Executive Directors of the Company. I am the member of the Committee, who with the background as a chartered management accountant, has significant, recent and relevant financial experience. Our biographies are set out on pages 16 and 17.

MEETINGS AND ATTENDANCE

The Committee met three times during the year ended 31 March 2024. All members of the Committee at the time of each meeting were present at the meetings. At least one of these meetings was with the external auditor, without the executive Board members present. Olly Raeburn and Kirstie Gould also attended meetings by invitation.

DUTIES

The full list of the Committee's responsibilities is set out in its terms of reference, which are available on the Company's website at (http://www.hornby.plc.uk/) and are summarised below as follows:

- External Audit;
- Financial Reporting;
- Internal Control and Risk Management;
- Internal Audit; and
- Reporting on activities of the Committee.

The terms of reference for the Committee are reviewed annually and approved by the Board.

The main items of business considered by the Committee during the year included:

- a review of the year-end external audit plan, consideration of the scope of the audit and the external auditor's fees;
- consideration and approval of the external audit report and management representation letter;
- a review of the Annual Report and financial statements, including consideration of the significant accounting issues relating to the financial statements, the consistency in the application of accounting policies and the going concern review;
- a review and approval of the internal financial statement.

EXTERNAL AUDITOR

The Committee has the primary responsibility for recommending the appointment of the external auditor and reviewing the findings of the auditor's work. The Company's external auditor is Crowe U.K. LLP. There will be ongoing dialogue between the Committee and the auditor on actions to improve the effectiveness of the external audit process.

Having reviewed the auditor's independence and performance to date, the Committee has recommended to the Board that they be reappointed for the 2024 audit. A resolution to reappoint Crowe U.K LLP as the Company's auditor is to be proposed at the forthcoming Annual General Meeting (AGM) in September 2024.

NON-AUDIT SERVICES

In addition to the audit services they provide, Crowe U.K. LLP also provide tax compliance services. These fees are within the 1:1 ratio of audit services.

AUDIT PROCESS

The external auditor prepares an audit plan setting out how the auditor will review the interim and audit the full-year financial statements. The audit plan is reviewed, agreed in advance and overseen by the Committee. The plan includes the proposed scope of the work, the approach to be taken with the audit and also describes the auditor's assessment of the principal risks facing the business.

Prior to approval of the financial statements, the external auditor presents its findings to the Committee, highlighting areas of significant financial judgement for discussion.

INTERNAL AUDIT

The Audit Committee has considered the need for an internal audit function during the year and is of the view that, given the size and nature of the Company's operations and finance team, there is no current requirement to establish a separate internal audit function.

RISK MANAGEMENT AND INTERNAL CONTROLS

Through the work of the Committee, the Board carries out an annual risk assessment programme to identify the principal risks to the business and these include:

- UK market dependence and conditions;
- the New Business Plan;
- the status of the model/hobby market;
- exchange rates;
- the supply chain function;
- capital allocation;
- product compliance;
- liquidity;
- systems and cyber risks; and
- talent and skills.

The Committee also reviews the effectiveness of control policies and procedures in place to deal with the risks mentioned. Further details on the business risks identified and the actions being taken are set out on pages 13 to 15 of the Operating and Financial Review Report.

The process of risk management in the business is continually reviewed.

John Stansfield
Chairman of the Audit Committee
10 July 2024

Remuneration and Nomination Committee Report

As Chairman of the Remuneration and Nomination Committee ("the Committee"), I am pleased to present our report for the year ended 31 March 2024 which sets out details of the composition, structure and activities of the Committee and remuneration paid to Directors during the year.

The Board has taken the decision to expand the schedule of matters it has delegated to its Remuneration Committee, to include matters which are typically within the remit of a nomination committee. Its terms of reference were revised accordingly and the Committee was renamed the Remuneration and Nomination Committee.

MEMBERSHIP

The Committee currently comprises four Non-Executive Directors, John Stansfield, Lyndon Davies, Nick Batram and myself, Daniel Carter, whose biographies are set out on pages 16 and 17.

MEETINGS AND ATTENDANCE

The Committee meets at least once a year and at such other times during the year as is necessary to discharge its duties. During the year, the Committee met twice. Only members of the Committee have the right to attend meetings, although other individuals, such as the CEO and external advisors,, may be invited to attend for all or part of any meeting.

DUTIES

The Committee works closely with the Board to formulate remuneration policy and consider succession plans and possible internal candidates for future Board roles, having regard to the views of shareholders. The main duties of the Committee are set out in its terms of reference, which are available on the Company's website (http://www.hornby.plc.uk/) and include the following key responsibilities:

REMUNERATION

- set remuneration policy for all Executive Directors (including pension rights and any compensation payments), and in the process, review and give due consideration to pay and employment conditions throughout the Company, especially when determining annual salary increases;
- approve the design of, and determine targets for, any performance-related pay schemes operated by the Company;
- recommend and monitor the level and structure of remuneration for senior management; and
- review the design of all share incentive plans for approval by the Board and shareholders.

NOMINATION

- regularly review the structure, size and composition, (including the skills, experience, knowledge and diversity) of the Board and make recommendations to the Board as to any changes necessary;
- give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future;
- lead the process for all potential appointments to the Board and making recommendations to the Board in relation to them; and
- evaluate the balance of skills, experience, independence and knowledge on the Board; and following any evaluation, identify and nominate for approval by the Board, potential candidates to fill Board vacancies as and when they arise.

PRINCIPAL ACTIVITIES DURING THE YEAR

The Committee considered:

- Executive Directors' bonuses and salaries;
- succession planning and the search for a new Chairman;
- succession planning and the search for an additional Non-Executive Director;
- election and re-election of Directors at the AGM; and
- a review of the Committee's terms of reference.

The Committee considers business strategy when recommending the appointment of Directors and setting and reviewing remuneration.

DIVERSITY

It is the Board's view and commitment that recruitment, promotion and any other selection exercises are conducted on the basis of merit against objective criteria that avoid discrimination. No individual should be discriminated against on the ground of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments.

The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, while ensuring there is an appropriate balance of skills and experience within the Board. The Board currently consists of 17% (one) female and 83% (five) male Board members. The Board's age demographic ranges from 29 to 69. The business consists of 65% male employees and 35% female employees.

REMUNERATION POLICY

The objective of the remuneration policy is to promote the long-term success of the Company, giving due regard to the views of shareholders and stakeholders. In formulating remuneration policy for the Executive Directors, the Committee:

- considers Directors' experience and the nature and complexity of their work in order to pay a competitive salary (in line with comparable companies) that attracts and retains directors of the highest quality;
- considers pay and employment conditions within the Company and salary levels within listed companies of a similar size;
- considers Directors' personal performance; and
- links individual remuneration packages to the business' long-term performance and continued success of the business through the award of annual bonuses and share-based incentive schemes.

EXECUTIVE DIRECTORS

Base salary

Executive Directors' base salaries are reviewed annually by the Committee, taking into account the responsibilities, skills and experience of each individual, pay and employment conditions within the Company and the salary levels within listed companies of a similar size.

Annual bonus

The CEO is subject to a bonus scheme related to the market capitalisation increase over the three-year period ending January 2026 and adjusted for certain factors.

For the first two years of this scheme, the CEO may receive a discretionary bonus up to 38.9% of their base salary. Payments made during these years will be subtracted from the ultimate award amount due under this scheme.

The CEO bonus scheme, previously accounted for under IAS 19, is now being accounted for under IFRS 2 using Black-Scholes valuation. The bonus scheme pays a bonus for any uplift in the enterprise value of the business less any capital invested as at 26 January 2026.

At 31 March 2024 the valuation model, using 50% share volatility, 4% risk-free rate of return and an option value of 0.165 leads to a provision being made in the year of £668,975. This is included in the Statement of Comprehensive Income within Administrative expenses.

The bonuses for other executives are reviewed annually by the Committee following recommendations by the CEO.

Long-term Incentive Plan

There are currently no long-term incentive plans in place. The Committee will review and consider a suitable scheme for the future.

Other benefits

Policies concerning benefits are reviewed periodically. Currently taxable benefits comprise Company car allowance or a travel allowance and private health cover. The Committee also retains the discretion to offer additional benefits as appropriate.

The Executive Directors and senior managers are members of defined contribution pension schemes and annual contributions are calculated by reference to base salaries, with neither annual bonuses nor awards under the share incentive schemes taken into account in calculating the amounts due.

Service agreements and termination payments

Details of the Executive Directors' service agreements are set out below.

Director	Date of Contract	Unexpired Term	Notice period by Company	Notice period by Director
Oliver Raeburn	23 January 2023	Rolling contract	3 months	3 months
Kirstie Gould	21 December 2017	Rolling contract	9 months	6 months

Compensation for loss of office is based on the base salary of the Director.

Employees' pay

Employees' pay and conditions throughout the business are considered when reviewing remuneration policy for Executive Directors.

A profit share scheme exists for all employees (excluding Executive Directors), and 15% of operating profit is shared among employees proportionately. This is a mechanism aimed at addressing issues of motivation of employees below Board level. It is also to ensure that the Company attracts and retains the best talent and that their interests align with that of shareholders.

NON-EXECUTIVE DIRECTORS

The remuneration payable to Non-Executive Directors is decided by the Non-Executive Chairman and Non-Executive Directors (but excluded from discussing their personal fees). The remuneration payable to the Non-Executive Chairman is decided by the other Board members.

Fees are designed to ensure the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-Executive Directors do not participate in any annual bonus, share options or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors.

Terms of appointment

Each of the Non-Executive Directors signed a letter of appointment for an initial period of two years which can be terminated by either party giving to the other prior written notice of three months. John Stansfield signed a letter on 2 January 2018, Daniel Carter signed his on 16 July 2020, Lyndon Davies signed his on 22 February 2023 and Nick Batram signed his on 12 February 2024. The contract continues as long as the Non-Executive Directors are re-elected at the AGM. All Non-Executive Directors will stand for re-election at the next AGM in September 2024.

Daniel Carter

Chairman of the Remuneration and Nomination Committee
10 July 2024

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Directors and Corporate Information

DIRECTORS
The full details of all Directors who served in the year ended 31 March 2024 can be found below.

John Stansfield
Non-Executive Chairman

Oliver Raeburn
Chief Executive Officer

Kirstie Gould
Chief Finance Officer

Daniel Carter
Non-Executive Director

Lyndon Davies
Non-Executive Director

Henry de Zoete (resigned 30 June 2023)
Non-Executive Director

Nick Batram
Non-Executive Director

Kirstie Gould
Company Secretary

REGISTERED OFFICE
Enterprise Road
Westwood Industrial Estate
Margate, Kent CT9 4JX

COMPANY REGISTERED NUMBER
Registered in England Number: 01547390

INDEPENDENT AUDITORS
Crowe U.K. LLP
Riverside House
40-46 High Street
Maidstone
Kent ME14 1JH

SOLICITORS
Taylor Wessing LLP
5 New Street Square
London EC4A 3TW

PRINCIPAL BANKERS
Barclays Bank PLC
9 St George's Street
Canterbury
Kent CT1 2JX

NOMINATED ADVISOR AND BROKERS
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

REGISTRARS AND TRANSFER AGENTS
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' Report

The Directors present their Annual Report together with the audited consolidated and Company financial statements for the year ended 31 March 2024.

STATUTORY INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT
Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated, and is incorporated into this report by reference:

The Group's business review is set out in the Strategic Report on pages 11 to 12.

The Corporate Governance Report on page 16 to 21.

Details of the Directors who served during the year including their salaries, bonuses, benefits and share interests are on pages 30 to 31.

Directors' responsibility statements on page 28.

Likely future events are disclosed within the CEO report on pages 8 and 9.

Post balance sheet events are set out in Note 31.

PRINCIPAL ACTIVITIES
The Company is a holding company, limited by shares, registered (and domiciled) in England Reg. No. 01547390 with a Spanish branch and has seven operating subsidiaries: Hornby Hobbies Limited and Hornby World Limited in the United Kingdom with a branch in Hong Kong, Hornby America Inc. in the US, Hornby España S.A. in Spain, Hornby Italia s.r.l. in Italy, Hornby France S.A.S. in France, Hornby Deutschland GmbH in Germany, Hornby Hobbies India Private Limited in India and LCD Enterprises Limited in the United Kingdom. Hornby PLC is a public limited company which is a member of AIM and incorporated and operating in the United Kingdom.

The Group is principally engaged in the development, design, sourcing and distribution of hobby and interactive products.

RESULTS AND DIVIDENDS
The results for the year ended 31 March 2024 are set out in the Group Statement of Comprehensive Income. Revenue for the year was £56.2 million compared to £55.1 million last year. The loss for the year attributable to equity holders amounted to £11.4 million (2023: £5.9 million loss). The position of the Group and Company is set out in the Group and Company Statements of Financial Position. Future developments are set out within the CEO Statement.

No interim dividend was declared in the year (2023: £nil) and the Directors do not recommend a final dividend (2023: £nil).

GOING CONCERN
The Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank PLC ("STB") through to December 2025. The Company provides customary operational covenants to STB on a monthly basis such as inventory turn, credit note dilutions and management accounts. In addition, the Group has a committed £12.55 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) if it should be required currently expires December 2025.

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, assuming the facilities with STB and Phoenix are renewed and after a detailed review of trading, financial position and cash flow models, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Company has received a letter of support from Phoenix Asset Management confirming their intention to provide funds up to an additional £7 million to support the Company's business plan until at least 31 December 2025. The current budgets do not show the Group requiring support beyond the already committed facilities. For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

RESEARCH AND DEVELOPMENT
The Board considers that research and development into products continues to play an important role in the Group's success. R&D costs of £1.8 million (see Note 4) incurred in the year have been charged to the Statement of Comprehensive Income as these costs all relate to research activities.

DIRECTORS' INDEMNITIES
The Company maintained liability insurance for its Directors and officers during the financial year and up to the date of approval of the Annual Report and Accounts. The Company has also provided an indemnity for its Directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)
Streamlined Energy and Carbon Reporting (SECR) is the UK Government's name for energy and carbon reporting and taxation.

As a largely office-based business, the Group has a relatively low carbon presence. Under the SECR requirements we are reporting energy use and business mileage for all our UK operations.

Directors' Report continued

STREAMLINED ENERGY AND CARBON REPORTING (SECR) continued

Scope	Activity	2024 Consumption kWh	2024 Consumption (tCO_2e)	2023 Consumption kWh	2023 Consumption (tCO_2e)
Scope 1	Business Mileage	137,593	34.5	112,748	28.3
Scope 2	Purchased Electricity	506,620	107.6	529,956	112.5
	Purchased Gas	281,672	57.4	199,449	40.6
		925,885	199.5	842,153	181.4

Intensity metric

An intensity metric of tCO_2e per £m revenue has been applied for the annual total consumption.

	2024	2023
tCO_2e/£m Revenue	3.55	3.29

During the reporting year the gas has increased due to the increased use of gas heating in the new Wonderworks building in Margate.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified that at close of business on 9 July 2024 the following parties were interested in 3% or more of the Company's ordinary share capital.

Shareholder	Number of ordinary shares	Percentage held
Phoenix Asset Management	121,662,481	71.63
Artemis Fund Managers Limited	16,543,775	9.74
Fraser Group Plc	15,719,424	9.25

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

FINANCIAL INSTRUMENTS

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and various items, such as trade receivables, trade payables, etc. that arise directly from its operations. The Group's financial liabilities comprise borrowings, trade payables, other payables and finance leases. The main purpose of the Group's borrowings is to provide finance for the Group's operations. The Group has financial assets comprising cash and trade and other receivables.

The Group also enters into derivatives transactions (principally forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

FINANCIAL RISK MANAGEMENT

The financial risk is managed by the Group and more information on this can be found within the Notes to the financial statements.

PERSONNEL POLICIES

Hornby is committed to eliminating discrimination and encouraging diversity amongst our workforce. Our aim is that our workforce will be truly representative of all sections of society and each employee feels respected and able to give of their best.

To that end the purpose of personnel policies is to provide equality and fairness for all in our employment and not to discriminate on grounds of gender, marital status, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or age. We oppose all forms of unlawful and unfair discrimination.

All employees, whether part time, full time or temporary, are treated fairly and with respect. Selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability. All employees are helped and encouraged to develop their full potential and the talents and resources of the workforce are fully utilised to maximise the efficiency of the organisation.

Our commitments are:

- to create an environment in which individual differences and the contributions of all our staff are recognised and valued;
- every employee is entitled to a working environment that promotes dignity and respect to all. No form of intimidation, bullying or harassment is tolerated;
- training, development and progression opportunities are available to all staff;
- equality in the workplace is good management practice and makes sound business sense;
- to regularly review all our employment practices and procedures to ensure fairness;
- breaches of our equality policy are regarded as misconduct and may lead to disciplinary proceedings; and
- these policies will be monitored and reviewed on a regular basis.

The Group places importance on the contributions made by all employees to the progress of the Group and aims to keep them informed via formal and informal meetings.

ARTICLES OF ASSOCIATION

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders.

SHARE CAPITAL

The share capital of the Company comprises ordinary shares of 1p each. Each share carries the right to one vote at general meetings of the Company. The issued share capital of the Company, together with movements in the Company's issued share capital, is shown in Note 22. Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings.

Each shareholder present in person or by proxy (or by duly authorised corporate representatives) has, on a show of hands, one vote. On a poll, each shareholder present in person or by proxy has one vote for each share held.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the ordinary shares.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

AUTHORITY TO PURCHASE OWN SHARES

The Company was authorised by shareholder resolution at the 2023 Annual General Meeting to purchase up to 10% of its issued share capital. A resolution will be proposed at the forthcoming Annual General Meeting and authority sought to purchase up to 10% of its issued share capital. Under this authority, any shares purchased must be held as treasury shares or, otherwise, cancelled resulting in a reduction of the Company's issued share capital.

No shares were purchased by the Company during the year.

Directors' Report continued

CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

There are a number of agreements that may take effect, alter or terminate on a change of control of the Company. None of these are considered to be significant in their likely impact on the business as a whole.

POLITICAL DONATIONS

The Company has made no political donations during the year.

INDEPENDENT AUDITOR

A resolution to reappoint the auditor Crowe U.K. LLP, will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting is to be scheduled for 11 September 2024. A notice of the Annual General Meeting will be sent out to shareholders separately to this Annual Report and Accounts.

DIRECTORS' REMUNERATION

Executive Directors' base salaries are reviewed annually by the Remuneration and Nomination Committee taking into account the responsibilities, skills and experience of each individual, pay and employment conditions within the Company and salary levels within listed companies of a similar size.

The following table summarises the total salary and pension contributions received by Directors for 2023/24 and 2022/23 in line with the Companies Act 2006 requirement:

AUDITED

	Year ended 31 March 2024				Year ended 31 March 2023				
	Basic salary & fees £'000	Pension contributions £'000	Bonus £'000	Total £'000	Basic salary & fees £'000	Pension contributions £'000	LTIP – shares £'000	LTIP – cash £'000	Total £'000
O Raeburn (Appointed 23 January 2023)	270	14	105	389	51	2	–	–	53
K Gould (Appointed 4 January 2018)	198	37	56	291	191	36	186	178	591
L Davies (Appointed 5 October 2017)	175	6	–	181	247	6	186	178	617
D Carter (Appointed 16 July 2020)	–	–	–	–	–	–	–	–	–
J Stansfield (Appointed 4 January 2018)	50	–	–	50	51	–	–	–	51
Nick Batram (Appointed 12 February 2024)	6	–	–	6	–	–	–	–	–
H De Zoete (Appointed 5 January 2022, resigned 30 June 2023.)	11	–	–	11	45	–	–	–	45
Total	710	57	161	928	585	44	372	356	1,357

Performance Share Plan awards outstanding (Audited)

At 31 March 2024, there are no outstanding awards to Directors under any PSP scheme.

Benefits and Pension (Unaudited)

Policies concerning benefits, including the Group's Company car policy, are reviewed periodically. Currently, benefits in kind comprise motor cars or a travel allowance and private health cover, both of which are non-performance related. The Executive Directors and senior managers are members of defined contribution pension schemes and annual contributions are calculated by reference to base salaries, with neither annual bonuses nor awards under the share incentive schemes taken into account in calculating the amounts due.

Executive Directors' service contracts (Unaudited)

Executive Directors do not have fixed period contracts.

Payments to Past Directors, policy on payment of loss of office and termination payments (Audited)

There were no payments to past Directors made during the year. Notice periods are set under individual service contracts but the Company has a policy for Executive Directors of a notice period of nine months to be given by the Company and of six months to be given by the individual. The compensation for loss of office is based upon the respective service contracts and the components are based on the base salary of the Director.

DIRECTORS' INTERESTS

Interests in shares

Interests of the Directors in the shares of the Company at 31 March 2024 and 31 March 2023 were:

	At 31 March 2024 number	At 31 March 2023 number
Executive Directors		
O Raeburn	–	–
K Gould	786,489	786,489
Non-Executive Directors		
L Davies	1,526,627	1,526,627
H De Zoete (resigned 30 June 2023)	–	–
D Carter	–	–
J Stansfield	85,358	85,358
N Batram	–	–

Apart from the interests disclosed above no Directors were interested at any time in the year in the share capital of any other Group Company. Daniel Carter is also an employee at Phoenix Asset Management Partners Limited who hold a substantial shareholding in Hornby PLC.

On behalf of the Board

Kirstie Gould
Chief Finance Officer

Westwood
Margate
CT9 4JX

10 July 2024

Independent Auditors' Report to the Members of Hornby PLC

OPINION

We have audited the financial statements of Hornby Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2024, which comprise:

- the Group statement of comprehensive income for the year ended 31 March 2024;
- the Group and Parent Company statements of financial position as at 31 March 2024;
- the Group and Parent Company statements of cash flows for the year then ended;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- testing the cash flow model provided by management and challenging the assumptions made;
- assessing the accuracy of past budgeting, as well as a review of the April management accounts compared to forecast;
- considering the cash position of the business along with current facilities available for drawdown including obtaining evidence of the signed facility agreements;
- considering the appropriateness of the going concern period;
- reviewing sensitised forecasts and considering whether the sensitivities applied were appropriate and reflected a reasonable 'severe but plausible downside' scenario;
- evaluating the support provided by Phoenix UK Fund Limited. In reviewing this support we considered the ability of Phoenix UK Fund Limited to provide the support, whether the support was legally enforceable and whether the support offered was appropriate in light of the sensitised forecasts;
- discussing the support directly with representatives from Phoenix UK Fund; and
- considering the appropriateness of the related disclosures against the requirements of the accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £250,000 (2023 £250,000), based on turnover and the underlying profitability of the business. We consider these to be the key performance metric reported by management to shareholders to assess the performance of the business. Materiality represents approximately less than 0.5% of turnover and 3% of loss before tax (2023: 0.5% of turnover and 9% of loss before tax).

Overall Parent Company materiality was set at £200,000 (2023: £200,000) based on net assets, restricted so as not to exceed Group materiality.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Performance materiality was set at £175,000 (2023: £175,000) for the Group and £140,000 (2023: £140,000) for the Parent Company.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000 (2023: £10,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed an audit of the financial information of two full scope components, Hornby Plc and Hornby Hobbies Limited. The European sales offices, the US trading subsidiary, Hornby World, Hornby India, LCD Enterprises Limited and Oxford Diecast Limited were audited using a component materiality level of £200,000 for the purposes of the consolidation only.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered going concern to be a key audit matter. Our observations on this area are set out in the Conclusions relation to Going Concern section of the auditors' report.

This is not a complete list of all risks identified by our audit.

Independent Auditors' Report to the Members of Hornby PLC continued

KEY AUDIT MATTERS continued

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of goodwill and intangibles and investments – Notes 8, 9 and 11 The Group holds goodwill at a carrying value of £2m and brand relations at a carrying value of £1.3m. The Parent Company also holds significant investments and debtor balances with Group companies. Recovery of these assets is dependent upon future cash flows which are required to be discounted. Recovery is based on future cashflows which are inherently subjective, and this increases the risk the cashflow forecasts may not be met. We also consider there to be a risk that cashflows have not been discounted at an appropriate rate. If the cash flows do not meet expectations the assets may become impaired.	We tested management's impairment review which includes impairment reviews for investments and intercompany debt in the parent and goodwill and intangible assets at group level. The audit work relied on forecasts of future cash flows based on board approved forecasts. We challenged management on the assumptions made, including the forecast growth rate, profitability, terminal growth rates applied and discount rate applied. We used the expertise of our valuations team to review the discount rate. As part of our testing we benchmarked assumptions such as the terminal growth rate and inputs into the calculation of the cost of capital (discount rate). For investments and intercompany balances we considered the fair value of the group with reference to market capitalisation of the group.
Inventory provisioning – Note 13 The Group is holding £21.5m of inventory at the year end. There is a risk that inventory may become difficult to sell and thereby become impaired. We consider that, due to the losses in the group and the persistent high levels of stock, there is an increased risk of either stock obsolescence or stock being valued above its net realisable value. Management provides for key lines of stock based on a historical provisioning policy. We therefore consider there to be risk that this provision is incorrectly calculated, the historical assumptions are incorrect or that there are lines of stock, not in the provision, that require providing for.	We obtained the aged inventory reports and recalculated the provision. We also verified the accuracy of the ageing report. We compared the assumptions used to those used in the prior year and challenged management where assumptions had either changed or no longer appeared appropriate. We compared the aging of stock year on year to consider whether the stock was getting older that may indicate a need for a provision. For a sample of older stock items we examined evidence that stock lines were moving and that these were being sold above cost. For a sample of the remainder of inventory, we reviewed sales post year end to consider if any items were being sold below cost.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

OTHER INFORMATION

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: (www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Independent Auditors' Report to the Members of Hornby PLC continued

EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any.

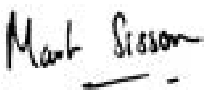
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and the recognition of revenue. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence with any legal firms;
- detailed testing of a sample of sales made during the year and around the year and agreeing these through to invoices and despatch records;
- testing the appropriateness of a sample of significant journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Sisson (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
40-46 High Street
Maidstone
Kent ME14 1JH

11 July 2024

Group Statement of Comprehensive Income

for the Year Ended 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000
Revenue	2	56,244	55,105
Cost of sales		(31,248)	(28,166)
Gross profit		24,996	26,939
Distribution costs		(8,991)	(8,196)
Selling and marketing costs		(13,523)	(11,448)
Administrative expenses		(8,982)	(7,712)
Other operating expenses		(135)	(653)
Operating loss before Exceptional items		(6,635)	(1,070)
Exceptional items	4	(489)	(3,974)
Operating loss		(7,124)	(5,044)
Finance income	3	26	11
Finance costs	3	(1,688)	(843)
Net finance expense		(1,662)	(832)
Share of profit of investments using the equity method	11	60	–
Loss before taxation		(8,726)	(5,876)
Income tax	5	(3,361)	(46)
Loss for the year after taxation		(12,087)	(5,922)
Loss for the year after taxation attributable to:			
Equity holders of the Company		(12,064)	(5,905)
Non-controlling interests		(23)	(17)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges		474	(932)
Currency translation gains/(losses)		(110)	161
Other comprehensive (loss)/income for the year, net of tax		364	(771)
Total comprehensive (loss)/income for the year		(11,723)	(6,693)
Comprehensive income attributable to:			
Equity holders of the Company		(11,700)	(6,676)
Non-controlling interests		(23)	(17)
(Loss)/Profit per ordinary share			
Basic	7	(7.10p)	(3.50p)
Diluted	7	(7.10p)	(3.50p)

All results relate to continuing operations.

The notes on pages 41 to 74 form part of these accounts.

Group and Company Statements of Financial Position

Position as at 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Assets					
Non-current assets					
Goodwill	8	2,001	1,732	–	–
Intangible assets	9	2,656	2,986	–	–
Property, plant and equipment	10	14,507	12,041	–	–
Investments	11	1,498	–	27,092	25,509
Right of Use Assets	12	2,312	2,087	–	–
Deferred tax assets	21	279	3,571	–	–
		23,253	22,417	27,092	25,509
Current assets					
Inventories	13	21,484	21,282	–	–
Trade and other receivables	14	9,245	9,181	13,829	14,978
Derivative financial instruments	20	23	2	–	–
Cash and cash equivalents	15	1,116	1,337	1	1
		31,868	31,802	13,830	14,979
Liabilities					
Current liabilities					
Borrowings	19	(15,341)	(6,750)	–	–
Trade and other payables	16	(11,337)	(8,067)	(11,459)	(11,065)
Lease liabilities	18	(479)	(409)	–	–
Derivative financial instruments	20	(104)	(557)	–	–
		(27,261)	(15,783)	(11,459)	(11,065)
Net current assets		4,607	16,019	2,371	3,914
Non-current liabilities					
Borrowings	19	(67)	(117)	(5,711)	(5,871)
Lease liabilities	18	(2,249)	(2,047)	–	–
Other payables	23	(669)	–	(669)	–
Deferred tax liabilities	21	(559)	(233)	–	–
		(3,544)	(2,397)	(6,380)	(5,871)
Net assets		24,316	36,039	23,083	23,552
Equity attributable to owners of the parent					
Share capital	22	1,699	1,699	1,699	1,699
Share premium		52,857	52,857	52,857	52,857
Capital redemption reserve		55	55	55	55
Translation reserve	24	(1,763)	(1,653)	(1,029)	(1,232)
Hedging reserve	24	(81)	(555)	–	–
Other reserves	24	1,688	1,688	19,145	19,145
Accumulated losses	24	(30,111)	(18,047)	(49,644)	(48,972)
Equity attributable to PLC shareholders		24,344	36,044	23,083	23,552
Non-controlling interests		(28)	(5)		
Total equity		24,316	36,039		

The Company made a loss after tax of £672,000 (2023: £36,704,000). The loss made in the previous year was due to impairment of investments.

The notes on page 41 to 74 form part of these accounts. The financial statements on pages 37 to 74 were approved by the Board of Directors on 10 July 2024 and were signed on its behalf by:

K Gould

K Gould,
Director, Registered Company Number: 01547390

Group and Company Statements of Changes in Equity

For the Year Ended 31 March 2024

GROUP	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Hedging reserve £'000	Other reserves £'000	Non-controlling interests £'000	Accumulated losses £'000	Total equity £'000
Balance at 31 March 2022 and 1 April 2022	1,669	52,857	55	(1,814)	377	1,688	12	(11,734)	43,110
Loss for the year	–	–	–	–	–	–	(17)	(5,905)	(5,922)
Other comprehensive (expense)/income for the year	–	–	–	161	(932)	–	–	–	(771)
Total comprehensive (loss)/income for the year	–	–	–	161	(932)	–	(17)	(5,905)	(6,693)
Transactions with owners									
Share-based payments – cash	30	–	–	–	–	–	–	(940)	(910)
Share-based payments – non-cash	–	–	–	–	–	–	–	532	532
Total transactions with owners	30	–	–	–	–	–	–	(408)	(378)
Balance at 31 March 2023	1,699	52,857	55	(1,653)	(555)	1,688	(5)	(18,047)	36,039
Loss for the year	–	–	–	–	–	–	(23)	(12,064)	(12,087)
Other comprehensive									
Other comprehensive (expense)/income for the year	–	–	–	(110)	474	–	–	–	364
Total comprehensive (loss)/income for the year	–	–	–	(110)	474	–	(23)	(12,064)	(11,723)
Balance at 31 March 2024	1,699	52,857	55	(1,763)	(81)	1,688	(28)	(30,111)	24,316

COMPANY	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March and 1 April 2022	1,669	52,857	55	(963)	19,145	(11,860)	60,903
Loss for the year	–	–	–	–	–	(36,704)	(36,704)
Other comprehensive expense for the year	–	–	–	(269)	–	–	(269)
Total comprehensive income/(expense) for the year	–	–	–	(269)	–	(36,704)	(36,973)
Transactions with owners							
Share-based payments (Note 23)	30	–	–	–	–	(408)	(378)
Total transactions with owners	30	–	–	–	–	(408)	(378)
Balance at 31 March 2023	1,699	52,857	55	(1,232)	19,145	(48,972)	23,552
Loss for the year	–	–	–	–	–	(672)	(672)
Other comprehensive expense for the year	–	–	–	203	–	–	203
Total comprehensive income/(expense) for the year	–	–	–	203	–	(672)	(469)
Balance at 31 March 2024	1,699	52,857	55	(1,029)	19,145	(49,644)	23,083

The notes on page 41 to 74 form part of these accounts.

Group and Company Cash Flow Statements

for the Year Ended 31 March 2024

	Note	Group 2024 £'000	Group 2023 (restated) £'000	Company 2024 £'000	Company 2023 £'000
Loss before taxation		(8,726)	(5,876)	(672)	(36,704)
Interest payable		1,527	689	213	212
Interest paid on Lease liabilities		162	153	–	–
Interest receivable		(26)	(11)	(175)	(175)
Share of profit of Investments using the equity method		(60)	–	(60)	–
Amortisation of intangible assets		564	553	–	–
Impairment of intangible assets		404	–	–	–
Impairment of goodwill/intercompany balances		10	2,915	–	33,389
Depreciation		3,901	2,762	–	–
Depreciation on right of use assets		499	528	–	–
Share-based payments (non cash)		669	532	669	266
Share-based payments (cash)		–	(940)	–	–
Decrease/(increase) in inventories		218	(4,680)	–	–
Decrease/(increase) in trade and other receivables		199	(373)	1,315	(870)
Increase in trade and other payables		1,328	366	233	3,851
Cash flows from operating activities		669	(3,382)	1,523	(31)
Interest paid		(566)	(322)	–	–
Interest element of ROU lease payments		(162)	(153)	–	–
Net cash (used in)/generated from operating activities		(59)	(3,857)	1,523	(31)
Cash flows from investing activities					
Purchase of interest in associate (net of cash acquired)	11	(1,438)	–	(1,438)	–
Equity investment in subsidiary company		–	–	(85)	–
Purchase of property, plant and equipment	10	(6,369)	(4,744)	–	–
Purchase of intangible assets	9	(451)	(351)	–	–
Interest received		26	11	–	–
Net cash (used in)/generated from investing activities		(8,232)	(5,084)	(1,523)	–
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		–	30	–	30
Repayment of CBIL loan		(50)	(50)	–	–
Proceeds from Asset Based Lending Facility		1,152	4,590	–	–
Shareholder Loan		7,439	2,000	–	–
Payment of lease liabilities		(462)	(460)	–	–
Net cash generated from/(used in) financing activities		8,079	6,110	–	30
Net (decrease)/increase in cash and cash equivalents		(212)	(2,831)	–	(1)
Cash and cash equivalents at the beginning of the year		1,337	4,139	1	2
Effect of exchange rate movements		(9)	29	–	–
Cash and cash equivalents at the end of year		1,116	1,337	1	1
Cash and cash equivalents consist of:					
Cash and cash equivalents	15	1,116	1,337	1	1
Cash and cash equivalents at the end of year		1,116	1,337	1	1

The cash flow for year ended March 2023 has been restated due to a prior year error in the split of interest paid and accrued.

Notes to the Financial Statements

1. MATERIAL ACCOUNTING POLICIES

Accounting policies for the year ended 31 March 2024

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The registered address and principal place of business is Westwood Industrial Estate, Enterprise Road, Margate CT9 4JX.

Basis of preparation

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

The financial information for the year ended 31 March 2024 has been prepared in accordance with UK-adopted international accounting standards. The consolidated Group and Parent Company 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. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or Statement of Comprehensive Income.

The preparation of financial statements in conformity with UK-adopted IAS 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.

Going concern

The Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank PLC ("STB") through to December 2025. The Company provides customary operational covenants to STB on a monthly basis such as inventory turn, credit note dilutions and management accounts. In addition, the Group has a committed £12.55 million loan facility with Phoenix Asset Management Partners Limited (the Group's largest shareholder) which currently expires December 2025.

The Group has prepared trading and cash flow forecasts for a period of three years, however for the purposes of going concern review we have looked in detail at the period to December 2025 which is when the facilities with STB and Phoenix currently expire. On the basis of these forecasts, and after a detailed review of trading, financial position and cash flow models, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Company has received a legally binding letter of support from Phoenix UK Fund Limited confirming to provide funds if required up to an additional £7 million to support the Company's business plan until at least 31 December 2025. The current budgets do not show the Group requiring support beyond the already committed facilities. The Board have prepared a severe but plausible downside scenario and consider that the Group will continue to be a going concern with the additional support provided by Phoenix UK Fund. The Board have also considered various mitigating actions that could be taken if required. For these reasons, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset concerned. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES continued

Adoption of new and revised standards

The following standards and interpretations relevant to the Group are in issue but are not yet effective and have not been applied in the historical financial information. In some cases these standards and guidance have not been endorsed for use.

- IAS 1 Presentation of liabilities as current or non-current
- IAS 8 definition of accounting estimates
- Amendments to IFRS 16 re lease liability in a sale and leaseback
- IAS 7 and IFRS 7 re supplier finance disclosures

Adoption of these standards is not expected to have a material impact on the Group.

Revenue recognition

The Group's revenue is mostly from product sales and is recognised as follows:

(a) Sale of goods

Sales of goods are recognised when a Group entity has delivered products to the customer. The customer is either a trade customer or the consumer when sold through Hornby concessions in various retail outlets, or via the internet.

(b) Royalty income

Royalty income is recognised when the performance obligation is satisfied depending on the terms of the contract and the amount of revenue can be measured reliably.

(c) Sales returns

The Group establishes a refund liability (included in trade and other payables) at the period end that reduces revenue in anticipation of customer returns of goods sold in the period. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Goods to be returned are not recognised as assets until they are returned and have been inspected.

(d) Hornby Visitor Centre

Revenue is generated from the ticket and product sales at our Visitor Centre in Margate and recognised at the point of sale.

(e) Customer loyalty

Loyalty points issued by Hornby when a customer purchases goods from the website are a separate performance obligation providing a material right to a future discount. The amount allocated to loyalty points is deferred as a contract liability within trade and other payables. Revenue is recognised as the points are redeemed by the customer. As the scheme is still in its early years we fully accrue the liability. Revenue is adjusted by 1p for every £1 spent by a Hornby Rewards customer. When the points are redeemed and the Group fulfils its obligations the revenue that was deferred is recognised.

Dividend income in the Company is recognised upon receipt. Revenue from management services are recognised in the accounting period in which the services are rendered.

Exceptional items

Where items of income and expense included in the Statement of Comprehensive Income are considered to be exceptional in nature, separate disclosure of their nature and amount is provided in the financial statements. These items are classified as exceptional items. The Group considers the size and nature of an item both individually and when aggregated with similar items when considering whether it is material, for example impairment of intangible assets or restructuring costs.

Operating segments

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.

Business combinations

Goodwill arising on a business combination, is not subject to amortisation but tested for impairment on an annual basis. Intangible assets, excluding goodwill, arising on a business combination are separately identified and valued, and subject to amortisation over their estimated economic lives.

Associate with equity accounting

The investment in July 2023 in 25% of Warlord Games Limited is included in these accounts using the Equity Method.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as 'share of profit/(loss) of associates' in the income statement.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment. Goodwill is recorded in the currency of the cash-generating unit to which it is allocated.

Intangibles

Other intangibles include brands, customer lists and computer software. They are recognised initially at fair value determined in accordance with appropriate valuation methodologies and subjected to amortisation and annual impairment reviews, as follows:

(a) Brand names

Brand names, acquired as part of a business combination, are capitalised at fair value as at the date of acquisition. They are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the fair value of brand names over their estimated economic life of 15–20 years.

(b) Customer lists

Customer lists, acquired as part of a business combination, are capitalised at fair value as at the date of acquisition. They are carried at their fair value less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the fair value of customer relationships over their estimated economic life of 10 years. Customer lists have been valued according to discounted incremental operating profit expected to be generated from each of them over their useful lives of 10 years.

(c) Computer software and website costs

Computer software and website expenditure is capitalised at the value at the date of acquisition and depreciated over a useful economic life of four to six years.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES continued

Property, plant and equipment

Land and buildings are shown at cost less accumulated depreciation. Other property, plant and equipment are shown at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates calculated to write off the cost or valuation of each asset, on a straight-line basis (with the exception of tools and moulds) over its expected useful life to its residual value, as follows:

Plant and equipment	– 5 to 10 years
Motor vehicles	– 4 years

Tools and moulds are depreciated at varying rates in line with the related product production on an item-by-item basis up to a maximum of four years. Tools and moulds purchased but not ready for production are not depreciated.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Intercompany balances

Recovery of intercompany receivable balances is reviewed annually. The Company guarantees the amounts due from other companies to its subsidiaries. This guarantee is not contractual and therefore amounts are provided for within the Parent Company statement of financial position in accordance with IAS 37 when the recoverability of the balance is not probable.

Impairment of non-current assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is considered to be the higher of its value in use and fair value less costs to sell. In order to assess impairment, assets are grouped into the lowest levels for which there are separately identifiable cash flows (cash-generating units). Cash flows used to assess impairment are discounted using appropriate rates taking into account the cost of equity and any risks relevant to those assets.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment. Investments in associates are recognised using the equity method of accounting, where the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profits or losses of the investee. Dividend income is shown separately in the Statement of Comprehensive Income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is predominantly determined using the first-in, first-out (FIFO) method. The cost of finished goods comprise item cost, freight and any product specific development costs.

Net realisable value is based on anticipated selling price less further costs expected to be incurred to completion and disposal. Provisions are made against those stocks considered to be obsolete or excess to requirements on an item-by-item basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Group and Company's statements of financial position when the Group or Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. To establish the provision for impairment, the Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2024 and the corresponding historical credit losses experienced within this period.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the Group and Company after deducting all of its liabilities. Equity instruments issued by the Group and Company are recorded at the proceeds received, net of direct issue costs.

Refund liability

Provisions for sales returns are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method).

Customer loyalty liability

Loyalty points issued by Hornby when a customer purchases goods from the website are a separate performance obligation providing a right to a future discount. The amount allocated to loyalty points is deferred as a contract liability within trade and other payables. Revenue is recognised as the points are redeemed by the customer. As the scheme is still in its early years we fully accrue the liability. Points awarded expire after 24 months.

Cash and cash equivalents

Cash and cash equivalents for the purpose of the cash flow statement includes cash in hand, deposits at banks, other liquid investments with insignificant risk of changes in value with original maturities of three months or less and bank overdrafts. Bank overdrafts or loans where there is no right of set off are shown within borrowings in current or non-current liabilities on the statement of financial position as appropriate.

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and subsequently amortised over the life of the facility. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES continued

Taxation including deferred tax

Corporation tax, where payable, is provided on taxable profits at the current rate.

The taxation liabilities of certain Group undertakings are reduced wholly or in part by the surrender of losses by fellow Group undertakings.

Deferred tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

Employee benefit costs

During the year the Group operated a defined contribution money purchase pension scheme under which it pays contributions based upon a percentage of the members' basic salary. The scheme is administered by trustees either appointed by the Company or elected by the members (to constitute one third minimum).

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income according to the year in which they are payable.

Further information on pension costs and the scheme arrangements is provided in Note 26.

The Group has a profit share scheme for all employees below Executive level. This scheme commenced in 2020/21 with a 5% bonus for all when the Group broke even. Thereafter, 15% of all Group operating profit will be shared between the employees every year.

The CEO is subject to a bonus scheme related to the market capitalisation increase over the three-year period ending January 2026 and adjusted for certain factors. The bonus has been determined as a cash settled share-based payment arrangement. Further details are included in Note 23.

For the first two years of this scheme, the CEO may receive a discretionary bonus up to 38.9% of their base salary. Payments made during these years will be subtracted from the ultimate award amount due under this scheme.

The bonuses for other executives are reviewed annually by the Remuneration and Nomination Committee following recommendations by the CEO.

Financial risk management

Derivative financial instruments

To manage exposure to foreign currency risk, the Group uses foreign currency forward contracts, also known as derivative financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the hedging reserve within equity and through the Statement of Comprehensive Income within Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income within operating expenses.

Amounts accumulated in Other Comprehensive Income are recycled in the Statement of Comprehensive Income in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the Statement of Comprehensive Income within 'cost of sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) the gains and losses previously deferred in Other Comprehensive Income are transferred from the hedging reserve and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in income when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately transferred to the Statement of Comprehensive Income.

The Company only hedges for future inventory and tooling purchases in US Dollars.

Fair value estimation

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in Note 20.

Foreign currency

Transactions denominated in foreign currencies are recorded in the relevant functional currency at the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from such transactions are recognised in the Statement of Comprehensive Income, except when deferred and disclosed in Other Comprehensive Income as qualifying cash flow hedges. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the Statement of Comprehensive Income.

Foreign exchange gains/losses recognised in the Statement of Comprehensive Income relating to foreign currency loans and other foreign exchange adjustments are included within operating profit.

On consolidation, the Statement of Comprehensive Income and cash flows of foreign subsidiaries are translated into Sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries are translated into Sterling at the rates of exchange ruling at the balance sheet date. Gains or losses arising on the translation of opening and closing net assets are recognised in Other Comprehensive Income.

Critical estimates and judgements in applying the accounting policies

The Group's estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill, intangibles and investments

The Group tests annually whether any goodwill, investment or intangible asset has suffered any impairment. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. The critical areas of estimation applied within the impairment reviews conducted include the weighted average cost of capital used in discounting the cash flows of the CGUs, the forecast margin growth rate, the growth rate in perpetuity of the cash flows and the forecast operating profits of the CGUs. The judgements used within this assessment are set out within Note 8.

Notes to the Financial Statements continued

1. MATERIAL ACCOUNTING POLICIES continued

Critical estimates and judgements in applying the accounting policies continued

Critical accounting estimates and assumptions: continued

Other estimates and assumptions:

(a) Inventory provision

Whenever there is a substantiated risk that an item of stock's sellable value may be lower than its actual stock value, a provision for the difference between the two values is made. Management review the stock holdings on a regular basis and consider where a provision for excess or obsolete stock should be made based on expected demand for the stock and its condition.

(b) Receivables provision

The Group reviews the amount of credit loss associated with its trade receivables, intercompany receivables and other receivables based on forward-looking estimates that consider current and forecast credit conditions as opposed to relying on past historical default rates.

(c) Fair value of derivatives

The fair value of the financial derivatives is determined by the mark to market value at the year end date with any movement in fair value going through Other Comprehensive Income if qualifying as a cash flow hedge.

(d) Refund liability

The refund liability is based on accumulated experience of returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The right to the returned goods is measured by reference to the carrying amount of the goods.

Critical judgements in applying the Group's accounting policies:

(a) Recognition of deferred tax on losses

Deferred tax assets are recognised for deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(b) Going concern

The Directors apply judgement to assess whether it is appropriate for the Group to be reported as a going concern by considering the business activities and the Group's principal risks and uncertainties. Details of the consideration made are included within the Directors' Report (page 27) and the basis of preparation (page 41).

A number of assumptions and estimates are involved in arriving at this judgement including management's projections of future trading performance and expectations of the external economic environment.

Other judgements:

(a) IFRS 16 Estimates

The Group makes judgement to estimate the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. This is explained further in the Leases accounting policy. Where leases include break dates the management make decisions as to whether the lease is likely to be broken and calculations are based on this judgement.

2. SEGMENTAL REPORTING

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 the rest of Europe.

Although the USA segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the Board as it is outside Europe.

The Company is a holding Company operating in the United Kingdom and its assets and liabilities are given in the Company Statement of Financial Position on page 38. Other Company information is provided in the other notes to the accounts.

Year ended 31 March 2024

		UK £'000	USA £'000	Spain £'000	Italy £'000	Rest of Europe £'000	Total Reportable Segments £'000	Intra Group £'000	Group £'000
Revenue	– External	40,200	4,125	2,056	3,907	5,956	56,244	–	56,244
	– Other segments	2,527	–	–	–	–	2,527	(2,527)	–
Operating (Loss)/Profit before exceptional items		(6,881)	(679)	48	380	497	(6,635)	–	(6,635)
Exceptional items		(456)	(10)	–	–	(23)	(489)	–	(489)
Operating Profit/(Loss)		(7,337)	(689)	48	380	474	(7,124)	–	(7,124)
Finance income	– External	26	–	–	–	–	26	–	26
	– Other segments	460	–	–	–	–	460	(460)	–
Finance costs	– External	(1,668)	(14)	(1)	(2)	(3)	(1,688)	–	(1,688)
	– Other segments	(175)	–	(213)	–	(72)	(460)	(460)	–
Minority interest		60	–	–	–	–	60	–	60
Profit/(Loss) before taxation		(8,634)	(703)	(166)	378	399	(8,726)	–	(8,726)
Taxation		(3,305)	–	–	(28)	(28)	(3,361)	–	(3,361)
Profit/(Loss) for the year		(11,940)	(703)	(166)	350	371	(12,087)	–	(12,087)
Segment assets		70,790	2,404	6,141	565	5,610	85,510	–	85,510
Less intercompany receivables		(18,556)	–	(6,052)	(820)	(4,961)	(30,389)	–	(30,389)
Total assets		52,234	2,404	89	(255)	649	55,121	–	55,121
Segment liabilities		(46,484)	(8,237)	(5,946)	(530)	(6,601)	(67,798)	–	(67,798)
Less intercompany payables		15,965	8,108	5,841	123	6,397	36,434	–	36,434
Add tax liabilities		559	–	–	–	–	559	–	559
Total liabilities		(29,960)	(129)	(105)	(407)	(204)	(30,805)	–	(30,805)
Other segment items									
Capital expenditure		6,356	–	6	7	–	6,369	–	6,369
Depreciation		3,878	16	3	4	–	3,901	–	3,901
Net foreign exchange on intercompany loans		(210)	–	–	–	–	(210)	–	(210)
Amortisation of intangible assets		564	–	–	–	–	564	–	564

Notes to the Financial Statements continued

2. SEGMENTAL REPORTING continued

Year ended 31 March 2023

		UK £'000	USA £'000	Spain £'000	Italy £'000	Rest of Europe £'000	Total Reportable Segments £'000	Intra Group £'000	Group £'000
Revenue	– External	39,617	4,875	1,464	3,494	5,655	55,105	–	55,105
	– Other segments	3,193	–	–	–	–	3,193	(3,193)	–
Operating (Loss)/Profit before exceptional items		(1,467)	(598)	21	371	603	(1,070)	–	(1,070)
Exceptional items		(3,974)	–	–	–	–	(3,974)	–	(3,974)
Operating Profit/(Loss)		(5,441)	(598)	21	371	603	(5,044)	–	(5,044)
Finance income	– External	11	–	–	–	–	11	–	11
	– Other segments	473	–	–	–	–	473	(473)	–
Finance costs	– External	(825)	(12)	(1)	(2)	(3)	(843)	–	(843)
	– Other segments	(174)	–	(212)	(15)	(72)	(473)	473	–
Profit/(Loss) before taxation		(5,956)	(610)	(192)	354	528	(5,876)	–	(5,876)
Taxation		(21)	–	–	(25)	–	(46)	–	(46)
Profit/(Loss) for the year		(5,977)	(610)	(192)	329	528	(5,922)	–	(5,922)
Segment assets		65,951	2,307	6,222	198	5,401	80,079	–	80,079
Less intercompany receivables		(18,215)	–	(6,136)	(424)	(4,657)	(29,432)	–	(29,432)
Add tax assets		3,637	–	–	(65)	–	3,572	–	3,572
Total assets		51,373	2,307	86	(291)	744	54,219	–	54,219
Segment liabilities		(33,244)	(7,611)	(5,852)	(442)	(6,756)	(53,905)	–	(53,905)
Less intercompany payables		15,523	7,537	5,760	127	6,545	35,492	–	35,492
Add tax liabilities		233	–	–	–	–	233	–	233
Total liabilities		(17,488)	(74)	(92)	(315)	(211)	(18,180)	–	(18,180)
Other segment items									
Capital expenditure		4,721	16	–	7	–	4,744	–	4,744
Depreciation		2,739	17	2	4	–	2,762	–	2,762
Net foreign exchange on intercompany loans		(313)	–	–	–	–	(313)	–	(313)
Amortisation of intangible assets		553	–	–	–	–	553	–	553

3. NET FINANCE EXPENSE

	Group	
	2024 £'000	2023 £'000
Finance costs:		
Interest expense on bank borrowings	(565)	(322)
Interest expense on shareholder loan	(961)	(368)
Interest element of lease payments made	(162)	(153)
	(1,688)	(843)
Finance income:		
Bank interest	26	11
Net finance costs	(1,662)	(832)

4. PROFIT/(LOSS) BEFORE TAXATION

	2024 £'000	2023 £'000
The following items have been included in arriving at loss before taxation:		
Staff costs	12,201	10,316
Inventories:		
– Cost of inventories recognised as an expense (included in cost of sales)	24,375	22,656
– Stock provision	(138)	29
Depreciation of property, plant and equipment:		
– Owned assets	3,901	2,763
– Leased assets	499	492
Repairs and maintenance expenditure on property, plant and equipment	48	65
Research and development expenditure	1,818	1,719
Impairment of trade receivables	4	(31)
Share-based payment charge (Note 23)	669	532
Goodwill impairment	10	2,915
Other operating expenses/(income):		
– Foreign exchange on trading transactions	(64)	426
– Amortisation of intangible brand assets and customer lists	223	227
Exceptional items comprise:		
– Refinancing costs	2	149
– Hornby World Experience	–	910
– Goodwill impairment	10	2,915
– Intangible impairment	404	–
– Restructuring costs	73	–
	489	3,974

The Group exceptional items totalling £489,000 (2023: £3,974,000) are costs relating to restructuring of the sales and marketing teams, intangible impairment on International Brands and customer lists and a small goodwill impairment. These are classified as exceptional as they are one off, non-recurring costs.

Notes to the Financial Statements continued

4. PROFIT/(LOSS) BEFORE TAXATION continued

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and network firms as detailed below:

	Group	
	2024 £'000	2023 £'000
Fees payable to the Company's auditors for the audit of Parent Company and consolidated accounts	144	98
Fees payable to the Company's auditors and its associates for other services:		
– The auditing of accounts of the Company's subsidiaries	12	38
– Audit-related assurance services	–	–
– Tax services	9	8
	165	144

In the prior financial year the level of non-audit fees were £8k and related to tax services and was within the 1:1 ratio to audit fees as per Audit Committee policy.

5. INCOME TAX (CREDIT)/CHARGE

Analysis of tax (credit)/charge in the year

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Current tax				
UK Taxation:				
– Current	–	–	–	–
– Adjustments in respect of prior years	(280)	(32)	–	–
Overseas taxation	70	97	–	–
Deferred tax (Note 21)				
Current year	–	–	–	–
Origination and reversal of temporary differences	3,571	(19)	–	–
Effect of tax rate change on opening balance	–	–	–	–
Total tax charge to the loss before tax	3,361	46	–	–

The tax for the year differs to the standard rate of corporation tax in the UK of 19%. Any differences are explained below:

	Group	
	2024 £'000	2023 £'000
Profit/(Loss)before taxation	(8,726)	(5,876)
Loss on ordinary activities multiplied by rate of		
Corporation tax in UK of 25% (2023: 19%)	(2,182)	(1,116)
Effects of:		
Adjustments to tax in respect of prior years	(280)	(32)
Permanent differences	118	(35)
Non taxable income	(15)	–
Plant and machinery super-deduction	–	(265)
Difference on overseas rates of tax	48	57
Deferred tax not recognised	5,672	1,437
Effect of tax rate change	–	–
Total taxation	3,361	46

The Company's profits for this accounting year are taxed at an effective rate of 25% (2023: 19%).

UK deferred tax balances have been carried forward at a rate of 25% (2023: 25%).

Unrecognised deferred tax relates to UK and overseas subsidiaries and is not recognised, except to the extent of the prior year movement in the change in tax rate noted above. This is due to the Directors taking the view that deferred tax should only be recognised to the extent significant taxable profits are likely to be achieved in the short term. More detail can be found in Note 21.

6. DIVIDENDS

No interim or final dividends were paid in relation to the year ended 31 March 2023 and no interim dividend has been paid in relation to the year ended 31 March 2024. The Directors are not proposing a final dividend in respect of the financial year ended 31 March 2024.

7. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares that have satisfied the appropriate performance criteria at 31 March 2024.

The underlying loss per share is shown to present a clearer view of the trading performance of the business. Management identified the following items, whose inclusion in performance distorts underlying trading performance: net foreign exchange (gains)/losses on intercompany loans which are dependent on exchange rate fluctuations and can be volatile, and the amortisation of intangibles which results from historical acquisitions. Additionally, share-based payments and exceptional items including refinance are one off items and therefore have also been added back in calculating underlying profit/(loss) per share.

7. LOSS PER SHARE continued

Reconciliations of the profit and weighted average number of shares used in the calculations are set out below.

	2024			2023		
	(Loss)/ earnings £'000	Weighted average number of shares '000s	Per-share amount pence	(Loss)/ earnings £'000	Weighted average number of shares '000s	Per-share amount pence
REPORTED						
Basic (loss)/profit per share						
(Loss)/Profit attributable to ordinary shareholders	(12,063)	169,854	(7.10)	(5,904)	168,812	(3.50)
Effect of dilutive share options	–	–	–	–	–	–
Diluted (loss)/profit per share	(12,063)	169,854	(7.10)	(5,904)	168,812	(3.50)
UNDERLYING						
(Loss)/Profit attributable to ordinary shareholders	(12,063)	169,854	(7.10)	(5,904)	168,812	(3.50)
Share-based payments	502	–	0.30	431	–	0.26
Amortisation of intangibles	223	–	0.13	180	–	0.11
Refinance costs	–	–	–	121	–	0.07
Hornby World costs	–	–	–	737	–	0.44
Goodwill impairment	10	–	0.01	2,361	–	1.40
Intangible impairment	404	–	0.23	–	–	–
Restructuring costs	56	–	0.03	–	–	0.00
Underlying basic (loss)/profit/EPS	(10,701)	169,854	(6.40)	(2,074)	168,812	(1.22)

The above numbers used to calculate the underlying EPS for the year ended 31 March 2024 have been tax effected at the rate of 25% where applicable (2023: 19%).

8. GOODWILL

GROUP	£'000
COST	
At 1 April 2023	13,138
Exchange adjustments	(1)
Acquisition (Note 17)	280
At 31 March 2024	13,417
AGGREGATE IMPAIRMENT	
At 1 April 2023	11,406
Impairment charge in the year	10
At 31 March 2024	11,416
Net book amount at 31 March 2024	2,001
Net book amount at 31 March 2023	1,732

The Company has no goodwill.

The goodwill impairment in the year relates to goodwill on Hornby USA. The Directors have taken the approach of no longer recognising this goodwill due to the continued local losses. Details of valuation method are detailed below in impairment tests for goodwill. The impairment charge for the year has been included with exceptional items (see Note 4).

The goodwill has been allocated to cash-generating units and a summary of carrying amounts of goodwill by brand and geographical segment (representing cash-generating units) at 31 March 2024 and 31 March 2023 is as follows:

GROUP	UK £'000	France £'000	Germany £'000	USA £'000	Total £'000
At 31 March 2024	1,439	365	197	–	2,001
At 31 March 2023	1,160	365	197	10	1,732

Goodwill allocated to the above cash-generating units of the Group has been measured based on benefits each geographical segment is expected to gain from the business combination.

Impairment tests for goodwill

Management reviews the business performance based on geography. Budgeted revenue was based on expected levels of activity given results to date, together with expected economic and market conditions. Budgeted operating profit was calculated based upon management's expectation of operating costs appropriate to the business as reflected in the business plan.

The relative risk adjusted (or 'beta') discount rate applied reflects the risk inherent in hobby-based product companies. The 31 March 2024 forecasts are based on a three-year business plan for the years ending 31 March 2025 to 31 March 2027. Cash flows beyond these years are extrapolated using an estimated 2.0% year-on-year growth rate. The cash flows were discounted using a pre-tax discount rate of 16.9% (2023: 15.5%) which management believes is appropriate for all territories.

The key assumptions used for value-in-use calculations for the year ended 31 March 2024 and 2023 are as follows:

2024

GROUP	UK	France	Germany
Gross Margin[1]	61.00%	43.50%	47.10%
Growth rate to perpetuity[2]	2.00%	2.00%	2.00%
Revenue growth[3]	10.20%	14.90%	3.80%
Growth rate to perpetuity	2.00%	2.00%	2.00%

1. Average of the variable yearly gross margins used over the period 24'25 to 26'27. Airfix and Humbrol margins are higher than overall Group margins.
2. Weighted average growth rate used to extrapolate cash flows beyond the budget period reflecting the long-term future growth rate of the economy.
3. Average growth over the period 24'25 to 26'27.

2023

GROUP	UK	France	Germany
Gross Margin[1]	55.30%	43.80%	49.30%
Growth rate to perpetuity[2]	2.00%	2.00%	2.00%
Revenue growth[3]	13.15%	26.80%	4.98%
Growth rate to perpetuity	2.00%	2.00%	2.00%

The 2023 gross margins have been restated to include variable costs of sales to be consistent with this year and presentation in the financial statements.

1. Average of the variable yearly gross margins used over the period 23'24 to 25'26.
2. Weighted average growth rate used to extrapolate cash flows beyond the budget period.
3. Average growth over the period 24'25 to 26'27.

Notes to the Financial Statements continued

8. GOODWILL continued

Impairment tests for goodwill continued

These assumptions have been used for the analysis of each CGU within the operating segments.

For the UK CGU, the recoverable amount calculated based on value in use exceeded carrying value by £5.6 million. A reduction of the average gross margin to 53.3% for Airfix/Humbrol, or a rise in discount rate to respectively 62.6% for the UK would remove the remaining headroom.

For the France CGU, the recoverable amount calculated based on value in use exceeded carrying value by £6.1 million. A reduction of the average gross margin to 16.8%, or a rise in discount rate to 110.5%, would remove the remaining headroom.

For the Germany CGU, the recoverable amount calculated based on value in use exceeded carrying value by £6.5 million. A reduction of the average gross margin to 20.3%, or a rise in discount rate to 115.0%, would remove the remaining headroom.

9. INTANGIBLE ASSETS

GROUP	Brand names £'000	Customer lists £'000	Computer Software and Website £'000	Total £'000
COST				
At 1 April 2023	5,200	1,459	4,676	11,335
Additions	–	–	451	451
Acquired in business	–	187	–	187
At 31 March 2024	5,200	1,646	5,127	11,973
ACCUMULATED AMORTISATION				
At 1 April 2023	3,679	1,419	3,251	8,349
Charge for the year	223	4	337	564
Impairment charge	368	36	–	404
At 31 March 2024	4,270	1,459	3,588	9,317
Net book amount at 31 March 2024	930	187	1,539	2,656

GROUP	Brand names £'000	Customer lists £'000	Computer Software and Website £'000	Total £'000
COST				
At 1 April 2022	5,200	1,459	4,325	10,984
Additions	–	–	351	351
At 31 March 2023	5,200	1,459	4,676	11,335
ACCUMULATED AMORTISATION				
At 1 April 2022	3,456	1,415	2,925	7,796
Charge for the year	223	4	326	553
At 31 March 2023	3,679	1,419	3,251	8,349
Net book amount at 31 March 2023	1,521	40	1,425	2,986

All amortisation charges in the year relating to brand names and customer lists have been charged in other operating expenses. Amortisation in relation to computer software and website is withing admin costs. The Group holds intangible computer software and website assets that are fully amortised but still in use and therefore the cost is still included.

The intangible impairment in the year relates to brand names and customer lists for international brands. The Directors have taken the approach of no longer recognising these intangible assets due to an increase in the discount rate and a more prudent forecast over the next couple of years. The impairment charge has been included in exceptional items (see Note 4).

The Company held no intangible assets.

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and equipment £'000	Motor Vehicles £'000	Tools and moulds £'000	Total £'000
COST				
At 1 April 2023	1,761	53	81,653	83,467
Exchange adjustments	(19)	–	–	(19)
Additions at cost	1,423	–	4,946	6,369
Disposals	(56)	–	–	(56)
At 31 March 2024	3,109	53	86,599	89,761
ACCUMULATED DEPRECIATION				
At 1 April 2023	1,417	53	69,956	71,426
Exchange adjustments	(17)	–	–	(17)
Charge for the year	266	–	3,635	3,901
Disposals	(56)	–	–	(56)
At 31 March 2024	1,610	53	73,591	75,254
Net book amount at 31 March 2024	1,499	–	13,008	14,507

Depreciation is charged in the Group's statement of comprehensive income within cost of sales for tooling amortisation and Administrative expenses for all other depreciation.

GROUP	Plant and equipment £'000	Motor Vehicles £'000	Tools and moulds £'000	Total £'000
COST				
At 1 April 2022	1,706	55	77,013	78,774
Exchange adjustments	31	1	–	32
Additions at cost	104	–	4,640	4,744
Disposals	(80)	(3)	–	(83)
At 31 March 2023	1,761	53	81,653	83,467
ACCUMULATED DEPRECIATION				
At 1 April 2022	1,320	50	67,347	68,717
Exchange adjustments	26	1	–	27
Charge for the year	150	4	2,609	2,763
Disposals	(79)	(2)	–	(81)
At 31 March 2023	1,417	53	69,956	71,426
Net Book Value at 31 March 2023	344	–	11,697	12,041

The Company does not hold any property, plant and equipment.

Notes to the Financial Statements continued

11. INVESTMENTS

The Group investment comprises the associate, included in the Company balance sheet, details of which are given below.

Company

The movements in the net book value of interests in subsidiary and associated undertakings are as follows:

	Interests in subsidiary undertakings £'000	Interests in associate undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1 April 2023	21,160	–	4,349	25,509
Warlord Games Limited Acquisition	–	1,438	–	1,438
Share of profit of investments accounted for using the equity method	–	60	–	60
Capital contribution to Hornby India	85	–	–	85
At 31 March 2024	21,245	1,498	4,349	27,092
At 1 April 2022	21,743	–	4,349	26,092
Capital contribution relating to share-based payment	266	–	–	266
Options granted	(849)	–	–	(849)
At 31 March 2023	21,160	–	4,349	25,509

Interest was charged on loans to subsidiary undertakings at 4.6%.

Loans are unsecured and exceed five years' maturity.

Group subsidiary undertakings

Details of the subsidiaries of the Group are set out below. Hornby Hobbies Limited is engaged in the development, design, sourcing and distribution of models. Hornby America Inc., Hornby Italia s.r.l., Hornby France S.A.S., Hornby España S.A., Hornby Deutschland GmbH, Hornby Hobbies India Private Limited, Hornby LCD Enterprises Limited and Oxford Diecast Limited are distributors of models. Hornby World Limited is a retail and consumer experience business. Hornby Industries Limited and H&M (Systems) Limited are dormant companies. All subsidiaries are held directly by Hornby PLC with the exception of Oxford Diecast Limited which is held by LCD Enterprises Limited and Hornby Hobbies India Private Limited with 1% ownership by Hornby Hobbies Limited.

	Registered office	Description of shares held	Proportion of nominal value of issued shares held	
			Group %	Company %
Hornby Hobbies Limited	Westwood, Margate, Kent CT9 4JX, UK	Ordinary shares	100	100
Hornby America Inc.	3900 Industry Dr E, Fife, WA 98424, USA	Ordinary shares	100	100
Hornby España S.A	C/Federico Chueca, S/N, E28806 ALCALA DE HENARES Spain	Ordinary shares	100	100
Hornby Italia s.r.l.	Viale dei Caduti, 52/A6 25030 Castel Mella (Brescia), Italy	Ordinary shares	100	100
Hornby France S.A.S.	31 Bis rue des Longs Pres, 92100 Boulogne, Billancourt, France	Ordinary shares	100	100
Hornby Deutschland GmbH	Oeslauer StraBe 36, 96472, Rodental, Germany	Ordinary shares	100	100
Hornby Industries Limited	Westwood, Margate, Kent CT9 4JX, UK	Ordinary shares	100	100
H&M (Systems) Limited	Westwood, Margate, Kent CT9 4JX, UK	Ordinary shares	100	100
Hornby World Limited	Westwood, Margate, Kent CT9 4JX, UK	Ordinary shares	100	100
Hornby Hobbies India Private Limited	205, 2nd Floor, Plot 67, Hem Bldg Hatkesh Society, N S Road No. 8, JVPD Scheme, Vileparle West, Juhu, Mumbai-400049	Ordinary shares	100	99
LCD Enterprises Limited	Unit 6 119 Ystrad Road, Fforestfach, Swansea, Wales, SA5 4JB	Ordinary shares	100	100
Oxford Diecast Limited	Unit 6 119 Ystrad Road, Fforestfach, Swansea, Wales, SA5 4JB	Ordinary shares	91	91

12. RIGHT OF USE ASSETS

GROUP	Property £'000	Motor Vehicles £'000	Fixtures, Fittings and Equipment £'000	Total £'000
COST				
At 1 April 2023	3,757	310	22	4,089
Additions at cost	485	105	11	601
Adjustment	(10)	–	–	(10)
Lease adjustment	133	–	–	133
At 31 March 2024	4,365	415	33	4,813
ACCUMULATED DEPRECIATION				
At 1 April 2023	1,697	287	18	2,002
Charge for the year	456	42	1	499
At 31 March 2024	2,153	329	19	2,501
Net book amount at 31 March 2024	2,212	86	14	2,312

GROUP	Property £'000	Motor Vehicles £'000	Fixtures, Fittings and Equipment £'000	Total £'000
COST				
At 1 April 2022	3,726	346	22	4,094
Additions at cost	207	–	–	207
Adjustment	(176)	–	–	(176)
Disposal	–	(36)	–	(36)
At 31 March 2023	3,757	310	22	4,089
ACCUMULATED DEPRECIATION				
At 1 April 2022	1,266	226	18	1,510
Charge for the year	431	61	–	492
At 31 March 2023	1,697	287	18	2,002
Net book amount at 31 March 2023	2,060	23	4	2,087

The adjustment in the year relates to a lease incentive previously classified under accruals. The lease adjustment relates to a rent review on the head office in Margate.

Notes to the Financial Statements continued

13. INVENTORIES

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Finished goods	21,484	21,282	–	–
	21,484	21,282	–	–

Movements on the Group provision for impairment of inventory is as follows:

	2024 £'000	2023 £'000
At 1 April	2,453	2,428
Provision for inventory impairment	139	29
Exchange adjustments	(1)	(4)
At 31 March	2,591	2,453

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
CURRENT:				
Trade receivables	7,415	7,425	–	–
Less: loss allowance for receivables	(762)	(777)	–	–
Trade receivables – net	6,653	6,648	–	–
Other receivables	829	543	–	–
Prepayments	1,763	1,990	77	58
Amounts owed by subsidiary undertaking	–	–	13,752	14,920
	9,245	9,181	13,829	14,978

We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide goods to business customers mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportive information that is relevant and available without undue cost.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated and therefore the loss allowance for trade receivables is deemed adequate. Other receivables include deposits paid to suppliers for tooling.

Gross trade receivables can be analysed as follows:

	2024 £'000	2023 £'000
Fully performing	6,152	6,426
Past due	501	222
Fully impaired	762	777
Trade receivables	7,415	7,425

As of 31 March 2024, trade receivables of £501,000 (2023: £222,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As of 31 March 2024, trade receivables of £762,000 (2023: £789,000) were impaired and provided for in full.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Movements on the Group loss allowance for trade receivables is as follows:

	2024 £'000	2023 £'000
At 1 April	777	789
(Decrease)/increase in loss allowance	4	(31)
Receivables written-off during the year as uncollectible	–	–
Exchange adjustments	(19)	19
At 31 March	762	777

The decrease in loss allowance has been included in 'administrative expenses' in the Statement of Comprehensive Income.

Amounts owed to the Company by subsidiary undertakings are repayable on demand, unsecured and interest bearing. Recoverability review is performed annually and balances impaired if not considered recoverable. The fair value of the business was used to calculate the impairment and was determined with reference to the Company's market capitalisation and share price at 31 March 2024 but adjusted based on management's understanding of the business.

The carrying amounts of the Group and Company trade and other receivables except prepayments and Amounts owed by subsidiary undertaking are denominated in the following currencies:

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Sterling Intercompany	–	–	13,829	14,978
Sterling	4,758	3,103	–	–
Euro	1,838	2,657	–	–
US Dollar	895	1,318	–	–
	7,491	7,078	13,829	14,978

Notes to the Financial Statements continued

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cash at bank and in hand	1,116	1,337	1	1

Cash at bank of £1,116,000 (2023: £1,337,000) is with financial institutions with a credit rating of A3 per Moody's rating agency.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
CURRENT:				
Trade payables	4,514	4,194	—	—
Other taxes and social security	1,138	913	51	36
Other payables	3,190	1,034	1,305	1,124
Refund liability	264	260	–	–
Accruals and contract liabilities	2,231	1,666	245	47
Group receivables guarantee (Note 29)	–	–	9,858	9,858
	11,337	8,067	11,459	11,065

Revenue of £464,000 has been deferred into 2024 as delivery had not taken place at year end. Revenue of £320,000 deferred in 2023, was recognised as income in the year ended 31 March 2024.

Hornby PLC have provided a guarantee of £9.858 million against intercompany receivables in Hornby Hobbies. This guarantee is included in liabilities.

17. ACQUISITION

On 9 March 2024 the Group acquired the assets, trade and intellectual property of The Corgi Model Club for cash consideration of £655,000 and deferred contingent consideration of £236,000 uncapped. The deferred consideration is payable to Conrad Lewcock based on profitability of CMC over the next three years. No adjustment has been made for discounting as this is not considered to be material. The acquisition adds a subscription base of c6,000 die-cast customers.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	–	187	187
Stock	471	–	471
Deferred tax liability	–	(46)	(46)
Total fair value	471	141	612
Consideration	892	–	892
Goodwill	–	–	280

Goodwill relates to expected synergies from combining CMC into the Hornby Group and the effect of brand and product expertise being brought into the Group.

Since the acquisition £148,000 revenue and £82,000 gross profit has been included within the Group's financial statements. Had the acquisitions been included from the start of the period revenue of £1,984,000 and gross profit of £953,000 would have been included in the Group's financial statements for the period.

18. RIGHT OF USE LEASE LIABILITIES

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

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 April	2,456	2,746	–	–
New leases	601	206	–	–
Disposals	–	(36)	–	–
Lease modification	133	–	–	–
Interest payable	162	153	–	–
Repayment of lease liabilities	(624)	(613)	–	–
As at 31 March	2,728	2,456	–	–
Lease liability less than one year	479	409	–	–
Lease liability greater than one year and less than five years	767	677	–	–
Lease liability greater than five years	1,482	1,370	–	–
Total Liability	2,728	2,456	–	–

Maturity analysis of contracted undiscounted cash flows is as follows:

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Lease liability less than one year	679	544	–	–
Lease liability greater than one year and less than five years	1,465	1,191	–	–
Lease liability greater than five years	2,049	1,836	–	–
Total Liability	4,193	3,571	–	–
Finance charges included above	(1,465)	(1,115)	–	–
	2,728	2,456	–	–

Notes to the Financial Statements continued

19. BORROWINGS

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Secured borrowing at amortised cost				
CBIL Bank Loan	117	167	–	–
Asset Based Lending Facility	5,742	4,590	–	–
Shareholder Loan	9,549	2,110	–	–
Loan from subsidiary undertakings	–	–	5,711	5,871
	15,408	6,867	5,711	5,871
Total borrowings				
Amount due for settlement within 12 months	15,341	6,750	–	–
Amount due for settlement after 12 months	67	117	5,711	5,871
	15,408	6,867	5,711	5,871

The Company borrowings are denominated in Sterling. All intercompany borrowings are formalised by way of loan agreements. The loans can be repaid at any time, however the Company has received confirmation from its subsidiary that they will not require payment within the next 12 months.

The principal features of the Group's borrowings are as follows:

At 31 March 2023 the UK had a £12 million Asset Based Lending facility with Secure Trust Bank PLC ("STB") expiring October 2024 and an £11.25 million shareholder loan facility with Phoenix Asset Management Partners expiring December 2024.

The £12 million facility with STB has been extended until December 2025 and carries a margin of 2.5–3% over base rate. The STB Facility has a fixed and floating charge on the assets of the Group. The Company is expected to provide customary operational covenants to STB on a monthly basis such as inventory turn, credit note dilutions and management accounts.

The Phoenix Facility was an £11.25 million facility with a current expiration date of December 2024 but has recently been extended to December 2025 and increased to £12.55 million facility, and attracts interest at a margin of 5% over SONIA on funds drawn up to £11.25 million and 15% over SONIA on funds drawn over £11.25 million. Undrawn funds attract a non-utilisation fee of the higher of 1% or SONIA.

LCD Enterprises Limited has a CBIL loan of £117,000 being repaid at £4,167 per month. This should be repaid by August 2026.

Undrawn borrowing facilities

At 31 March 2024, the Group had available £5,199,695 (2023: £11,742,338) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The facility from STB has limits based on the Group's asset position at any one time.

20. FINANCIAL INSTRUMENTS

Classification and measurement

Under IFRS 9 the Group classifies and measures its financial instruments as follows:

- Derivative financial instruments: classified and measured at fair value through profit or loss;
- All other financial assets: classified as receivables and measured at amortised cost; and
- All other financial liabilities: classified as other liabilities and measured at amortised cost.

Carrying value and fair value of financial assets and liabilities

	Amortised Cost		Held at Fair Value		
	Financial Assets £'000	Financial Liabilities £'000	Cash flow hedges £'000	Carrying value £'000	Fair value £'000
At 31 March 2024					
Trade and other receivables	7,481	–	–	7,481	7,481
Trade and other payables	–	(8,372)	–	(8,372)	(8,372)
Derivative financial instruments	–	–	(81)	(81)	(81)
Borrowings	–	(15,408)	–	(15,408)	(15,408)
Cash and cash equivalents	1,116	–	–	1,116	1,116
Lease liabilities	–	(2,728)	–	(2,728)	(2,728)

	Amortised Cost		Held at Fair Value		
	Financial Assets £'000	Financial Liabilities £'000	Cash flow hedges £'000	Carrying value £'000	Fair value £'000
At 31 March 2023					
Trade and other receivables	7,191	–	–	7,191	7,191
Trade and other payables	–	(5,228)	–	(5,228)	(5,228)
Derivative financial instruments	–	–	(555)	(555)	(555)
Borrowings	–	(6,867)	–	(6,867)	(6,867)
Cash and cash equivalents	1,337	–	–	1,337	1,337
Lease liabilities	–	(2,456)	–	(2,456)	(2,456)

The Group's policies and strategies in relation to risk and financial instruments are detailed in Note 1.

	Assets		Liabilities	
GROUP	2024	2023	2024	2023
Carrying values of derivative financial instruments				
Forward foreign currency contracts – cash flow hedges	23	2	(104)	(557)

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in reserves on forward foreign exchange contracts as of 31 March 2024 are recognised in the Statement of Comprehensive Income first in the period or periods during which the hedged forecast transaction affects the Statement of Comprehensive Income, which is within 12 months from the balance sheet date.

Notes to the Financial Statements continued

20. FINANCIAL INSTRUMENTS continued

Carrying value and fair value of financial assets and liabilities continued

At 31 March 2024 and 31 March 2023, the gross value of forward currency contracts was as follows:

	2024 '000	2023 '000
US Dollar	15,100	18,750

The contracts are expected to be used at various dates within the next 12 months. The average rate for the outstanding contracts is 1.255.

The fair value for the forward foreign currency contracts is an asset of £23,000 (2023: £2,000 asset) and a liability of £104,000 (2023: £557,000) of which £81,000 net liability (2023: £555,000 net liability) represents an effective hedge at 31 March 2024 and has therefore been credited to Other Comprehensive Income. During the year hedge ineffectiveness was not considered material and therefore no amount has been expensed.

The Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No embedded derivatives have been identified.

The Company has no derivative financial instruments.

Maturity of financial liabilities

GROUP	2024 £'000	2023 £'000
Less than one year	23,523	12,387
Between one and five years	1,503	794
More than five years	1,482	1,370
	26,508	14,551

COMPANY	2024 Intercompany Debt £'000	2023 Intercompany Debt £'000
Between one and five years	669	–
More than five years (Note 18)	5,711	5,871

Hierarchy of financial instruments

The following tables present the Group's assets and liabilities that are measured at fair value at 31 March 2024 and 31 March 2023. The table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

There were no transfers or reclassifications between Levels within the year. Level 2 hedging derivatives comprise forward foreign exchange contracts and have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

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 (excluding bank overdrafts), trade and other payables.

Financial instruments

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivatives used for hedging	–	23	–	23
Total assets as at 31 March 2024	–	23	–	23
Liabilities				
Derivatives used for hedging	–	(104)	–	(104)
Net liabilities at 31 March 2024	–	(81)	–	(81)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivatives used for hedging	–	2	–	2
Total assets as at 31 March 2023	–	2	–	2
Liabilities				
Derivatives used for hedging	–	(557)	–	(557)
Net liabilities at 31 March 2023	–	(555)	–	(555)

Interest rate sensitivity

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to sales.

In order to measure risk, floating rate borrowings and the expected interest costs are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates.

The effect on both income and equity based on exposure to borrowings at the balance sheet date for a 1% increase in interest rates is £126,000 (2023: £41,000) before tax. A 1% fall in interest rates gives the same but opposite effect.

Foreign currency sensitivity in respect of financial instruments

The Group is primarily exposed to fluctuations in US Dollars and the Euro. The following table details how the Group's income and equity would increase on a before tax basis, given a 10% revaluation in the respective currencies against Sterling and in accordance with IFRS 7 all other variables remaining constant. A 10% devaluation in the value of Sterling would have the opposite effect. The 10% change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

	Comprehensive Income and Equity Sensitivity	
	2024 £'000	2023 £'000
US Dollars	953	714
Euros	434	120
	1,387	834

Notes to the Financial Statements continued

20. FINANCIAL INSTRUMENTS continued

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net (cash)/debt divided by total capital. Net debt is calculated as total borrowings as shown in the Statement of Financial Position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

	2024 £'000	2023 £'000
Total borrowings (Note 19)	15,408	6,867
Less:		
Total cash and cash equivalents (Note 15)	(1,116)	(1,337)
Net debt (cash)	14,292	5,530
Total equity	25,603	36,040
Total capital	39,895	41,570
Gearing	(35%)	(13%)

Financial risk factors

The Group's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, market interest rates, credit risk and its liquidity position. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using foreign currency financial instruments.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risks against Sterling primarily on transactions in US Dollars. It enters into forward currency contracts to hedge the cash flows of its product sourcing operation (i.e. it buys US Dollars forwards in exchange for Sterling) and looks forward six–twelve months on a rolling basis at forecasted purchase volumes. The policy framework requires hedging between 70% and 100% of anticipated import purchases that are denominated in US Dollars.

The Company has granted Euro denominated intercompany loans to subsidiary companies that are translated to Sterling at statutory period ends thereby creating exchange gains or losses. The loans to the subsidiaries, Hornby Deutschland GmbH, Hornby Italia s.r.l. and Hornby France S.A.S. are classified as long-term loans and therefore the exchange gains and losses on consolidation are reclassified to the translation reserve in Other Comprehensive Income as per IAS 21. The loan to the branch in Spain is classified as a long-term loan however repayable on a shorter timescale than those of the other subsidiaries and therefore the exchange gains or losses are taken to Statement of Comprehensive Income.

(b) Interest rate risk

The Group finances its operations through a mixture of Asset Based lending facilities and shareholder loans. The Group borrows, principally in Sterling, at floating rates of interest to meet short-term funding requirements. At the year end the Group's borrowings were £15,408,000.

(c) Credit risk

The Group manages its credit risk through a combination of internal credit management policies and procedures.

(d) Liquidity risk

At 31 March 2024 the UK had a £12 million Asset Based Lending facility with STB and an £11.25 million loan facility with Phoenix Asset Management Partners. The funding needs are determined by monitoring forecast and actual cash flows. The Group regularly monitors its performance against its banking covenants to ensure compliance.

21. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method.

Deferred tax assets have been recognised in respect of certain UK timing differences only. Temporary differences giving rise to deferred tax assets have been recognised in the UK where it is probable that those assets will be recovered.

No deferred tax is provided for tax liabilities which would arise on the distribution of profits retained by overseas subsidiaries because there is currently no intention that such profits will be remitted.

The movements in deferred tax assets and liabilities during the year are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset.

	Acquisition intangibles £'000	Fixed Asset and Other UK temporary timing differences £'000	Total £'000
Deferred tax liabilities			
At 1 April 2023	233	339	572
Charge to Statement of Comprehensive Income	–	(60)	(60)
Acquisition of trade and assets	47	–	47
At 31 March 2024	280	279	559
At 1 April 2022	233	485	718
Charge to Statement of Comprehensive Income	–	(19)	(19)
Charge to Other Comprehensive Income	–	(127)	(127)
At 31 March 2023	233	339	572

	Group		
	Acquisition intangibles £'000	Fixed Asset and other UK temporary timing differences £'000	Total £'000
Deferred tax assets			
At 1 April 2023	–	3,910	3,910
Charge to Statement of Comprehensive Income		(3,631)	(3,631)
At 31 March 2024	–	279	279
At 1 April 2022	–	3,910	3,910
Charge to Statement of Comprehensive Income	–	–	–
At 31 March 2023	–	3,910	3,910
Net deferred tax (liability)/asset			
At 31 March 2024	(279)	–	(279)
At 31 March 2023	(233)	3,571	3,338

Management have released the deferred tax asset and will recognise when profits are made.

Notes to the Financial Statements continued

21. DEFERRED TAX continued

GROUP	2024 Recognised £'000	2024 Not recognised £'000	2023 Recognised £'000	2023 Not recognised £'000
Deferred tax comprises:				
Depreciation in excess of capital allowances	(279)	4,916	3,338	249
Acquisition of trade and assets	(280)	–	–	–
Losses and other temporary differences – UK	279	6,319	–	5,513
Losses and other temporary differences – Overseas	–	2,178	–	2,212
Deferred tax asset	(280)	13,413	3,338	7,974

GROUP	2024 Recognised £'000	2024 Not recognised £'000	2023 Recognised £'000	2023 Not recognised £'000
Deferred tax comprises:				
Other timing differences	–	(253)	–	(206)
Deferred tax (asset)/liability	–	(253)	–	(206)

The UK deferred tax asset not recognised of £11,236,000 (2023: £5,762,000) primarily relates to unrecognised losses in Hornby Hobbies Limited of £22,734,000 (potential deferred tax asset of £5,683,000), Hornby PLC of £1,012,000 (potential deferred tax asset of £253,000) and Hornby World Limited of £910,000 (potential deferred tax asset of £228,000), along with other timing differences of £624,000 (potential deferred tax asset of £156,000). It also relates to an unrecognised gross temporary difference of £4,916,000 (2023: £795,000) related to unclaimed capital allowances.

The deferred tax asset not recognised in respect of overseas losses carried forward of £2,178,000 relates to losses carried forward of £1,274,000 in respect of Hornby Espana SA (potential deferred tax asset of £319,000), £958,000 in respect of Hornby Deutschland GmbH (potential deferred tax asset of £287,000), £2,948,000 in respect of Hornby Italia srl (potential deferred tax asset of £708,000) and £4,116,000 in respect of Hornby America Inc (potential deferred tax asset of £864,000).

No further deferred tax has been recognised at this point as they are not expected to be utilised in the short term. The deferred tax losses do not have an expiry date.

22. SHARE CAPITAL

Group and Company

Allotted, issued and fully paid:

	2024 Number of shares	2024 £'000	2023 Number of shares	2023 £'000
Ordinary shares of 1p each:				
At 1 April and 31 March	169,853,770	1,699	169,853,770	1,699

23. SHARE-BASED PAYMENTS

There are no Performance Share Plan (PSP) awards outstanding at 31 March 2024 and 2023.

The CEO bonus scheme was previously accounted for under IAS 19 and no charge was recorded in the financial statements in the year ending 31 March 2023. Following a significant movement in the share price in the year, the accounting for this bonus scheme was reconsidered and it was determined that the arrangement fell within the scope of IFRS 2. Had the bonus scheme been accounted for under IFRS 2 as at 31 March 2023 the charge would have not been material. The bonus scheme pays a bonus for a percentage uplift in the enterprise value of the business less any capital invested over the three-year period to 26 January 2026.

At 31 March 2024, using a Black-Scholes valuation model, using 50% share volatility, 4% risk-free rate of return and an option value of 0.165 leads to a provision being made in the year of £668,975. This is included in the Statement of Comprehensive Income within Administrative expenses.

24. RESERVES

Group

Capital Redemption Reserve

This reserve records the nominal value of shares repurchased by the Company.

Share Premium Reserve

Share premium represents the excess of the fair value of consideration received for the equity shares, net of expenses of the share issue, over the nominal value of the equity shares.

Accumulated losses

This reserve represents accumulated gains and losses less distributions to the shareholders.

Translation Reserve

The translation reserve represents the foreign exchange movements arising from the translation of financial statements in foreign currencies.

Hedging Reserve

The hedging reserve comprises the effective portion of changes in the fair value of forward foreign exchange contracts that have not yet occurred.

Other Reserves

This reserve represents historic negative goodwill arising prior to the transition to IFRS.

Share-based payment reserve

The share-based payment reserve arises from the requirement to value share options in existence at the fair value at the date they are granted.

Company

Capital Redemption Reserve

This reserve records the nominal value of shares repurchased by the Company.

Translation Reserve

The translation reserve represents the foreign exchange movements arising from the translation of financial statements in foreign currencies.

Other Reserves

This reserve represents the revaluation of investments in subsidiaries as allowable under previous UK GAAP. The reserve was frozen on transition to IFRS in 2006.

Accumulated losses

This reserve represents accumulated gains and losses less distributions to the shareholders.

25. EMPLOYEES AND DIRECTORS

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Staff costs for the year:				
Wages and salaries	9,644	8,301	866	585
Share-based payment (Note 23)	669	532	669	266
Social security costs	1,155	963	117	82
Other pension costs (Note 26)	678	520	51	44
Redundancy and compensation for loss of office	56	–	–	–
	12,202	10,316	1,703	977

The redundancy costs form part of the restructuring costs in the year classified as exceptional items.

Average monthly number of people (including Executive Directors) employed by the Group:

	Group		Company	
	2024	2023	2024	2023
Operations	86	80	–	–
Sales, marketing and distribution	107	98	–	–
Administration	34	34	6	4
	227	212	6	4

Key management compensation:

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Salaries and short-term employee benefits	1,204	1,022	873	585
Share-based payments	669	532	669	266
Other pension costs	66	47	56	44
Redundancy and compensation for loss of office	45	–	–	–
	1,984	1,601	1,598	895

Key management comprise the individuals involved in major strategic decision making and includes all Group and subsidiary Directors.

A detailed numerical analysis of Directors' remuneration and share options showing the highest paid Director, number of Directors accruing benefits under money purchase pension schemes, is included in the Directors' Report on pages 27 to 31 and forms part of these financial statements.

26. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme by way of a Stakeholder Group Personal Pension Plan set up through the Friends Provident Insurance Group.

Alexander Forbes International is appointed as Independent Financial Advisor to work in liaison with the Group.

The level of contributions to the Group Personal Pension Plan for current members is fixed by the Group.

The Group pension cost for the year was £678,000 (2023: £520,000) representing the actual contributions payable in the year and certain scheme administration costs. The Company pension cost for the year was £56,000 (2023: £44,000). No contributions were outstanding at the year end of 31 March 2024.

27. FINANCIAL COMMITMENTS

GROUP	2024 £'000	2023 £'000
At 31 March capital commitments were:		
Contracted for but not provided	1,477	2,757

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

The Group issued an unsecured convertible term loan facility to Warlord which expires 7 July 2024 and will not be drawn down before expiry.

The Company does not have any capital commitments.

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.

28. NET FUNDS RECONCILIATION AND MATURITY ANALYSIS

Maturity of financial liabilities	2024 £'000	2023 £'000
Cash and cash equivalents	1,116	1,337
Borrowings – repayable within one year	(15,341)	(6,750)
Borrowings – repayable after one year	(67)	(117)
Net Funds	(14,292)	(5,530)
Cash and liquid investments	1,116	1,337
Gross debt – variable interest rates	(15,408)	(6,867)
Net Funds	(14,292)	(5,530)

GROUP	Borrowings £'000	Leases £'000	Deferred Consideration £'000	Total £'000
At 31 March 2022	327	2,746	–	3,073
New leases	–	206	–	206
Cash flows	6,540	(613)	–	5,927
Interest	–	153	–	153
Disposal	–	(36)	–	(36)
At 31 March 2023	6,867	2,456	–	9,323
New leases	–	601	–	601
Cash flows	8,541	(624)	–	7,917
Interest	–	162	–	162
Disposal	–	133	–	133
Contingent consideration	–	–	236	236
Deferred consideration	–	–	656	656
Balance at 31 March 2024	15,408	2,728	892	19,028

Notes to the Financial Statements continued

29. RELATED PARTY DISCLOSURES

Hornby Hobbies Limited purchased services from a company called Rawnet Limited which is 100% owned by Phoenix Asset Management, the controlling party of the Group.

Therefore transactions between the parties are related party transactions and disclosed below:

	2024		2023	
	Transactions £'000	Balance at year end £'000	Transactions £'000	Balance at year end £'000
Company				
Rawnet Limited (supplier)	919	47	1,201	72
Warlord Games Limited (supplier)	5	–	–	–
Warlord Games Limited (customer)	8	–	–	–

Phoenix Asset Management Partners who own the majority shareholding in Hornby PLC have also provided a funding facility to the Group (see Note 19).

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.

The Company received management fees from subsidiaries of £1,658,000 (2023: £2,188,000), interest of £175,000 (2023: £175,000) and incurred interest of £213,000 (2023: £212,000) on intercompany borrowings.

Hornby PLC have provided a guarantee of £9,858,000 (2023: £9,858,000) against intercompany receivables in Hornby Hobbies. This guarantee is included in liabilities.

30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Group is 71.63% owned by Phoenix Asset Management, Artemis Fund Managers Limited hold 9.74% and Fraser Group Plc own 9.25%. The remaining 9.38% of the shares are widely held. As a result of these arrangements, there is no ultimate parent undertaking, and the funds managed by Phoenix Asset Management are therefore the controlling party.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

Facilities with both STB and Phoenix Asset Management were extended through to December 2025 post year end.

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

32. AUDIT EXEMPTION

The company has provided a guarantee in respect of the following group companies:

- LCD Enterprises Limited (company number: 03005140)
- Oxford Diecast Limited (company number: 02869520)
- Hornby World Limited (company number: 13832368)

This has been made in accordance with sections 479A-479C of the Companies Act 2006, as the companies are exempt from the requirements of the Companies Act 2006 relating to the audit of the accounts by virtue of Section 479A of this Act.

Shareholders' Information Service

Hornby welcomes contact with its shareholders.

If you have questions or enquiries about the Group or its products, please contact:

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