

HORNBY PLC HORNBY ANNOUNCES PRELIMINARY RESULTS AND COMPLETION OF FIRST STAGE OF TURNAROUND PLAN

Hornby Plc ("Hornby"), the international models and collectibles Group, has today announced its results for the year ended 31 March 2017.

Results Highlights

- Revenue of £47.4 million (2016: £55.8 million)
- Reported loss before tax £9.5 million (2016: £13.5 million loss)
- Underlying loss before tax¹ of £6.3 million (2016: £5.7 million loss)
- Reported loss after tax £9.7 million (2016: £13.7 million loss)
- Exceptional items of £3.3 million (2016: £7.9 million) including costs relating to the restructuring of the business, refinancing and profit on the sale of the Margate and Spanish properties
- Net cash at 31 March 2017: £1.5 million (2016: £7.2 million net debt)

¹ Stated before amortisation of intangibles (brands and customer lists), net unrealised foreign exchange movements on intercompany loans, and exceptional items.

First stage of Turnaround Plan completed

- Reduction of business scale and costs
- Key UK brands maintained
- Streamlined European operating model and brands
- Focused product ranges
- Refined sales channels strategy and substantially exited concessions
- Careful management of stock down by 29% to an appropriate level
- Second half Gross Margin at 40.0% reflecting focus on profitable products
- Cash flow performance in H2 2017 underpins success of first phase

Focus for next stage of Turnaround plan

- Build on the strong profitability of the Hornby, Airfix and Humbrol brands
- Improve Scalextric performance
- Grow our European and US businesses
- Further improve our customer service
- Deliver further efficiencies from ongoing cost reduction
- Maximise the return from our brands through selective licensing agreements
- Further improve cash generation from cost control and working capital management

Current Trading

As part of the first stage of the Turnaround Plan, Hornby undertook a stock liquidation programme in its UK business during the first quarter of the year to 31 March 2017. While this generated significant revenue it also impacted gross margins. Excluding this exceptional effect from the comparable period, sales in the UK and US for the 11 weeks to 18 June 2017 are down slightly. By contrast, sales in Europe are around half the level compared with the same period for last year due to the timing of new product releases and the lower levels of capital expenditure being invested in International rail brands. Gross margin for the Group for the 11 weeks to 18 June 2017 was 5 percentage points higher compared with the same period last year, reflecting the absence of stock liquidation initiatives this year.

Overall, trading is in line with expectations acknowledging some variations in the timing of new product launches.

Steve Cooke, Hornby Chief Executive Officer, said:

“Our results to March 2017 provide solid evidence of our delivery in phase one of our Turnaround Plan; notably in terms of cash flow performance and gross margin improvement during the year. We are determined to build on this progress as we move to the next phase of the Turnaround Plan. We have built a sound platform for growth over the last 18 months and we are now planning to deliver sustainable profit and net cash generation into the medium term. The current financial year has started positively and we are well placed to achieve the Board’s expectations for the year.”

-ends-

21 June 2017

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Highlights 2017

"I am pleased with the progress we have made over the past year to deliver on the Turnaround Plan, the first stage of which has now been completed. We have delivered on the commitments we made a year ago and have made the necessary structural changes to the business. Having returned the Group to a sound financial footing we are now in a position to focus on the next stage of the Turnaround plan which will see Hornby progress back to profitability and positive cash generation."
(Steve Cooke, Chief Executive)

Revenue (2016: £55.8m)

£47.4m

Operating loss (2016: £(13.1)m loss)

£(9.2)m

Reported loss before taxation (2016: £(13.5)m loss)

£(9.5)m

Underlying¹ loss before taxation (2016: £(5.7)m loss)

£(6.3)m

Reported loss after taxation (2016: £(13.7)m loss)

£(9.7)m

Reported loss per share (2016: (27.87)p loss)

(12.65)p

Underlying basic loss per share (2016: (13.02)p basic earnings)

(9.26)p

Net cash (2016: £7.2m net debt)

£1.5m

¹ Underlying figures are before amortisation of intangibles (brand names and customer lists), and net unrealised foreign exchange movements on intercompany loans and exceptional items.

Strategic Report

The Strategic Report comprises the Chairman's Statement, the Chief Executive's Report, the Operating and Financial Review of the Year and Our Key Performance Indicators.

Chairman's Statement

- **Revenue of £47.4 million (2016: £55.8 million)**
- **Reported loss before tax £9.5 million (2016: £13.5 million loss)**
- **Underlying loss before taxation¹ of £6.3 million (2016: £5.7 million loss)**
- **Reported loss after tax £9.7 million (2016: £13.7 million loss)**
- **Exceptional items of £3.3 million (2016: £7.9 million) including costs relating to the restructuring of the business, refinancing and a profit on the sale of the Margate and Spanish properties**
- **Net cash at 31 March 2017: £1.5 million (2016: £7.2 million net debt)**

¹ Stated before amortisation of intangibles (brand names and customer lists), and net unrealised foreign exchange movements on intercompany loans and exceptional items. See Operating and Financial Review for details.

Delivering the Turnaround Plan

The last 12 months was a period of significant change for Hornby. Following the trading challenges of 2015/16, we embarked upon a two-year Turnaround Plan to transform the business, supported by our shareholders through £8m of new equity and by our bankers with a £10m refinancing of the bank facilities in July 2016. The objective of the Turnaround Plan is to return the Group to a position of operational cash generation for the 2017/18 financial year. 2016/17 was expected to be a year of transition executing the main elements of structural change envisaged by the Turnaround Plan.

I am pleased with the considerable progress made against the Plan over the past year and, as such, we believe that we have completed the first stage. We have returned the business to a sound financial footing and have laid the foundations for the business to progress to profitability and positive cash generation on a sustainable basis.

Getting closer to our customers and consumers

We have established stronger relationships with our customers and consumers. We have resumed attendance at consumer shows to raise the profile of our brands whilst getting closer to consumers to receive their feedback on our progress. We have engaged more closely with our network of Independent customers, which is essential to the success of the business, including roadshows launching our product range for 2017. We have also begun to increase the quantity and quality of interaction with our National multiple retailers.

Financial stability

Strengthening the Group's financial position was a key strategic priority of the Turnaround Plan. Good progress has been achieved through the sale of properties in Spain and Margate, which raised £3.3 million. Stock management was critical and we have achieved a year-on-year reduction of £4.0 million to £9.7 million.

People

I would like to take the opportunity to thank our employees for their hard work and commitment during a difficult time for the business. They have continued to develop and deliver great products for our customers and consumers during a period of significant change.

Board changes

On 17 October 2016, we announced that David Mulligan had been appointed Group Finance Director on a permanent basis.

On 22 December 2016, we announced that Martin George was appointed as a Non-Executive Director. Martin has extensive experience in marketing and commercial roles. He was recently Chief Commercial Officer of The Post Office Limited as well as Chairman of Grays International Limited. He was previously Non-Executive Director at Thorntons plc, Group Development Director and Group Marketing Director at BUPA and Commercial Director at British Airways.

Charlie Caminada stepped down from the Board on 22 December 2016. Charlie was on the Board for three years, during which time he helped to steer the business through a period of major change, including two successful re-financings. Charlie also acted as Interim Executive Sales Director for six months earlier this year. I would like to thank Charlie once again for the significant contribution he has made to Hornby.

Shareholder engagement

We will hold our AGM in September 2017, providing shareholders with an excellent opportunity to hear more about our progress with the Turnaround Plan.

With the first stage of our Turnaround Plan complete, the Board is now focusing on the delivery of the second stage in 2017/18, further details of which are detailed in the Chief Executive's report. As a Board, we are confident that we have established a firm platform for growing shareholder value and returning Hornby to a more stable and sustainable trading performance.

On behalf of the Board

Roger Canham

Chairman

21 June 2017

Chief Executive's Report

2016/17 was a year of transition for the Hornby Group. In June 2016, we set out the Turnaround Plan with the stated aim of returning the business to sustainable profit and positive cash generation over a two-year period. I am pleased with the progress we have made over the past year in delivering the changes that we committed to as part of the Plan. To recap, the key elements of the first phase of the Turnaround Plan were as follows:

- Reduce business scale and costs
- Maintain key UK brands
- Streamline European operating model and brands
- Focused product ranges
- Refine sales channels strategy and substantially exit concessions
- Careful management of stock down to an appropriate level

In addition, we have put significant effort into improving our relationships with our customers and consumers.

Now the first stage of the Turnaround Plan is completed the focus for the current year turns to moving the business to sustainable profit and cash generation by:

- Building on the strong profitability of the Hornby, Airfix and Humbrol brands
- Improving Scalextric's performance
- Growing our European and US businesses
- Further improving our customer service
- Delivering further efficiencies from ongoing cost reduction
- Maximising the return from our brands through selective licensing agreements

The financial performance for last year was in line with the Board's expectations and those of the Turnaround Plan. Revenue of £47.4 million (2016: £55.8 million), reduced by 15%. However, this was expected as we rationalised the business. The operating loss before exceptionals of £5.9 million (2016: £5.3 million loss) reflected the transition and significant organisational changes delivered over the past year.

Net cash at 31 March 2017 was £1.5 million (2016: net debt of £7.2 million). This reflects the steps we have taken to strengthen the financial position of the Group by raising £8.0 million additional equity (£7.5 million net proceeds), reducing stock levels to a more normal level (£4.3 million cash inflow), the sale of the Margate and Spanish properties (raised £3.3 million) and other improvements to working capital (excluding stock) of £2.5m. These cash inflows have been offset by the cash impact of underlying operating losses and exceptional items incurred during the year.

First stage of Turnaround Plan completed

The first stage of Hornby's turnaround is now completed and the results of this series of initiatives are in-line with the Board's plan and expectations. The Group has restructured its UK and European operations, resulting in structural improvements to the cost base of around £4 million, and has re-engaged with its core independent retailer base as part of a re-positioned sales channel strategy. The product range has been rationalised and re-focused which has allowed Hornby to reduce capital expenditure and improve working capital.

Reduce business scale and costs

Our aim was to reduce activity levels in order to secure a return to profitability by focusing on the most profitable and cash generative product lines and activities. We have made significant structural changes to the UK and European businesses over the past year resulting in the planned reduction in the scale of the business.

Maintain key UK brands

Brand strength is at the heart of Hornby and our plan for the Group. As a result, we have retained our iconic UK brands (Hornby, Scalextric, Airfix, Humbrol and Corgi) by continuing to invest and develop new product lines. This was supported by around £2.0m of capital investment this financial year (2016: £4.6 million) into new product tooling (£1.8 million) and enhancing our operational IT systems (£0.2 million).

Central to the strength of our brands was an increased focus on improving customer service to Hornby's core hobby customers through the Independent sales channel. We spent considerable time visiting and listening to our customers. We believe that we have gone some way to addressing their concerns and we have committed to improving the relationships we have with them. As part of this commitment Hornby reduced the level of promotional activity direct to consumers via the internet and its own retail operations, with the aim of helping our independent retailers improve their businesses.

Streamlined European operating model and brands

The European business is focusing on its most profitable International model rail brands and this resulted in full year revenue from our international operations falling by £3.9m, or 39% over the course of this financial year, in line with our plans as we transferred management functions to the UK. The process to centralise the European operations and product development in the UK was completed as planned.

Focused product range

The number of individual product lines was reduced by approximately 40% during 2016/17 resulting in the active management of approximately 1,400 profitable product lines in the 2017/18 financial year. We remain on track to deliver this streamlined product range over the coming year.

Refine channel strategy and exit concessions

We have exited from most of the Group's concession arrangements because of the poor historical returns from trading through this channel.

Careful management of stock

We reduced the level of stock progressively over the course of 2016/17 whilst being very careful to avoid disruption to underlying sales through existing channels. Stock at March 2017 was £9.7 million (2016: £13.6 million) with the reduction resulting from addressing historical stock issues and the exit from concessions.

Other developments

As well as delivering the Turnaround Plan, we have made progress across several important areas of the business over the last year.

Impact of 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, particularly following the Brexit vote in June, could have a material effect on the Group's future results. The Group continues to hedge its currency exposures through forward currency purchases using fixed rate and participating forward contracts up to twelve months ahead. This provided some price protection for the short-term impacts of sterling revaluation, but we have needed to raise prices to cover increased product costs over the longer term.

Process improvement

During the past year, we reviewed our core business processes and sought to strengthen them in several areas including decision making around new product development, product scheduling and

sales forecasting. We have continued to enhance our ERP system, which is driving improvements in the quality of data provision in the business.

People and performance

We have worked to ensure that company objectives and newly created values have been cascaded down to teams and individuals to provide the necessary framework to ensure that all colleagues are aligned to deliver the Turnaround Plan.

Property update

On 13 June 2016, the Group disposed of its building in Spain for consideration of £1.0 million. On 28 February 2017, the Group completed the sale of its site at Margate for a consideration of £2.25 million. The gain on disposal from the sale of these properties of £1.5 million was treated as an exceptional item, and £2.25 million of the proceeds was used to repay bank borrowings, in accordance with our banking agreement.

Immediate strategic priorities

The key priority for the immediate future is to move the business to sustainable profit and cash generation by the following key steps.

Building on the strong profitability of the Hornby, Airfix and Humbrol Brands

Hornby, Airfix and Humbrol are three of our most profitable brands which are particularly strong in serving our important hobby customers. There are significant opportunities to further improve the performance of these brands by continuing to improve execution, recovering lost market share, increasing margin and improving the brands' appeal to new customers.

Improving Scalextric's performance

The Scalextric brand primarily delivers slot car sets to consumers through multiple retailers and as such is a relatively low margin business. There are significant opportunities to improve Scalextric margins and to carefully grow volumes through improved innovation and marketing support.

Growing our European and US businesses

Now that fixed costs have been reduced by streamlining our European operations we are in a position to invest capital expenditure in new product tooling in order to deliver profitable growth in our high margin model train business across the Jouef, Arnold and Rivarossi brands.

The US business has up to now not featured in the Turnaround Plan as it was not loss making. This business mostly distributes Scalextric, Airfix and Humbrol products and is now embarking on a delivery of a profitable growth strategy under the leadership of a newly recruited managing director.

Further improving our customer service

During stage 1 of the turnaround we re-engaged with our Independent retailers, improved relationships with National multiple retailers and increased our level of contact with hobby consumers through consumer shows. Continuing to prioritise improved customer service is a core part of our strategy.

We have also stopped using our brand websites to compete with our important retail customers and will increasingly use the brand websites to provide information, support and advice to both retail customers and consumers.

Further efficiencies from ongoing cost reduction

We will continue to build on the cost reductions delivered through structural changes made in the Group last year. A key area of strategic focus is reducing product costs in constant purchasing currency terms. We will achieve this by giving our suppliers greater visibility on our future production plans and thereby

helping them plan more effectively and reduce costs. In addition, we are introducing a programme of continuous improvement to drive further reduction in operating costs.

Maximising return from iconic brands

We will build the profile of our iconic brands by use of selective licensing agreements into new product categories and markets.

Brand performance

Over the last year we have continued to release new products across all our brands. Hornby saw the release of a limited-edition Anniversary Pack of the Class 43 British Rail Intercity 125 High Speed Train celebrating 40 years of the iconic train.

Corgi released a range of classic James Bond models whilst a newly tooled Electric Lightning in 1:48 scale has been well received by enthusiasts making it the first addition of a cold war jet in this size. Other notable releases included the Ride with Pride bus and a large selection of classic cars, including a stunning Sunbeam, which was launched at the Classic Motor Show in Birmingham alongside the full-size car.

Scalextric introduced a number of new sets to its range including the popular super cars set Total Speed and Track Day ARC Air set with supercars McLaren P1 and Jaguar C-X75 as well as the Le Mans prototype set ahead of the world-famous endurance race in 2017. My First Scalextric set continued to be a key product for recruiting young racers. This year also marks Scalextric's 60th Anniversary, celebrated by the release of seven special edition cars.

Airfix added to its range of military aircraft including the long-awaited Handley Page Victor B.2 in 1:72 scale, which was manufactured in the UK. Airfix QUICK BUILD also expanded with the newly moulded VW Campervan, which has proven popular with VW enthusiasts and children alike.

Across our International Train brands, we paid tribute to one of the biggest and most popular express passenger steam locomotives in France, Jouef's version of the '241P'. Other notable releases included the 'Class '95' steamer in TT scale in Germany, Arnold's '277' Spanish electric locomotive in N scale and Rivarossi's Grand Comfort coaches in Italy.

Outlook for 2017/18 and current trading

The outlook for the medium term has improved now the first stage of the Turnaround Plan has been completed. Much remains to be done to return the business to sustainable profit and positive cash generation but we are confident that the changes delivered last year will underpin the progress we plan to make.

At this early stage in the year we remain on track to achieve the Board's expectations for the year and we are confident we have the right plans in place to deliver shareholder value in the medium term.

Steve Cooke
Chief Executive
21 June 2017

Operating and Financial Review of the Year

Financial Review

| | 2017 | 2016 |
|----------------------------------|-----------------|----------|
| Revenue | £47.4m | £55.8m |
| Gross profit | £18.2m | £21.8m |
| Gross profit margin | 38% | 39% |
| Reported loss before tax | £(9.5)m | £(13.5)m |
| Underlying loss before tax* | £(6.3)m | £(5.7)m |
| Reported loss after tax | £(9.7)m | £(13.7)m |
| Basic loss per share | (12.65)p | (27.87)p |
| Underlying basic loss per share* | (9.26)p | (13.02)p |
| Net cash/(debt) | £1.5m | £(7.2)m |

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

Performance

Consolidated revenue for the year ended 31 March 2017 was £47.4 million, a decrease of 15% compared to the previous year's £55.8 million as we reduced the scale of the business in line with the Turnaround Plan. Gross profit margin was slightly lower, as expected, at 38% (2016: 39%) from the planned stock reduction of discontinued product lines and the closure of concessions as a distribution channel.

Overheads reduced year-on-year by 11% as a result of the measures taken in the Turnaround Plan. UK distribution costs reduced slightly despite the larger volume of products being handled through Hersden, following the European logistics reorganisation, offset by lower R&D costs reflecting the lower level of new product development going forwards as the number of products is reduced. Sales and marketing costs reduced by £2.2 million year-on-year due to lower spend on TV advertising, the substantial exit from concessions leading to a reduction in concession commissions and an overall fall in activity due to the reduced scale of the business. Admin costs were £1.1 million lower, reflecting the structural changes made as part of the Turnaround Plan. Other operating expenses in the year of £0.4 million (2016: £0.7 million) include foreign exchange gains and losses and the amortisation of certain intangible assets (brand names and customer lists). Foreign exchange gains on trading transactions in the year totalled £0.3 million compared with gains of £0.8 million in the previous year.

Pre-tax loss before net foreign exchange movements on intercompany loans, amortisation of intangible brands, restructuring costs, implementation of the new ERP system, refinancing costs, profit on disposal of property, impairment of tooling and impairment of goodwill (hereafter referred to as underlying loss before taxation) was £6.3 million (2016: loss of £5.7 million). The basic loss per share calculated on underlying loss before taxation (hereafter referred to as underlying basic loss per share) was (9.26)p (2016: (13.02)p).

The underlying loss before taxation is shown to present a clearer view of the trading performance of the business. Management identified the following non-trivial adjustments, whose inclusion in earnings could distort underlying trading performance: net foreign exchange (gains)/losses on intercompany loans which are dependent on exchange rates from time to time and can be volatile and amortisation of intangibles which result from historical acquisitions. Additionally, exceptional items including restructuring costs and impairments to goodwill, add volatility and these are one-off items and therefore have also been added back in calculating underlying loss before taxation.

| | Group | |
|---|----------------|----------------|
| | 2017 £'000 | 2016 £'000 |
| Loss before taxation | (9,509) | (13,532) |
| Net foreign exchange impact on intercompany loans | (410) | (389) |
| Amortisation of intangibles | 344 | 384 |
| Exceptional items: | | |
| Restructuring costs | 3,889 | 993 |
| Implementation of new ERP system | – | 1,174 |
| Refinancing costs | 944 | 762 |
| Profit on disposal of property | (1,530) | (223) |
| Impairment of property, plant and equipment – tooling | – | 1,158 |
| Impairment of goodwill | – | 3,990 |
| Underlying loss before taxation | (6,272) | (5,683) |

A total of £3.2 million (2016: £7.8 million) of costs shown in the table above have been identified as outside our definition of the measure of underlying profit. These costs in the year included the net foreign exchange impact on intercompany loans (gain of £0.4 million), amortisation of intangibles (£0.3 million) and exceptional items totalling £3.3 million. Of this total £0.1 million gain (2016: £5.1 million cost including impairment of goodwill and impairment of tooling) was the amortisation of intangible assets and the revaluation of intercompany loans, all of which are non-cash costs.

The exceptional items totalling £3.3 million (2016: £7.9 million) include restructuring costs (£3.9 million) relating to the streamlining of the European operations, reorganisation in the UK and the costs of running the Margate site during the period it was held for sale, costs relating to the 2016 equity issue and bank refinancing (£0.9 million) less the profit on the sale of the Margate and Spanish properties (£1.5 million).

Reported pre-tax loss was £9.5 million (2016: loss of £13.5 million) and reported basic loss per share was (12.61)p (2016: (27.87)p loss per share). The income tax charge for the year £0.2 million (2016: £0.2 million charge) arises mainly due to tax charge arising in Hornby Italy.

Segmental analysis

Domestic third party sales by the UK business fell by 11% in the year as business scale and costs were reduced. The underlying loss of £4.8 million compared to £2.1 million underlying loss last year reflects the transition of the UK business with the major structural changes undertaken over the past year impacting upon underlying trading. Sales by the European businesses fell by 39% in the year and generated an underlying loss of £1.1 million as the business was streamlined and many functions and activity were transferred to the UK. The US business' sales grew by 14% on translation but were flat on a constant currency basis. The underlying trading loss of £0.3 million in the US was impacted by stock reduction and addressing ageing stock issues.

Statement of Financial Position

Property plant and equipment reduced year-on-year to £5.7 million from £7.2 million as depreciation of £3.0 million outweighed capital additions of £1.8 million with disposals having a net impact of £0.4 million. Group inventories reduced significantly during the year due to the focus on stock reduction as part of the Turnaround Plan from £13.6 million to £9.7 million. Trade and other receivables reduced by 30% due to improved working capital management and due to the settlement of some large sales orders which were fulfilled just before the previous year end. Trade and other payables reduced by £0.7 million largely due to the reduced size of the business. The net effect of these factors was a reduction in working capital requirements of £7.0 million (a reduction of 37%). Overall investment in new tooling, new intangible computer software and other capital expenditure was £2.0 million (2016: £4.6 million).

Dividend

As the Company continues to deliver on its Turnaround Plan the decision has again been taken not to pay a dividend (2016: nil). The Board continues to keep the dividend policy under review.

Financing and capital structure

A Placing and Open Offer of 29,629,630 new Ordinary Shares at a price of 27 pence each, raising £7.5 million net of costs, was completed on 8 July 2016 with the funds being used to allow the business to pay down existing debt and to invest in the Turnaround Plan.

Borrowings in the year ended 31 March 2017 peaked towards the start of the year under the previous bank facility at £8.6 million. Since July 2016 the Company has operated within its new facility limit of £10 million, which stepped down to £7.75 million on 1 March 2017 following the sale of the Margate property.

The revolving credit facility of £7.75 million is in place until 31 December 2019 and is available for trading working capital and capital expenditure needs through to such date. The new facility has a margin of 3.5% over LIBOR and is subject to commitment and utilisation fees dependent on the level of drawings under the facility.

As is customary the facility is subject to financial covenants, which the Group must comply with and which are to be tested quarterly. For the duration of the transition period of the Group's new business plan through to December 2017, such financial covenants comprise a minimum EBITDA test and a current asset (stock and receivables) to net debt test. Thereafter, the financial covenants comprise customary leverage and interest cover financial covenants.

Net cash at 31 March 2017 was £1.5 million compared with net debt of £7.2 million at 31 March 2016 giving undrawn facilities and available cash of £9.2 million at 31 March 2017.

Property Update

On 13 June 2016, the Group disposed of its building in Spain for consideration of £1.0 million. The gain on disposal of £0.6 million was treated as an exceptional item.

On 28 February 2017, the Group completed the sale of its site at Margate for a consideration of £2.25 million. The gain on disposal from the sale of £0.9m was treated as an exceptional item. The Group signed a leaseback of part of the site for the Hornby Visitors Centre and retail outlet.

Going Concern

The Group has in place a £7.75 million banking facility with the Group's bankers through to December 2019 and available net cash of £1.5m at 31 March 2017.

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, its existing bank facility and

after detailed review of trading, financial position and cash flow models, the Directors have a reasonable expectation that the Group has 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 annual financial statements.

Our Key Performance Indicators ('KPIs')

The Directors are of the opinion that the financial KPIs are revenues, gross margins, underlying (loss)/profit before tax, (loss)/earnings per share and cash generation, the information for which is available in these financial statements and summarised on the financial highlights section earlier in this report. In monitoring the progress of delivery of the Turnaround Plan, management has put in place additional KPIs, such as the level of overhead savings and the amount of stock reduction achieved, to monitor progress on the key elements of the plan, which are considered fundamental to performance during the transition period. The Board monitors progress against plan on a regular basis adjusting future objectives annually in line with current circumstances.

Principal risks and uncertainties

The Directors have considered the principal risks and uncertainties affecting the Group's financial position and prospects in 2017/18. As described on pages 11 to 12 of the Group's Annual Report for 2016, the Group continues to be exposed to a number of risks and has well established systems and procedures in place to identify, assess and mitigate those risks. The principal risks include those arising from market conditions, the new business plan, distribution channels, competing brands, exchange rates, supply chain, capital allocation, product compliance, liquidity, and system and cyber risk.

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 and quarterly. Performance against budget is monitored and where any significant deviations are identified appropriate action is taken.

David Mulligan
Group Finance Director
21 June 2017

Group Statement of Comprehensive Income for the Year Ended 31 March 2017

| | Note | Group | |
|--|------|-----------------|---------------|
| | | 2017 £'000 | 2016 £'000 |
| Revenue | 2 | 47,420 | 55,757 |
| Cost of sales | | (29,270) | (33,992) |
| Gross profit | | 18,150 | 21,765 |
| Distribution costs | | (8,419) | (8,441) |
| Selling and marketing costs | | (10,294) | (12,472) |
| Administrative expenses | | (5,680) | (6,814) |
| Other operating expenses | | 358 | 692 |
| Operating Loss before Exceptional items | | (5,885) | (5,270) |
| Exceptional items | | (3,303) | (7,854) |
| Operating loss | 2 | (9,188) | (13,124) |
| Finance income | | 5 | 21 |
| Finance costs | | (326) | (429) |
| Net finance expense | | (321) | (408) |
| Loss before taxation | 3 | (9,509) | (13,532) |
| Income tax charge | | (157) | (182) |
| Loss for the year after taxation | | (9,666) | (13,714) |
| Other comprehensive income | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Cash flow hedges, net of tax | | (452) | 20 |
| Currency translation differences | | 15 | (127) |
| Other comprehensive expense for the year, net of tax | | (437) | (107) |
| Total comprehensive loss for the year | | (10,103) | (13,821) |
| Loss per ordinary share | | | |
| Basic | 5 | (12.65)p | (27.87)p |
| Diluted | 5 | (12.65)p | (27.87)p |

All results relate to continuing operations.

Group Statement of Financial Position as at 31 March 2017

| | Group | |
|--|----------------|-----------------|
| Note | 2017 £'000 | 2016 £'000 |
| Assets | | |
| Non-current assets | | |
| Goodwill | 4,554 | 4,516 |
| Intangible assets | 4,214 | 4,777 |
| Property, plant and equipment | 5,683 | 7,192 |
| Investments | – | – |
| Deferred tax assets | 1,974 | 1,991 |
| | 16,425 | 18,476 |
| Current assets | | |
| Inventories | 9,680 | 13,637 |
| Trade and other receivables | 9,246 | 13,192 |
| Derivative financial instruments | 120 | 394 |
| Current tax assets | 50 | 213 |
| Cash and cash equivalents | 1,580 | 677 |
| Property, plant and equipment held for sale | – | 1,462 |
| | 20,676 | 29,575 |
| Liabilities | | |
| Current liabilities | | |
| Borrowings | 7 (82) | (7,883) |
| Trade and other payables | (6,664) | (7,363) |
| Derivative financial instruments | (190) | (12) |
| Provisions | (196) | (446) |
| Current tax liabilities | (212) | – |
| | (7,344) | (15,704) |
| Net current assets | 13,332 | 13,871 |
| Non-current liabilities | | |
| Deferred tax liabilities | (94) | (211) |
| | (94) | (211) |
| Net assets | 29,663 | 32,136 |
| Equity attributable to owners of the parent | | |
| Share capital | 846 | 550 |
| Share premium | 27,445 | 20,205 |
| Capital redemption reserve | 55 | 55 |
| Translation reserve | (1,371) | (1,386) |
| Hedging reserve | (70) | 382 |
| Other reserves | 1,688 | 1,688 |
| Retained earnings | 1,070 | 10,642 |
| Total equity | 29,663 | 32,136 |

Group Statement of Changes in Equity For the Year Ended 31 March 2017

| GROUP | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Translation reserve £'000 | Hedging reserve £'000 | Other reserves £'000 | Retained earnings £'000 | Total equity £'000 |
|---|------------------------|------------------------|-------------------------------------|------------------------------|--------------------------|-------------------------|----------------------------|-----------------------|
| Balance at 1 April 2015 | 392 | 6,180 | 55 | (1,259) | 362 | 1,688 | 24,338 | 31,756 |
| Loss for the year | – | – | – | – | – | – | (13,714) | (13,714) |
| Other comprehensive (expense)/income for the year | – | – | – | (127) | 20 | – | – | (107) |
| Total comprehensive income for the year | – | – | – | (127) | 20 | – | (13,714) | (13,821) |
| Transactions with owners | | | | | | | | |
| Net proceeds from issue of ordinary shares | 158 | 14,025 | – | – | – | – | – | 14,183 |
| Share-based payments (note 22) | – | – | – | – | – | – | 18 | 18 |
| Total transactions with owners | 158 | 14,025 | – | – | – | – | 18 | 14,201 |
| Balance at 31 March 2016 and 1 April 2016 | 550 | 20,205 | 55 | (1,386) | 382 | 1,688 | 10,642 | 32,136 |
| Loss for the year | – | – | – | – | – | – | (9,666) | (9,666) |
| Other comprehensive (expense)/income for the year | – | – | – | 15 | (452) | – | – | (437) |
| Total comprehensive (loss)/income for the year | – | – | – | 15 | (452) | – | (9,666) | (10,103) |
| Transactions with owners | | | | | | | | |
| Net proceeds from issue of ordinary shares | 296 | 7,240 | – | – | – | – | – | 7,536 |
| Share-based payments (note 22) | – | – | – | – | – | – | 94 | 94 |
| Total transactions with owners | 296 | 7,240 | – | – | – | – | 94 | 7,630 |
| Balance at 31 March 2017 | 846 | 27,445 | 55 | (1,371) | (70) | 1,688 | 1,070 | 29,663 |

Retained earnings includes £nil at 31 March 2017 (2016: £553,000) which is not distributable and relates to a 1986 revaluation of land and buildings.

Group Cash Flow Statement for the Year Ended 31 March 2017

| | | Group | |
|---|------|---------------|----------------|
| | Note | 2017 £'000 | 2016 £'000 |
| Cash flows from operating activities | | | |
| Cash generated from/(used in) operations | 6 | 91 | (9,632) |
| Interest paid | | (326) | (429) |
| Tax received | | 118 | 204 |
| Net cash used in operating activities | | (117) | (9,857) |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 3,338 | 349 |
| Purchase of property, plant and equipment | | (1,756) | (3,221) |
| Purchase of intangible assets | | (226) | (1,341) |
| Interest received | | 5 | 21 |
| Net cash generated from/(used in) investing activities | | 1,361 | (4,192) |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | | 8,000 | 15,000 |
| Repayments of loans | | (188) | (35) |
| Share issue costs | | (464) | (817) |
| Advances to subsidiary undertakings | | - | - |
| Repayments to subsidiary undertakings | | - | - |
| Net cash generated from financing activities | | 7,348 | 14,148 |
| Net increase in cash and cash equivalents | | 8,592 | 99 |
| Cash, cash equivalents and bank overdrafts at beginning of the year | | (7,029) | (7,247) |
| Effect of exchange rate movements | | (65) | 119 |
| Cash, cash equivalents and bank overdrafts at end of year | | 1,498 | (7,029) |
| Cash, cash equivalents and bank overdrafts consist of: | | | |
| Cash and cash equivalents | | 1,580 | 677 |
| Bank overdrafts | 7 | (82) | (7,706) |
| Cash, cash equivalents and bank overdrafts at end of year | | 1,498 | (7,029) |

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information for the year ended 31 March 2017 has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretations Committee ('IFRS-IC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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. However, with regards to the Group, see below for details of material uncertainty.

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.

GOING CONCERN

The Group has in place a £7.75 million banking facility with the Group's bankers through to December 2019 and available net cash of £1.5m at 31 March 2017.

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, its existing bank facility and after detailed review of trading, financial position and cash flow models, the Directors have a reasonable expectation that the Group has 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 annual financial statements.

BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase 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 and 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.

ADOPTION OF NEW AND REVISED STANDARDS

There are no standards, amendments to standards or interpretations that are both mandatory for the first time for the financial year ended 31 March 2017 and that have a material impact on the Group's results.

IFRS 16 "Leases" will replace the current guidance under IAS 17 and will have a significant impact on the accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 will require lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The adoption of IFRS 16 will have a material effect on the Hornby plc financial statements by grossing up assets and liabilities by approximately £1 million, will have an immaterial impact on the Statement of Comprehensive Income and no impact on the Group's cash flow.

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.

Year ended 31 March 2017

| | UK £'000 | USA £'000 | Spain £'000 | Italy £'000 | Rest of Europe £'000 | Total Reportable Segments £'000 | Intra Group £'000 | Group £'000 |
|--|-------------|--------------|----------------|----------------|----------------------------|--|-------------------------|-----------------|
| Revenue – External | 37,720 | 3,519 | 1,071 | 1,622 | 3,488 | 47,420 | – | 47,420 |
| – Other segments | 6,956 | – | – | – | – | 6,956 | (6,956) | – |
| Operating loss | (11,864) | (323) | 2,037 | 534 | 428 | (9,188) | – | (9,188) |
| Finance cost – External | 5 | – | – | – | – | 5 | – | 5 |
| – Other segments | 594 | – | – | – | – | 594 | (594) | – |
| Finance income – External | (324) | – | (2) | – | – | (326) | – | (326) |
| – Other segments | (175) | – | (205) | (145) | (69) | (594) | 594 | – |
| Loss before taxation | (11,764) | (323) | 1,830 | 389 | 359 | (9,509) | – | (9,509) |
| Taxation | 100 | (2) | (5) | (218) | (32) | (157) | – | (157) |
| Loss for the year | (11,664) | (325) | 1,825 | 171 | 327 | (9,666) | – | (9,666) |
| Segment assets | 47,277 | 1,605 | 6,137 | 3,858 | 5,950 | 64,827 | – | 64,827 |
| Less intercompany receivables | (17,027) | (65) | (5,884) | (3,280) | (3,495) | (29,751) | – | (29,751) |
| Add tax assets | 2,024 | – | – | – | – | 2,024 | – | 2,024 |
| Total assets | 32,274 | 1,540 | 253 | 578 | 2,455 | 37,100 | – | 37,100 |
| Segment liabilities | 17,966 | 2,189 | 4,552 | 4,544 | 7,803 | 37,054 | (29,922) | 7,132 |
| Less intercompany payables | (12,329) | (2,126) | (4,396) | (4,296) | (6,775) | (29,922) | 29,922 | – |
| Add tax liabilities | 94 | – | – | 212 | – | 306 | – | 306 |
| Total liabilities | 5,731 | 63 | 156 | 460 | 1,028 | 7,438 | – | 7,438 |
| Other segment items | | | | | | | | |
| Capital expenditure | 1,834 | 20 | 91 | 37 | – | 1,982 | – | 1,982 |
| Depreciation | 2,810 | 20 | 54 | 149 | 3 | 3,036 | – | 3,036 |
| Net foreign exchange on intercompany loans | 410 | – | – | – | – | 410 | – | 410 |
| Amortisation of intangible assets | 728 | – | – | 80 | 8 | 816 | – | 816 |
| Share-based payment | 110 | – | – | – | – | 110 | – | 110 |

All transactions between Group companies are on normal commercial terms.

Year ended 31 March 2016

| | UK £'000 | USA £'000 | Spain £'000 | Italy £'000 | Rest of Europe £'000 | Total Reportable Segments £'000 | Intra Group £'000 | Group £'000 |
|--|----------------|--------------|----------------|----------------|----------------------------|--|-------------------------|-----------------|
| Revenue – External | 42,562 | 3,080 | 2,470 | 2,275 | 5,370 | 55,757 | – | 55,757 |
| – Other segments | 6,534 | – | 2,250 | 696 | 822 | 10,302 | (10,302) | – |
| Operating loss | (3,801) | (4) | (7,214) | (528) | (1,577) | (13,124) | – | (13,124) |
| Finance cost – External | (379) | – | (38) | (3) | (9) | (429) | – | (429) |
| – Other segments | (175) | – | (181) | (130) | (56) | (542) | 542 | – |
| Finance income – External | 21 | – | – | – | – | 21 | – | 21 |
| – Other segments | 542 | – | – | – | – | 542 | (542) | – |
| Loss before taxation | (3,792) | (4) | (7,433) | (661) | (1,642) | (13,532) | – | (13,532) |
| Taxation | (182) | – | – | – | – | (182) | – | (182) |
| Loss for the year | (3,974) | (4) | (7,433) | (661) | (1,642) | (13,714) | – | (13,714) |
| Segment assets | 55,604 | 1,704 | 5,088 | 3,673 | 3,696 | 69,765 | (23,918) | 45,847 |
| Less intercompany receivables | (20,918) | (53) | (720) | (1,051) | (1,176) | (23,918) | 23,918 | – |
| Add tax assets | 1,752 | – | – | 157 | 295 | 2,204 | – | 2,204 |
| Total assets | 36,438 | 1,651 | 4,368 | 2,779 | 2,815 | 48,051 | – | 48,051 |
| Segment liabilities | 14,036 | 1,923 | 11,141 | 4,414 | 5,799 | 37,313 | (21,609) | 15,704 |
| Less intercompany payables | – | (1,774) | (10,635) | (4,026) | (5,174) | (21,609) | 21,609 | – |
| Add tax liabilities | 207 | – | 4 | – | – | 211 | – | 211 |
| Total liabilities | 14,243 | 149 | 510 | 388 | 625 | 15,915 | – | 15,915 |
| Other segment items | | | | | | | | |
| Capital expenditure | 3,393 | 13 | 1,113 | 39 | 4 | 4,562 | – | 4,562 |
| Depreciation | 2,447 | 21 | 1,059 | 162 | 16 | 3,705 | – | 3,705 |
| Net foreign exchange on intercompany loans | 389 | – | – | – | – | 389 | – | 389 |
| Amortisation of intangible assets | 603 | – | – | 71 | 49 | 723 | – | 723 |
| Impairment of goodwill | – | – | 3,990 | – | – | 3,990 | – | 3,990 |
| Share-based payment | 18 | – | – | – | – | 18 | – | 18 |

All transactions between Group companies are on normal commercial terms.

3. LOSS BEFORE TAXATION

| | Group | |
|---|---------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| The following items have been included in arriving at loss before taxation: | | |
| Staff costs | 10,587 | 11,010 |
| Inventories: | | |
| – Cost of inventories recognised as an expense (included in cost of sales) | 23,339 | 26,808 |
| – Stock provision | (646) | (895) |
| Depreciation of property, plant and equipment: | | |
| – Owned assets | 3,036 | 3,705 |
| Profit on disposal of fixed assets | 1,439 | 193 |
| Other operating lease rentals payable: | | |
| – Plant and machinery | 92 | 125 |
| – Property | 719 | 1,058 |
| Repairs and maintenance expenditure on property, plant and equipment | 86 | 171 |
| Research and development expenditure | 1,154 | 1,760 |
| Foreign exchange (gains)/losses: | | |
| – On trading transactions and ineffective hedges | – | (135) |
| Impairment of trade receivables | 486 | 163 |
| Share-based payment charge | 110 | 18 |
| Other operating expenses/(income): | | |
| – Foreign exchange on trading transactions | (292) | (822) |
| – Net impact of foreign exchange on intercompany loans | (410) | (389) |
| – Movement on fair value of ineffective hedge | – | 135 |
| – Amortisation of intangible assets - brands | 344 | 384 |

| | Group | |
|---|----------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Exceptional items comprise: | | |
| – Restructuring costs | 3,889 | 993 |
| – Implementation of ERP system | – | 1,174 |
| – Refinancing | 944 | 762 |
| – Profit on disposal of property | (1,530) | (223) |
| – Impairment of property, plant and equipment | – | 1,158 |
| – Impairment of goodwill | – | 3,990 |
| – Impairment of investment | – | – |
| | 3,303 | 7,854 |

The exceptional items totalling £3,303,000 (2016: £7,854,000) include restructuring costs (£3,889,000) relating to the streamlining of the European operations, redundancy costs, professional fees, reorganisation in the UK and the costs of running the Margate site, costs relating to the 2016 equity issue and bank refinancing (£944,000) less the profit on the sale of the Margate and Spanish properties (£1,530,000).

4. DIVIDENDS

No interim or final dividends were paid in relation to the year ended 31 March 2016 and no interim dividend has been paid in relation to the year ended 31 March 2017. The Directors are not proposing a final dividend in respect of the financial year ended 31 March 2017.

5. 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, excluding those held in the employee share trust (note 22) which are treated as cancelled.

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 2017. For the year ended 31 March 2017, there was no difference in the weighted average number of shares used for basic and diluted net loss per ordinary because their inclusion would be anti-dilutive.

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

| | 2017 | | | 2016 | | |
|--|-------------------------------|---|------------------------------|-------------------------------|---|------------------------------|
| | (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 per share | | | | | | |
| Loss attributable to ordinary shareholders | (9,666) | 76,384 | (12.65) | (13,714) | 49,200 | (27.87) |
| Effect of dilutive securities | | | | | | |
| Options | - | - | - | - | - | - |
| Diluted loss per share | (9,666) | 76,384 | (12.65) | (13,714) | 49,200 | (27.87) |
| UNDERLYING | | | | | | |
| Loss attributable to ordinary shareholders | (9,666) | 76,384 | (12.65) | (13,714) | 49,200 | (27.87) |
| Amortisation of intangibles | 275 | - | 0.36 | 307 | - | 0.62 |
| Restructuring costs | 3,111 | - | 4.07 | 794 | - | 1.61 |
| Implementation of new ERP system | - | - | - | 939 | - | 1.91 |
| Refinancing | 755 | - | 0.99 | 610 | - | 1.24 |
| Profit on disposal of Property | (1,223) | - | (1.6) | (178) | - | (0.36) |
| Impairment of PPE – tooling | - | - | - | 1,158 | - | 2.36 |
| Impairment of goodwill | - | - | - | 3,990 | - | 8.11 |
| Net foreign exchange translation adjustments | (328) | - | (0.43) | (311) | - | (0.64) |
| Underlying basic loss /EPS | (7,076) | 76,384 | (9.26) | (6,405) | 49,200 | (13.02) |
| Underlying diluted loss /EPS | (7,076) | 76,384 | (9.26) | (6,405) | 49,200 | (13.02) |

The above numbers used to calculate the EPS for the year ended 31 March 2017 and 31 March 2016 have been tax effected at the rate of 20% respectively with the exception of Hornby Spain where the net deferred tax asset associated with the impairment in 2016 has not been recognised.

6. GROUP CASH FLOWS FROM OPERATING ACTIVITIES

| | Group | |
|--|----------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Loss before taxation | (9,509) | (13,532) |
| Interest payable | 326 | 429 |
| Interest receivable | (5) | (21) |
| Amortisation of intangible assets | 816 | 723 |
| Impairment of Goodwill | – | 3,990 |
| Depreciation | 3,036 | 3,705 |
| Impairment of tooling | – | 1,158 |
| Profit on disposal of property, plant and equipment | (1,439) | (193) |
| Share-based payments | 94 | 18 |
| Loss on financial derivatives | – | 135 |
| (Decrease) / increase in provisions | (250) | 191 |
| Decrease / (increase) in inventories | 4,311 | (650) |
| Decrease / (increase) in trade and other receivables | 4,335 | (2,351) |
| Decrease in trade and other payables | (1,624) | (3,212) |
| Decrease in derivative financial instruments | – | (22) |
| Cash generated from / (used in) operations | 91 | (9,632) |

7. BORROWINGS

| | Group | |
|--|---------------|---------------|
| | 2017 £'000 | 2016 £'000 |
| Secured borrowing at amortised cost | | |
| Bank overdrafts | 82 | 7,706 |
| Bank loan | – | 177 |
| | 82 | 7,883 |
| Total borrowings | | |
| Amount due for settlement within 12 months | 82 | 7,883 |
| | 82 | 7,883 |

Analysis of borrowings by currency:

| GROUP | Sterling £'000 | Euros £'000 | Total £'000 |
|----------------------|-------------------|----------------|----------------|
| 31 March 2017 | | | |
| Bank overdrafts | 82 | – | 82 |
| | 82 | – | 82 |
| 31 March 2016 | | | |
| Bank overdrafts | 7,704 | 2 | 7,706 |
| Bank loan | – | 177 | 177 |
| | 7,704 | 179 | 7,883 |

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

At 31 March 2017 the Group had a revolving credit facility of £7,750,000 expiring December 2019 and the future interest rates on this facility are Libor + 3.5%

The average effective interest rate on bank overdrafts approximated 3.95% (2016: 3.4%) per annum and is determined based on 3.5% (2016: 2.9%) above three-month Libor.

Net cash at bank and bank overdrafts of £1,498,000 (2016: £7,206,000) are with financial institutions with a credit rating of A2 per Moody's rating agency.

Undrawn borrowing facilities

At 31 March 2017, the Group had available £7,668,000 (2016: £2,971,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

8. RELATED PARTY DISCLOSURES

B Ahir is our Managing Director of Hornby Hobbies Asia and a Director of Hornby Hobbies Limited, a subsidiary of Hornby Plc. 28One, not to be confused with companies of a similar name, owned by B Ahir has provided ongoing support to manage product delivery for which Hornby Hobbies has paid £206,000 (2016: £176,000) in relation to these services in the year. No payments remained outstanding to 28One as at 31 March 2017. Hornby Hobbies Limited continues to use these services on an ongoing basis.

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 £1,369,000 (2016: £1,316,000), interest of £175,000 (2016: £174,000) and dividends from subsidiaries of £nil (2016: £ nil) and incurred interest of £205,000 (2016: £181,000) on intercompany borrowings. It also received a rental income of £nil (2016: £450,000).

9. EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events have occurred between the date of the Statement of Financial Position and the date of signing of these accounts.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that, to the best of their knowledge, the extracts from the consolidated financial statements included in this report, which has been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group taken as a whole, and that the management report contained in this report includes a fair view of the development and performance of the business.