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STITCH 2 LIMITED

Annual Report

For the 52 weeks ended 19 February 2023

Registered number: 07216740

Stitch 2 Limited

Annual Report for the 52 weeks ended 19 February 2023

Contents

Stitch 2 Limited

Directors and Advisors

Directors	Dominic Jordan Russell Harrison Katherine Paterson
Registered office	7 Enterprise Way Aviation Park Bournemouth International Airport Hurn, Christchurch Dorset BH23 6HG
Solicitor	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Banker	Lloyds Bank plc 25 Gresham Street London EC2V 7HN

The directors present their Strategic Report for the 52 weeks ended 19 February 2023.

Principal activities

The principal activity of the Company is that of being the holding company of Stitch 3 Limited and holding the loan notes that were issued to finance the acquisition of Hobbycraft Trading Limited, whose business is principally the sale of arts and craft related products.

Review of business and future developments

The Profit and Loss Account for the period is set out on page 5. The loss for the financial period was £13,190k (2022: £10,361k). As at the year end the Company had net liabilities of £73,999k (2022: £60,809k).

During the prior year the Company's directly-held subsidiary, Stitch 3 Limited, advanced a further £10,000k to an existing loan agreement of £10,000k. The terms of the loan state that it does not bear interest and the Company shall repay all advances upon demand by Stitch 3 Limited, or the Company may choose to repay the whole or any part of an advance at any time. During the year loan repayments totalling £3,500k have been made (2022: £14,000k) resulting in a closing cash balance of £2,500k held within the Company as at 19 February 2023 (2022: £6,000k).

In September 2021 a partial repayment of the Investor Loan Notes of £15,000k was completed by utilising excess cash within the Group, thereby reducing accrued interest payable upon maturity. The Company received the funds to allow this repayment from Stitch 3 Limited, partially repaying the receivable balance held by the Company. On 31 January 2022 the expiry date of the Investor Loan Notes was extended to 31 August 2028.

In March 2023, after the end of the financial period, a further partial repayment of the Investor Loan Notes of £15,081k was completed using excess cash within the Group, thereby reducing accrued interest payable upon maturity. The Company received the funds to allow this repayment from Stitch 3 Limited, partially repaying the receivable balance held by the Company.

The directors are satisfied that there will be no significant changes to the future development of the business and it will continue to act as an intermediate holding company.

Principal risks and uncertainties

Hobbycraft Group Limited is the ultimate parent company and is the smallest and largest group in which the results of the Company were consolidated. The directors of Hobbycraft Group Limited manage the Group's operations on a group-wide basis. For this reason, the Company's directors believe that disclosure of the principal risks and uncertainties of the Company and analysis using key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business of Stitch 2 Limited. The development, performance and position of Hobbycraft Group Limited is discussed in the Annual Report of Hobbycraft Group Limited which does not form part of this report.

The Company has no external debt and the loan notes held by shareholders of Hobbycraft Group Limited are provided at a fixed interest rate ensuring certainty of future interest liabilities.

The Investor "B" loan notes detailed in note 10 are listed on The International Stock Exchange.

On behalf of the Board

R.Harrison

Russell Harrison

22 June 2023

The directors present their report and the financial statements for the 52 weeks ended 19 February 2023. The comparative period was the 52 weeks ended 20 February 2022.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Hobbycraft Group Limited. The directors have received confirmation that Hobbycraft Group Limited intends to support the Company for at least one year after these financial statements are signed, such as to allow it to pay its debts as they fall due. For further details, see note 1 of the financial statements.

Future developments

Information on the future developments of the Company can be found within the Strategic Report.

Energy and carbon emissions

As a low energy user, the Company is not required to provide information on its energy usage in accordance with the Streamlined Energy and Carbon Reporting (SECR) policy.

Dividends

There were no dividends paid or proposed during the 52 weeks ended 19 February 2023 (2022: none).

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Dominic Jordan
Katherine Paterson
Russell Harrison

Qualifying third party indemnity provisions

At the time the report is approved and during the period a qualifying third party indemnity provision is in place through a group policy for the benefit of one or more of the directors.

Audit committee

Hobbycraft Group Limited, in respect of the Group as a whole, has an audit committee in place to review the effectiveness of the Company's systems of internal financial controls. The committee meets at least once a year.

Statement of director's responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

R.Harrison

Russell Harrison

7 Enterprise Way
Aviation Park
Bournemouth International Airport
Hurn, Christchurch
Dorset
BH23 6HG

22 June 2023

Stitch 2 Limited

Profit and Loss Account for the 52 weeks ended 19 February 2023

	Note	2023 £'000	2022 £'000
Administrative expenses		**(6)**	(6)
Operating loss		**(6)**	(6)
Interest receivable and similar income	2	**353**	774
Interest payable and similar expenses	3	**(13,537)**	(11,129)
Loss before taxation		**(13,190)**	(10,361)
Tax on loss	4	**-**	-
Loss for the financial year		**(13,190)**	(10,361)

All amounts relate to continuing activities.

The accounting policies and notes on pages 8 to 17 form part of these financial statements.

Stitch 2 Limited

Balance Sheet as at 19 February 2023

Company number: 07216740

	Note	**19 February 2023 £'000**	20 February 2022 £'000
Fixed assets			
Investments	6	**1,380**	1,380
Current assets			
Debtors (including £93,986k (2022: £90,133k) due after more than one year)	7	**93,986**	90,133
Cash and cash equivalents	7	**2,500**	6,000
		96,486	96,133
Creditors: amounts falling due within one year	8	**(977)**	(971)
Net current assets		**95,509**	95,162
Total assets less current liabilities		**96,889**	96,542
Creditors: amounts falling due after more than one year	9, 10	**(170,888)**	(157,351)
Net liabilities		**(73,999)**	(60,809)
Capital and reserves			
Called up share capital	12	**1,380**	1,380
Share premium account		**59,367**	59,367
Capital contribution reserve		**16,476**	16,476
Profit and loss account		**(151,222)**	(138,032)
Total shareholders' deficit		**(73,999)**	(60,809)

For the 52 weeks ended 19 February 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Directors' responsibilities:

- the Company is wholly-owned by its parent company, Hobbycraft Group Limited, and the parent has not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 5 to 17 were approved by the directors, authorised for issue on 22 June 2023 and signed on its behalf by:

R.Harrison

Russell Harrison

Stitch 2 Limited

Statement of Changes in Equity for the 52 weeks ended 19 February 2023

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	**Total shareholders' deficit**
	£'000	£'000	£'000	£'000	**£'000**
As at 21 February 2021	1,380	59,367	16,476	(127,671)	**(50,448)**
Loss for the financial year	-	-	-	(10,361)	**(10,361)**
As at 20 February 2022	**1,380**	**59,367**	**16,476**	**(138,032)**	**(60,809)**
Loss for the financial year	-	-	-	(13,190)	**(13,190)**
As at 19 February 2023	**1,380**	**59,367**	**16,476**	**(151,222)**	**(73,999)**

1 Accounting policies

Statement of compliance

Stitch 2 Limited is a private limited company incorporated, domiciled and registered in England. The registered number of the company is 07216740 and the registered address is Hobbycraft Head Office, 7 Enterprise Way, Aviation Park, Christchurch, Dorset, BH23 6HG.

The Company's financial statements have been prepared on a going concern basis in compliance with FRS 102 and the Companies Act 2006 as it applies to the financial statements of the Company for the 52 weeks ended 19 February 2023.

Basis of preparation

These financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, drawn up for the 52 weeks ended 19 February 2023. The comparative period was the 52 weeks ended 20 February 2022. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

The financial statements are prepared in Sterling, which is the functional currency, and rounded to the nearest £'000.

Going concern

Notwithstanding a loss for the financial year ended 19 February 2023 of £13,190k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons outlined below.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Company's ultimate parent company, Hobbycraft Group Limited, not seeking repayment of the amounts currently due to the group. Hobbycraft Group Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

The Company is a wholly-owned subsidiary of Hobbycraft Group Limited and is included in the consolidated financial statements of Hobbycraft Group Limited, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The Company has taken advantage of the exemption, under FRS 102 para 3.17(d) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Hobbycraft Group Limited, includes the Company's cash flows in its own consolidated financial statements.

The Company has also taken advantage of the exemption detailed in FRS 102 paragraphs 1.12(c) relating to certain financial instrument disclosures as the information is provided in the consolidated financial statements of Hobbycraft Group Limited.

In addition, the Company has taken advantage of the exemption, under FRS 102 para 33.7 from disclosing key management compensation, on the basis that it is a qualifying entity and its ultimate parent company, Hobbycraft Group Limited, includes the Company's key management compensation in its own consolidated financial statements.

Finally, as the consolidated financial statements of Hobbycraft Group Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemption available in respect of providing a reconciliation of the number of shares outstanding from the beginning to end of the period.

Taxation

The taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity as appropriate.

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or prior financial years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Under FRS 102, deferred tax is recognised on a timing difference plus approach. Timing differences are the differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Each entity within the Group prepares its own tax return and is liable for any tax payable. Where entities make tax losses, these may be transferred to another entity within the Group for no payment. Our accounting policy is to disclose these transfers within the tax reconciliations of each individual entity's annual report.

1 Accounting policies (continued)

Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed when there has been an indication of potential impairment.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Profit and Loss Account. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the unit (or group of units) on a pro rata basis.

An impairment loss is reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Ordinary shares are classified as equity.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, and loans to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest payments

Finance costs are charged to profit and loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Critical judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following areas involve a higher degree of judgement or complexity, or are areas where assumptions and estimates are significant to the financial statements.

Judgements

Critical judgements are required when the Company periodically reviews its debt structure, which may lead to revisions to debt terms or interest rates, repayments and partial or full waivers of accrued interest. During the prior period a partial repayment of the Investor Loan Notes of £15.0m was made, followed by an extension of the term which led to consideration of whether these amendments related to a modification or an extinguishment of the existing instruments. Judgement was required when considering if the amendments are substantially different and therefore whether an extinguishment event has occurred. See note 10 for further details.

At each financial period end, judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Tax provisions are recognised for uncertain tax positions where the amount of tax payable on open tax positions remains to be agreed with relevant tax authorities. The Company provides for uncertain tax positions based on the best estimate of the most likely outcome in respect of the relevant issue. Where the final tax outcome on uncertain tax positions is different from the amounts that were initially recorded, the difference will impact current and deferred tax assets and liabilities in the period in which such determination is made, as presented in note 4.

1 Accounting policies (continued)

Critical judgements and estimation uncertainty (continued)

Estimates

The Company has a significant intercompany debtor balance due from its subsidiary Stitch 3 Limited. The ability of Stitch 2 Limited to recover the debt is dependent on the amount ultimately recoverable from a future sale of Hobbycraft Trading Limited. The critical estimate is whether this debtor balance is recoverable in full or whether it requires impairment.

2 Interest receivable and similar income

	2023	2022
	£'000	£'000
Interest receivable from Group undertakings	**353**	322
Gain on re-measurement of Investor Loan Notes	**-**	452
	353	774

Interest receivable from Group undertakings consists of accrued interest on £1,145k of loan notes. Interest compounds at a rate of 10%.

During the prior period a partial repayment £15.0m was made on the loan notes, resulting in a reassessment of the estimated cash flows of the loan notes. This gave rise to a reduction in the carrying value of £452k with a corresponding credit recognised as interest receivable and similar income.

3 Interest payable and similar expenses

	2023	2022
	£'000	£'000
On other loans	**13,537**	11,129

Interest payable on other loans is not cash interest and relates to the interest accruing on the Investor Loan Notes.

The interest rate on the loan notes was changed to a fixed rate of 9% on 31 August 2017 from a stepped rate of 10% rising to 14%. The initial expiry date of the instrument was extended by three years to 3 May 2023. As a result of this refinance event, the effective rate of interest over the remaining period reduced from 8.88% to 7.09% with effect from 31 August 2017.

On 31 January 2022 the expiry date of the instrument was further extended to 31 August 2028. This resulted in the effective interest rate increasing from 7.09% to 8.63%.

4 Tax on loss

The charge for the period can be reconciled to the loss per the Profit and Loss Account as follows:

	2023	2022
	£'000	£'000
Loss on ordinary activities before taxation	**(13,190)**	(10,361)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	**(2,506)**	(1,969)
Effects of:		
Expenses not deductible for tax purposes	**2,167**	1,751
Group relief surrendered not paid for	**339**	218
Total tax charge for the period	**-**	-

The Spring Budget 2023 confirmed that from 1 April 2023 the corporation tax rate will increase to 25% and has therefore been included in any transactions expected on or after 1 April 2023.

5 Directors' emoluments and employee information

All directors were paid by Hobbycraft Trading Limited for their services to the Hobbycraft Group Limited group of companies; their services as directors of the Company were incidental to their other services within the Group.

The directors did not receive any emoluments in respect of their services to the Company (2022: £nil). There are no (2022: none) employees other than the directors of the Company.

6 Investments

	Group companies
	£'000
Cost	
At 20 February 2022 and 19 February 2023	1,380
Net book value	
At 20 February 2022 and 19 February 2023	1,380

The Company has the following subsidiaries:

Subsidiary undertaking	% Ownership of ordinary shares	Country of incorporation	Principal activities
Held directly by the Company:			
Stitch 3 Limited	100	UK	Holding company
Held indirectly:			
Stitch Bidco Limited	100	UK	Holding company
Hobbycraft Trading Limited	100	UK	Retail
Hobbycraft Superstores Limited	100	UK	Dormant

Stitch 3 Limited (a company registered in England) is a wholly owned subsidiary of Stitch 2 Limited and operates as an intermediate holding company. The directors believe that the carrying value of the investments is supported by their underlying net assets and their value in use, which has been assessed using estimated future cash flows discounted to their present value. The assessment has taken into account a decline in trade due to consumer sentiment given the general economic climate. Despite significant levels of prudence used in the modelling, no impairment is shown to be necessary.

The dormant subsidiary (Hobbycraft Superstores Limited) is exempt from preparing and filing individual financial statements by virtue of s394A and s448A of the Companies Act 2006.

The registered office of all subsidiary undertakings is:

7 Enterprise Way
Aviation Park
Bournemouth International Airport
Hurn, Christchurch
Dorset
BH23 6HG

7 Debtors

	2023	2022
	£'000	£'000
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**90,097**	86,597
Loan notes issued to Group undertakings	**1,145**	1,145
Accrued interest receivable on loan notes	**2,744**	2,391
	93,986	90,133

On 17 February 2021 the Company entered into a new loan agreement with its directly-held subsidiary, Stitch 3 Limited, under which Stitch 3 Limited loaned the Company £10,000k on that date with a further £10,000k advanced on 25 February 2021. This loan reduced the existing amounts owed by Group undertakings by £20,000k. During the 52 weeks ended 19 February 2023, £3,500k was repaid (2022: £14,000k). The amounts owed by Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand, although they are not expected to be recalled within one year.

Interest is accrued on loan notes of £1,145k which expire in August 2029, with no repayments falling due before this time, at a compounding interest rate of 10%.

8 Creditor amounts falling due within one year

	2023	2022
	£'000	£'000
Other creditors	**5**	5
Amounts owed to Group undertakings	**972**	966
	977	971

Amounts owed to Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

9 Creditor amounts falling due after more than one year

	2023	2022
	£'000	£'000
Loan notes (see note 10)	**170,888**	157,351

10 Loans and other borrowings

	2023	2022
	£'000	£'000
Unsecured subordinated redeemable Investor "B" loan notes	**170,888**	157,351

All loan notes were issued on 29 April 2010.

The interest rate on the Investor Loan Notes was changed to a fixed rate of 9% on 31 August 2017 from a stepped rate of 10% rising to 14%. The initial expiry date of the instrument was extended by three years to 3 May 2023. As a result of this refinance event, the effective rate of interest over the remaining period reduced from 8.88% to 7.09% with effect from 31 August 2017.

On 31 January 2022 the expiry date of the instrument was further extended to 31 August 2028. This resulted in the effective interest rate increasing from 7.09% to 8.63%.

At 19 February 2023 the rolled-up interest included in the unsecured Investor Loan Notes was £61,151k (2022: £47,614k).

The Investor "B" loan notes are listed on The International Stock Exchange.

Maturity of debt

The Company's total debt is due for repayment as follows:

	2023	2022
	£'000	£'000
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	**170,888**	157,351
	170,888	157,351

11 Deferred tax

A deferred tax asset of £132k (2022: £129k) in relation to losses has not been recognised as the recoverability of this amount in the foreseeable future is not sufficiently certain.

12 Called up share capital

	2023	2022
	£'000	£'000
Authorised		
1,380,248 (2022: 1,380,248) ordinary shares of £1 each	**1,380**	1,380
Allotted and fully paid		
1,380,248 (2022: 1,380,248) ordinary shares of £1 each	**1,380**	1,380

The ordinary shares carry rights to vote and attend at general meetings and entitle the holder to receive dividends. Upon a winding-up or other return of capital or assets to members of the Company, the holders of the ordinary shares are entitled to a payment of the surplus assets up to the reserved value.

No dividends have been proposed or paid during the period (2022: nil).

13 Related party transactions

Transactions with other group companies have not been disclosed, in accordance with the exemption permitted by paragraph 33.1A of FRS 102 'Related Party Disclosures'.

Transactions with Private Equity investors

The ultimate controlling party, Bridgepoint Europe Portfolio IV LP, held the following loan notes at the period end:

	2023	2022
	£'000	£'000
Unsecured subordinated redeemable Investor "B" loan notes (including rolled up interest)	**169,973**	156,509

14 Controlling party

The Company's immediate parent undertaking is Hobbycraft Group Limited.

Hobbycraft Group Limited is also the ultimate parent and is the smallest and largest group in which the results of the Company were consolidated. The financial statements of Hobbycraft Group Limited can be obtained from 7 Enterprise Way, Aviation Park, Hurn International Airport, Christchurch, Dorset, BH23 6HG.

The majority shareholder, Bridgepoint Europe IV (Nominees) Limited, manages the fund in which Hobbycraft Group Limited is held, Bridgepoint Europe Portfolio IV LP, and the Group is ultimately indirectly wholly owned by Bridgepoint Group plc.