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

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

CEO Statement

Having been in the role for a little over 18 months, we are now half-way through a three-year turnaround at the end of September 2024. Whilst the first 12 months were spent assessing, understanding and stabilising, in the last 6 months we have started to see the impact of some of the actions taken, strategically, structurally and operationally.

Whilst the turnaround is well underway and progress is being made, there is still further work required before we are back to consistent and profitable growth. That said, we are on the right track and see improvements vs H1 2023 on a number of critical KPIs.

Hornby Hobbies boasts a family of world-renowned brands and is a wonderful business, with a great heritage and enormous potential. The build-up of challenges on multiple fronts, however, including ambitious CapEx commitments, rising central costs, excessive inventory levels and growing debt, needed to be addressed with purpose. These actions were required to lay a solid and sustainable foundation for future success.

In this letter to shareholders, I will shine a light on some of the initiatives that are driving a much-needed change of direction and giving us growing confidence that we can deliver the improvements required.

Insight Driven Decision Making

I have shared, in my previous reports, details of the creation of an Insights function in the business for the first time. Launched with the hire of our Head of Insights in January 2024, we set about the process of better understanding our customers, both existing and potential, their needs, desires and experiences.

Customer insights are already starting to inform actions and decisions for our brands. Customers of the Scalextric brand, for example, have demonstrated a great love for the product, but a combination of lack of visibility and inaccessible pricing for, sets in particular, has impacted performance in recent years. The Airfix product range serves existing, loyal and valuable, customers very well but we haven't seen macro brand growth. Through our insights work we've identified the need to explore new Airfix subject matter to attract new audiences and find new routes to market.

Similarly, the Hornby brand provides wonderful, high quality, product and experiences for established railway hobbyists, a vital and enormously important customer group. However, our insights work highlights that it is through strengthening our entry level proposition, and continuing to support the TT:120 scale, that we will attract new customers for future growth.

These insights, and many more, all supported by robust data, are baked into our product development, communication and pricing plans as we move forward. This work helps us acquire new customers as well as supporting existing ones, enabling long term growth for our brands.

New Territories and New Routes to Market

It is clear that a key component in driving growth needs to come from opening up new territories and identifying new routes to market. We have already enjoyed successes in finding new distribution through national retail partners in the United States. From October this year, and for the first time, we have our Airfix and Quickbuild product in more than 2,500 stores through the Michael's and Lowes chains across North America. These are businesses of significant scale with 2023 turnover of over $5Bn and over $90Bn, respectively, helping us present our products to an important, and untapped, new customer base

The scale and impact of these new listings, along with the reintroduction of the full Humbrol range to 130 HobbyCraft stores across the UK in July this year, has contributed to a 20% uplift in total units sold across the group in H1 2024 vs H1 2023.

Equally, there has been some good work undertaken in recent months to secure new distribution partners in China, initially for the Pocher brand. There is a significant opportunity to grow the footprint of this premium brand in the Far East. That work is bearing fruit already, with new orders for over 1,000 units coming from the first, exploratory commitments from new partners.

I am delighted to report that we have also recently secured an exclusive licensing agreement with Ferrari for the Pocher brand. The appeal of the Ferrari marque, globally, helps us establish a footprint in the Far East, in addition to our existing European and North American footprint. With the first Ferrari kits being made available in early 2026, this represents a significant growth opportunity for the future.

CapEx Analysis and Range Planning

In the first half of this year we have conducted a detailed analysis of the impact of our CapEx investments over recent years, across the portfolio. Whilst it is clear that many of the CapEx choices, and the associated allocation of capital, have been effective in isolation, we have not paid enough attention to the role of CapEx investment in driving overall brand growth.

The foundational work that has taken place over the last 6 months has generated valuable insights into the need to revisit our approach to range planning. Finding the balance between new CapEx for traditional subject matter, supporting our installed customer base, and investing in new CapEx for growth areas to drive new customer acquisition, marks a critical change in approach.

The outcomes of this work will start to flow through in 2025/26 CapEx projects, and we will share more detail on these developments in our full year report.

Acquisitions and Portfolio Rationalisation

The acquisition of The Corgi Model Club (CMC) and the securing of the services of Guy Stainthorpe, the MD of that business, as our Corgi Brand MD, have already proven to be very effective additions to the Hornby Hobbies family. CMC has gone from strength to strength since we acquired the business, and we have used our infrastructure to launch the proposition in the US and in Australia in the last 6 months. It is also worth noting that, under Guy's leadership, the Corgi brand, in totality, is not only outperforming previous year performance, but also this year's forecast.

Our portfolio is a great asset, but we recognise that a successful business for the future requires a determined focus on our core brands. We have recently agreed terms for the sale of the, loss-making, Oxford Diecast brand, which both simplifies and focuses our diecast collectibles proposition to the Corgi brand, alone, and has a welcome and positive impact on our inventory position at Group level.

Aged Stock and Inventory Management

As reported in every update since I started in role last January, we continue to work hard on managing our aged stock and inventory position. Whilst reducing this historical build up is a priority, we are always mindful of striking the balance between driving the absolute number down and, potentially, damaging our future business through releasing too much stock into the market at unfavourable prices.

The teams are working on this challenge on a daily basis and H1 2024 shows a reduction of 7% in inventory levels vs H1 2023. Moreover, the recent sale of the Oxford Diecast brand, subject to shareholder approval, will reduce the position by a further 11%.

Central Overheads

We have enjoyed revenue growth at the top line for 5 years in a row, but our return to profitability has been held back, in part, by a central cost base that has grown disproportionately over the years and is suited to a larger business.
In H1 2024 we spent a great deal of time looking at structures and costs across the organisation and enacted a significant headcount reduction in the Margate Head Office in September.

This initiative has reduced our annualised people costs by c£1M and we anticipate a further £500K of central costs coming out by July 2025.

We continue to review our central overheads, and cost base in totality, and there are a number of live initiatives in play that will further, positively, impact this number moving forwards.

Efficiencies in Logistics and Distribution

In addition to driving efficiencies in cost, we have also been looking at all significant operating areas of the business through the same lens.

In H1 2024, as a break in contract with our current partner presented itself, we went to market to benchmark service levels and understand the potential impact of relocating to a more established third-party logistics provider. This process has concluded in recent weeks and will see us moving to a new third-party logistics provider at the end of the first quarter of the next financial year.

Given the increased scale of the operation and the number of additional businesses served by our new provider, the move will result in greater flexibility in how we serve our UK digital customers, and will significantly improve our ability to support our international business and platforms like Amazon and eBay.

Whilst cost was not necessarily a key driver for the exploration at the outset, there are significant commercial benefits to be gained from relocating operations from Kent to the middle of the country, closer to a national delivery hub, and we will also see ongoing savings as a result of changes in process and new technology that come from the move.

Strengthening the Leadership Team

We reported the appointment of Neil Sachdev to our Board as Non-Exec Chairman back in July and his input, leadership and contribution is already making an impact.

In other, PLC Board news, part of the terms agreed around the sale of the Oxford Diecast brand sees Lyndon Davies, former CEO of Hornby Hobbies and Non-Exec PLC Chairman, stepping down, having given up his Chairmanship earlier in the year, sadly, on account of ill health. We thank Lyndon for all of his commitment and support over the last 7 years and wish him well for the future.

Finally, and after a stint consulting on various change projects, we have recently appointed Penny Teale to the Operating Board in the role of COO. Having not had a COO in place since July 2023, Penny now brings a wealth of experience from retail and manufacturing businesses and will have overall responsibility for Purchasing, Logistics, Quality, Supply Chain and

Demand Planning. These areas represent the backbone of the product and operational side of our business and Penny's ownership of them will add rigour and control to these critical functions.

Digital Update

We continue to grow D2C sales through strengthening the skills and depth of our digital team. Having previously outsourced both Digital Marketing and Digital Development, we have now brought both of those functions in house, giving us far more control and creating far more efficiency.

In H1 2024 vs H1 2023 we have seen a 31% reduction in the costs associated with Digital Marketing and a 39% reduction in Development costs. In the same period, we have seen our conversion rate across all sites improve by 12%, ROAS (return on advertising spend) improve by 33% and revenue directly attributable to paid digital channels improve by 5%.

H1 2024 overall digital performance has seen an uplift of c12% vs H1 2023 and c45% vs H1 2022, reflecting the ongoing health of the digital channel as a key driver of growth.

Disposal of interests in LCD Enterprises Limited

As part of the strategic review discussed in the Annual Report earlier this year, Hornby is looking to rationalise its portfolio of brands to ensure that management, and the business, are focused on core product and markets. As part of this process, on 5 November 2024 Hornby entered into a conditional agreement to dispose of its wholly-owned subsidiary LCD Enterprises Limited to EKD Enterprises Limited, a company owned by Lyndon Davies and his family for an aggregate consideration of approximately £1.38 million. Lyndon Davies will step down from the Board and his role as a Non-Executive Director of Hornby with immediate effect from completion.

Outlook

As highlighted at the start of this letter to shareholders, and evidenced throughout, progress is being made on many fronts, but we still have work to do.

We exit H1 2024 in a healthier position versus H1 2023 but maintaining that momentum through Q3 and into Q4 is critical for our continued journey back to profitability.

For now, our order book is looking strong as we approach peak trading, and we have a whole host of new initiatives and activities in place for the run up to Black Friday and through the all-important festive period.

The outcomes of this work will be shared in the January 2025 trading update.

Financial review

Performance

Group revenue for the six months to September 2024 of £25.0 million was 10% higher than the prior year (2023: £22.7 million). The gross margin for the period was 43% (2023: 44%), a slight decrease reflecting the product/channel mix, increased container costs and sell through of older stock.

Overheads increased year-on-year from £14.2 million to £14.7 million, or by 3%, reflecting an increase in variable selling costs, minimum wages and general inflationary increases.

The operating loss before exceptional costs for the six months to September 2024 was £3.8 million compared to a loss of £4.1 million for the same period last year. This is due to the increased sales in the period.

Exceptional costs during the first half year were £0.4 million (2023: £0.05 million) and these comprised of one-off costs relating to restructuring at head office and the impairment of goodwill and intangibles associated with the sale of LCD Enterprises Limited.

Group loss before tax was £5.1 million (2023: loss of £4.9 million). The basic loss per share was 3.03p (2023: loss per share of 2.77p).

Segmental analysis

Third party revenue for the UK business increased by 7% in the period and generated a loss before taxation of £4.7 million compared to £4.8 million loss last year.

The International segment revenue in H1 2024 was the same as H1 2023 and generated an underlying loss of £0.4 million (2023: £0.4 million loss). The decrease in revenue is a result of the global cost of living crisis impacting European markets.

Balance sheet

Group inventories decreased during the period by 8% from £21.5 million at March 2024 to £19.8 million at September 2024, due to a seasonal build-up of stocks in the lead-up to the busy Christmas trading period offset by the conditional sale of LCD Enterprises with a stock holding of £2.5 million at 30 September 2024. Inventory levels are £4.1m (18%) lower than September 2023.

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

Investment in new tooling, new computer software and other capital expenditure was £2.3 million (2023: £2.9 million).

Capital structure

There was an increase in net debt compared to 31 March 2024. The September period end net debt balance stood at £18.8 million, from £14.2 million of net debt at the end of the last financial year. This is due to the operational cash outflow in the business, spending on stocks and tooling ahead of Christmas trading as budgeted and increased overheads as we continue to invest in people and technology. Headroom at 30 September 2024 was £2 million.

Going concern

The Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank Limited (STB) through to December 2025. The STB Covenants are customary operational covenants applied on a monthly basis. In addition, the Group has a committed £12.55 million loan facility with Phoenix Asset Management Partners Limited (the Group’s largest shareholder) which runs through to December 2025

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

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2024

	Notes	**Six months to 30 September 2024 (unaudited)**	Six months to 30 September 2023 (unaudited)	Year to 31 March 2024 (audited)
		£'000	£'000	£'000
REVENUE FROM CONTINUING OPERATIONS	4	**24,965**	22,671	53,790
Cost of Sales		**(14,125)**	(12,593)	(29,388)
GROSS PROFIT		**10,840**	10,078	24,402
Distribution costs		**(4,503)**	(3,976)	(8,906)
Selling and marketing costs		**(6,342)**	(6,456)	(13,455)
Administrative expenses		**(3,775)**	(3,673)	(8,300)
Other operating expenses		**(49)**	(115)	(143)
OPERATING LOSS BEFORE EXCEPTIONAL		**(3,829)**	(4,142)	(6,402)
Exceptional Items	5	**(382)**	(47)	(489)
OPERATING PROFIT/(LOSS)		**(4,211)**	(4,189)	(6,891)
Finance income		**8**	11	26
Finance costs		**(1,022)**	(719)	(1,673)
Net finance costs		**(1,014)**	(708)	(1,647)
Share of profit of investments accounted for using the equity method		**91**	(2)	60
LOSS BEFORE TAXATION	4	**(5,134)**	**(4,899)**	(8,478)
Taxation	14	**(10)**	(14)	(3,347)
LOSS FROM CONTINUING OPERATIONS		**(5,144)**	(4,913)	(11,825)
Profit/(Loss) from discontinued operations (attributable to equity holders of the company)		**(35)**	(180)	(262)
LOSS FOR THE PERIOD		**(5,179)**	(5,093)	(12,087)
OTHER COMPREHENSIVE (LOSS)/INCOME				
(Items that may be classified subsequently to profit and loss)				
Cash flow hedges		**(454)**	794	474
Currency translation differences		**(196)**	48	(110)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(650)**	842	364
TOTAL COMPREHENSIVE LOSS FOR THE PE-RIOD		**(5,829)**	(4,251)	(11,723)
Comprehensive income attributable to:				
Equity holders of the Company		**(5,824)**	(4,235)	(11,700)
Non-controlling interests		**(5)**	(16)	(23)
(LOSS) PER ORDINARY SHARE				
Basic		**(3.05)p**	**(3.00)p**	(7.10)p
Diluted		**(3.05)p**	**(3.00)p**	(7.10)p

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

BALANCE SHEET
As at 30 September 2024

	Notes	**Six months to 30 September 2024 (unaudited) £'000**	Six months to 30 September 2023 (unaudited) £'000	Year to 31 March 2024 (audited) £'000
ASSETS				
NON-CURRENT ASSETS				
Goodwill	6	**1,915**	1,731	2,001
Intangible assets	6	**2,493**	2,724	2,656
Investment	7	**1,572**	1,437	1,498
Property, plant and equipment	6	**12,754**	13,786	14,507
Right of Use Lease Asset	9	**2,003**	2,144	2,312
Deferred income tax assets		**162**	3,571	279
		20,899	25,393	23,253
CURRENT ASSETS				
Inventories		**19,795**	24,112	21,484
Trade and other receivables		**9,400**	9,115	9,245
Derivative financial instruments	13	**-**	256	23
Cash and cash equivalents		**730**	1,014	1,116
		29,925	34,497	31,868
Assets classified as held for resale		**4,480**		
		34,405	34,497	31,868
LIABILITIES				
CURRENT LIABILITIES				
Borrowings	12	**(19,587)**	(6,219)	(15,341)
Derivative financial instruments	13	**(535)**	(17)	(104)
Trade and other payables		**(11,600)**	(9,509)	(11,337)
Lease liabilities	10	**(399)**	(403)	(479)
		(32,121)	(16,148)	(27,261)
Liabilities directly associated with assets classified as held for resale		**(2,089)**	-	-
		(34,210)	(16,148)	(27,261)
NET CURRENT ASSETS		**195**	18,349	4,607
NON-CURRENT LIABILITIES				
Borrowings	12	**-**	(9,595)	(67)
Lease liabilities	10	**(2,051)**	(2,125)	(2,249)
Other payables		**(276)**	-	(669)
Deferred tax liabilities		**(280)**	(233)	(559)
		(2,607)	(11,953)	(3,544)
NET ASSETS		**18,487**	31,789	24,316

SHAREHOLDERS’ EQUITY				
Share capital	11	**1,699**	1,699	1,699
Share premium		**52,857**	52,857	52,857
Capital redemption reserve		**55**	55	55
Translation reserve		**(1,959)**	(1,605)	(1,763)
Hedging reserve		**(535)**	239	(81)
Other reserves		**1,688**	1,688	1,688
Retained earnings		**(35,285)**	(23,123)	(30,111)
Equity attributable to PLC shareholders		**18,520**	31,810	24,344
Non-controlling interests		(33)	(21)	(28)
Total equity		**18,487**	31,789	24,316

STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2024

	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital redemption reserve (unaudited) £'000	Translation reserve (unaudited) £'000	Hedging reserve (unaudited) £'000	Other reserves (unaudited) £'000	Non-controlling interests (unaudited) £'000	Retained earnings (unaudited) £'000	Total equity (unaudited) £'000
Balance at 1 April 2024	**1,699**	**52,857**	**55**	**(1,763)**	**(81)**	**1,688**	**(28)**	**(30,111)**	**24,316**
Loss for the period	-	-	-	-	-	-	(5)	(5,174)	(5,179)
Other comprehensive income/(loss) for the period	-	-	-	(196)	(454)	-	-	-	(650)
Total comprehensive loss for the period	-	-	-	(196)	(454)	-	(5)	(5,174)	(5,829)
Balance at 30 September 2024	**1,699**	**52,857**	**55**	**(1,959)**	**(535)**	**1,688**	**(33)**	**(35,285)**	**18,487**

	Share capital (unaudited) £'000	Share premium (unaudited) £'000	Capital redemption reserve (unaudited) £'000	Translation reserve (unaudited) £'000	Hedging reserve (unaudited) £'000	Other reserves (unaudited) £'000	Non-controlling interests (unaudited) £'000	Retained earnings (unaudited) £'000	Total equity (unaudited) £'000
Balance at 1 April 2023	**1,699**	**52,857**	**55**	**(1,653)**	**(555)**	**1,688**	**(5)**	**(18,047)**	**36,039**
Profit for the period	-	-	-	-	-	-	(16)	(5,076)	(5,092)
Other comprehensive income/(loss) for the period	-	-	-	48	794	-	-	-	842
Total comprehensive loss for the period	-	-	-	48	794	-	(16)	(5,076)	(4,250)
Balance at 30 September 2023	1,699	52,857	55	(1,605)	239	1,688	(21)	(23,123)	31,789

STATEMENT OF CASH FLOWS

for the six months ended 30 September 2024

	Note	Six months to 30 September 2024 £'000	Six months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Loss before taxation		(5,134)	(5,078)	(8,726)
Interest payable		919	653	1,527
Interest paid on Lease liabilities	10	103	72	162
Interest receivable		(8)	(11)	(26)
Share of profit of Minority Interest		(91)	2	(60)
Amortisation of intangible assets		263	288	564
Impairment of Goodwill		83	-	10
Impairment of Intangible		243	-	404
Depreciation		2,291	1,819	3,901
Depreciation on right of use assets	9	282	243	499
Share-based payments (non cash)		(393)	-	669
(Increase)/decrease in inventories		(939)	(2,799)	218
(Increase)/decrease in trade and other receivables		(471)	225	199
Increase in trade and other payables		968	1,301	1,328
Net cash from continuing activities		(1,884)	(3,285)	669
Net cash from discontinued activities		133	-	-
Net cash from operating activities		(1,751)	(3,285)	669
Interest paid		(282)	(653)	(566)
Interest element of ROU lease payments		(103)	(72)	(162)
Net cash (used in)/generated from operating activities		(2,136)	(4,010)	(59)
Cash flows from investing activities				
Purchase of interest in associate (net of cash acquired)	7	-	(1,439)	(1,438)
Purchase of property, plant and equipment	6	(1,960)	(3,562)	(6,369)
Purchase of intangible assets	6	(344)	(25)	(451)
Interest received		8	11	26
Dividend income received		17	-	-
Net cash (used in)/generated from investing activities		(2,279)	(5,015)	(8,232)
Cash flows from financing activities				
Repayment of CBIL loan		-	(50)	(50)
Proceeds from Asset Based Lending Facility		1,296	1,579	1,152
Shareholder Loan		3,000	7,418	7,439
Payment of lease liabilities		(256)	(228)	(462)
Net cash generated from/(used in) financing activities		4,040	8,719	8,079
Net decrease in cash and cash equivalents		(375)	(306)	(212)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,116	1,337	1,337
Effect of exchange rate movements		(11)	(17)	(9)
Cash, cash equivalents and bank overdrafts at end of year		730	1,014	1,116
Cash, cash equivalents and bank overdrafts consist of:				
Cash and cash equivalents		730	1,014	1,116
Cash, cash equivalents and bank overdrafts at end of year		730	1,014	1,116

NOTES TO CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL REPORT

1. GENERAL INFORMATION

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

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

This condensed consolidated half-yearly financial information was approved for issue on 19 November 2024.

This condensed consolidated half-yearly financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006 and is unaudited. Statutory accounts for the year ended 31 March 2024 were approved by the Board of Directors on 10 July 2024 and delivered to the Registrar of Companies. The Report of the Auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Forward Looking Statements

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

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

2. BASIS OF PREPARATION

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

This condensed consolidated half-yearly financial information for the half-year ended 30 September 2024 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 March 2024 which have been prepared in accordance with UK-adopted international accounting standards. The consolidated Group financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2024, as described in those annual financial statements with the exception of tax which is accrued using the tax rate that would be applicable to expected total annual earnings.

Judgements and Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated half-yearly financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2024.

Financial Instruments

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

The condensed consolidated half-yearly financial report does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2024.

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

The Group's financial instruments, measured at fair value, are all classed as level 2 in the fair value hierarchy, which is unchanged from 31 March 2024. Further details of the Group's financial instruments are set out within note 13 of this half-yearly report as required by IFRS 13.

4. SEGMENT INFORMATION

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

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

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

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

	UK	USA	Spain	Italy	Rest of Europe	Intra Group	**Total Reportable Segments**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Six months ended 30 September 2024 (unaudited)							
Revenue - External	18,089	2,119	853	1,158	2,746	-	**24,965**
Inter-segment revenue	1,647	-	-	-	-	(1,647)	-
Revenue from Discontinued operations	1,191						1,191
Operating (Loss)/Profit from continuing operations	(3,930)	(407)	(4)	(5)	135	-	(4,211)
Operating Loss from discontinued operations	(30)						(30)
Finance income - external	8	-	-	-	-	-	8
Finance income - other segments	228	-	-	-	-	-	228
Finance costs - external	(1,002)	(14)	(2)	(1)	(3)	-	(1,022)
Finance costs - other segments	(88)	0	(105)	0	(35)	-	(228)
Finance costs – discontinued operations	(5)						(5)
Share of profit of investments accounted for using the equity method	91	-	-	-	-	-	91
(Loss)/Profit before taxation	(4,728)	(421)	(111)	(6)	97	-	(5,169)
Taxation	-	-	-	-	(10)	-	(10)
(Loss)/Profit after taxation	(4,728)	(421)	(111)	(6)	87	-	(5,179)

5. EXCEPTIONAL ITEMS

	Six months to 30 September 2024 (unaudited)	Six months to 30 September 2023 (unaudited)	Year to 31 March 2024 (audited)
	£'000	£'000	£'000
Exceptional items comprise:			
– Refinancing costs	**-**	-	2
– Goodwill impairment	**83**	-	10
– Intangible impairment	**243**	-	404
– Restructuring costs	**56**	47	73
	382	47	489

The exceptional items totalling £382,000 (2023: £47,000) include restructuring costs within various departments at Head office in Margate and impairment of goodwill and intangibles on the acquisition of LCD Enterprises.

6. TANGIBLE AND INTANGIBLE ASSETS AND GOODWILL

The additions comprise new product tooling (£1,930,000), property, plant and equipment (£30,000) and intangible assets – computer software (£344,000).

The Group has again performed impairment reviews as at 30 September 2024 and consider the carrying value of the assets held to be recoverable. The discount rates and key assumptions used within the updated models at 30 September 2024 have remained constant with the impairment reviews conducted in March 2024.

Tangible and intangible assets and goodwill (unaudited)	**Six months ended 30 September 2024**	**Six months ended 30 September 2023**
	£'000	**£'000**
Opening net book amount 1 April 2024 and 1 April 2023	**19,164**	**16,759**
Exchange adjustment	**(4)**	**2**
Additions	**2,304**	**2,868**
Depreciation, amortisation and impairment	**(2,880)**	**(2,107)**
Transfer to assets classified as held for sale	**(1,422)**	-
Closing net book amount 30 September 2024 and 30 September 2023	**17,162**	**17,522**

CAPITAL COMMITMENTS	**2024 (unaudited)**	2023 (unaudited)
	£'000	£'000
At 30 September commitments were:		
Contracted for but not provided for	**1,001**	2,175

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

7. INVESTMENTS

	Interests in associate undertakings at cost £'000
At 1 April 2024	**-**
Acquisition of 25% of Warlord Games Limited including costs	1,498
Share of profit of investments accounted for using the equity method	91
Dividend received	(17)
At 30 September 2024	**1,572**

8. DISCONTINUED OPERATION

In the period the group initiated an active program to sell LCD Enterprises Limited back to the Davies family. The associated assets and liabilities are consequently presented as held for sale in these interim results.

The subsidiary was conditionally sold on 5 November 2024, with effect from 27 November (subject to shareholder approval) and is reported in the current period as a discontinued operation.

Financial information relating to the discontinued operation for the period to 30 September 2024 and comparative periods to 30 September 2023 and 31 March 2024 are set out below.

Financial performance and cash flow information

	Six months to 30 September 2024 (unaudited)	**Six months to 30 September 2023 (unaudited)**	**Year to 31 March 2024 (unaudited)**
Revenue	1,191	1,123	2,454
Expenses	(1,226)	(1,303)	(2,703)
Profit/ (loss) before income tax	(35)	(180)	(249)
Income tax expense	0	0	(13)
Profit/ (loss) after income tax of discontinued operation	(35)	(180)	(262)
Net cash inflow from operating activities	133	34	162
Net cash inflow from investing activities	(73)	(135)	(239)
Net cash outflow from financing activities	(57)	(54)	(116)
Net increase in cash generated by subsidiary	3	(155)	(193)

Assets and liabilities of disposal group classified as held for sale

	30 September 2024 (unaudited)
Assets classified as held for sale	
Property, plant and equipment	1,422
ROU	22
Def tax	148
Inventories	2,489
Trade and other receivables	257
Cash and cash equivalents	142
Total assets of disposal group held for sale	4,480
Liabilities directly associated with assets classified as held for sale	
Trade and other payables	(1,666)
Borrowings	(92)
Def tax	(309)
Lease liabilities	(22)
Total liabilities of disposal group held for sale	(2,089)

9. RIGHT OF USE ASSETS

GROUP	Property £'000	Motor Vehicles £'000	Fixtures, Fittings and Equipment £'000	Total £'000
COST				
At 1 April 2024	4,365	415	33	**4,813**
Additions at cost	-	-	-	-
Adjustment	(5)			**(5)**
At 30 September 2024	**4,360**	**415**	**33**	**4,808**
ACCUMULATED DEPRECIATION				
At 1 April 2024	2,153	329	19	**2,501**
Charge	259	21	2	**282**
At 30 September 2024	2,412	350	21	**2,783**
Transfer to assets classified as held for sale	(22)			**(22)**
Net book amount at 30 September 2024	**1,926**	**65**	**12**	**2,003**

10. RIGHT OF USE LEASE LIABILITIES

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

	2024 £'000	2023 £'000
As at 1 April	**2,728**	**2,456**
New leases		300
Interest payable	103	72
Repayment of lease liabilities	(359)	(300)
Transfer to liabilities classified as held for sale	(22)	

As at 30 September	**2,450**	**2,528**
Lease liability less than one year	399	403
Lease liability greater than one year and less than five years	632	677
Lease liability greater than five years	1,419	1,448
Total Liability	**2,450**	**2,528**

Maturity analysis of contracted undiscounted cashflows is as follows:

	30 September 2024 £'000	**30 September 2023 £'000**
Lease liability less than one year	**581**	**549**
Lease liability greater than one year and less than five years	**1,300**	**1,143**
Lease liability greater than five years	**1,929**	**1,911**
Total Liability	**3,810**	**3,603**
Finance charges included above	**(1,360)**	**(1,075)**
	2,450	**2,528**

11. SHARE CAPITAL

At 30 September 2024 the Group had 169,853,770 ordinary 1p shares in issue with nominal value £1,698,538 (2023: £1,698,538).

12. BORROWINGS

	30 September 2024 (unaudited)	30 September 2023 (unaudited)	31 March 2024 (unaudited)
	£'000	£'000	£'000
SECURED BORROWING AT AMORTISED COST			
CBIL Bank Loan	**-**	(146)	(117)
Shareholder Loan	**(12,549)**	(9,449)	(5,742)
ABL Facility	**(7,038)**	(6,169)	(9,549)
	(19,587)	(15,814)	(15,408)
Total borrowings			
Amounts due for settlement within 12 months	**(19,587)**	(6,219)	(15,341)
Amounts due for settlement after 12 months	**-**	(9,595)	(67)
	(19,587)	(15,814)	(15,408)

At 30 September 2024 the Group has in place a £12.0 million Asset Based Lending (ABL) facility with Secure Trust Bank PLC through to December 2025. The Covenants are customary operational covenants applied on a monthly basis. 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. The facility currently expires December 2025.

13. FINANCIAL INSTRUMENTS

The following tables present the Group's assets and liabilities that are measured at fair value at 30 September 2024 and 31 March 2024. The table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Assets				
Derivatives used for hedging	**-**		-	
Total assets as at 30 September 2024	**-**		-	
Liabilities				
Derivatives used for hedging	**-**	**(535)**	-	**(535)**
Total liabilities at 30 September 2024	**-**	**(535)**	**-**	**(535)**

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

14. TAXATION

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

15. EARNINGS/(LOSS) PER SHARE

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

	30 September 2024 (unaudited)	30 September 2023 (unaudited)	31 March 2024 (audited)
Earnings/(loss) per share from total operations attributable to the equity of the Company			
- basic	**(3.05)p**	**(3.00)p**	(7.10)p
- diluted	**(3.05)p**	**(3.00)p**	(7.10)p

16. DIVIDENDS

No interim dividend has been declared for the interim period ended 30 September 2024 (2023: £nil).

17. 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.

18. PERFORMANCE SHARE PLANS AWARDS

There are no Performance Share Plan ('PSP') awards outstanding at 30 September 2024 or 2023.

The CEO 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 30 September 2024, using a Black-Scholes valuation model, using 50% share volatility, 4% risk-free rate of return and an option value of 0.057 leads to a provision being made in the year of £275,635, this resulted in a release of £393,339 to the Statement of Comprehensive Income within Administrative expenses.

19. KEY MANAGEMENT COMPENSATION

Key management compensation amounted to £118,000 for the six months to 30 September 2024 (2023: £769,000). Reduction is due to lower Boards costs and release of share-based payment accrual for the CEO LTIP bonus. Key management include directors and senior management.

For the period to 30 September 2024:

	30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000	31 March 2024 (audited) £'000
Salaries and other short-term benefits	**480**	**692**	1,204
Other pension costs	**31**	**32**	66
Compensation for loss of office	**-**	**45**	45
Share-based payments	**(393)**	**-**	669
	118	**769**	1,984

20. RELATED-PARTY TRANSACTIONS

Phoenix Asset Management Partners who own the majority shareholding in Hornby PLC have also provided a funding facility to the Group. During the period interest fees of £636,675 were accrued and remain unpaid at 30 September 2024.

Hornby Hobbies Limited purchased services totalling £167,278 from Rawnet Limited which is 100% owned by Phoenix Asset Management, the controlling party of the Group. At 30 September 2024 nothing was owing to Rawnet Limited for services rendered.

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

21. RISKS AND UNCERTAINTIES

The Board has reviewed the principal risks and uncertainties and have concluded that the key risks continue to be UK market dependence, market conditions, exchange rates, supply chain, product compliance and liquidity. The disclosures on pages 13 and 14 of the Group's Annual report for the year ended 31 March 2024 provide a description of each risk along with the associated impact and mitigating actions. The Board will continue to focus on risk mitigation plans to address these areas.

22. SEASONALITY

Sales are subject to seasonal fluctuations, with peak demand in the October - December quarter. For the six months ended 30 September 2024 sales represented 46 per cent of the annual sales for the year ended 31 March 2024 (2023: 43 per cent of the annual sales for the year ended 31 March 2023).

23. SUBSEQUENT EVENTS

On 5 November 2024 the Company entered into a conditional agreement to dispose of its wholly-owned subsidiary LCD Enterprises Limited ("LCD") to EKD Enterprises Limited, a company owned by Lyndon Davies and his family for an aggregate consideration of approximately £1.38 million. The Disposal will release the Oxford Diecast brand from the Company's portfolio.

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

By order of the Board

Oliver Raeburn
Chief Executive
19 November 2024

Kirstie Gould
Chief Finance Officer