



LONDON, WEDNESDAY 25 APRIL 2018

The Character Group plc

Designers, developers and international distributor of toys, games and giftware

HALF YEARLY FINANCIAL REPORT

for the six months ended 28 February 2018

KEY PERFORMANCE INDICATORS	Half-year ended February 2018	Half-year ended February 2017	Full-year ended August 2017
CONTINUING OPERATIONS			
Revenue	£50.5m	£61.5m	£115.3m
Operating profit*	£4.6m	£7.2m	£13.6m
Pre-tax profit*	£4.5m	£7.1m	£13.4m
Basic earnings per share*	16.96p	27.33p	51.98p
Diluted earnings per share*	16.64p	26.55p	50.51p
Basic earnings per share after significant items	2.07p	25.18p	47.46p
Diluted earnings per share after significant items	2.03p	24.47p	46.11p
Interim dividend per share	11.0p	9.0p	19.0p
EBITDA	£2.0m	£7.9m	£14.8m
Net cash	£14.3m	£18.6m	£11.5m
Net assets	£24.7m	£25.2m	£26.8m

*Excludes mark to market (loss) adjustments on FX derivative positions and taxation thereon shown as significant items	£(3.9)m	£(0.6)m	£(1.20)m
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- Leading in-house ranges include **Peppa Pig**, **Stretch**, **Teletubbies** and **Scooby Doo** and exclusive, third-party lines including **Little Live Pets and Mashems** - all continue to trade well. Core ranges will be strengthened as innovative product extensions added
- Character also continues to add exciting new ranges, such as the new line up of **Pokémon** products, to be launched at retail this summer, and a collection of new “hot craze” items, including **Soft and Slo** memory foam toys, **Make your own Slime**, **Cup Cake Cuties** and **Mine iT**
- Impulse buying at the right price point is a growing trend and Character has successfully tapped into this category with new “craze” lines being sourced and introduced regularly

“Although trading in the first half was lower when compared to 2017, we believe that in view of the sector disruption and upheaval, Character delivered a very solid performance in what has been a very turbulent time at the retail level.”

“We continue to have great strength and depth across our brands and a wide range of long-term customers and suppliers; potential concentration risk is well diversified.”

“Listings and support from our customers for our 2018 ranges have been very positive and many share our optimism for the prospects for our lines and sales in the coming Christmas season. Therefore, we are confident that the performance of our core ranges, together with new introductions, will result in further growth in demand for our products, in the calendar year ahead.”

“The Directors remain optimistic that the business will see a return to its previous growth pattern during the second half of this financial year and this will be fully reflected and significantly strengthen the trading results for the financial year ending 31 August 2019.”

FTSE sector: leisure: **FTSE AIM All-share: symbol:** CCT.L: **Market cap:** £100.3m

Copies of this statement can be viewed at www.thecharacter.com. Product ranges can be viewed at www.character-online.co.uk.

ENQUIRIES

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The Character Group plc

(the “Company” or “Group” or “Character”)

Designers, developers and international distributor of toys, games and giftware

HALF YEARLY FINANCIAL REPORT

for the six months ended 28 February 2018

INTRODUCTION

In a period where a number of macro-economic factors have, as previously highlighted, adversely affected our marketplace, the Group’s performance for the half year ended 28 February 2018 has been mixed and reflects the anticipated lower trading levels compared to 2017. The first four months sales were in line with our expectations, with UK sales holding up and FOB sales (Free on Board) being lower when compared to the same period in 2017. This period included the all-important 2017 Christmas sales, where we successfully focused our domestic sales efforts on absorbing the impact of the failure of Toys R Us in the UK. The environment for our FOB sales was more challenging and, in the period under review, the Group has been negatively impacted by several global factors, most notably the adverse foreign currency exchange movements in the period and the world-wide restructuring of Toys R Us, which had a direct, adverse impact on all our major international markets.

Against this back-drop, we are delighted to report that our continued focused efforts have been rewarded with Character’s UK domestic sales achieving record levels in January and February 2018, ahead of budget and surpassing UK domestic sales in the same period last year.

Our strategic focus remains unchanged: “to seek and develop exciting products which meet domestic and international market demand.” We closely study trends and opportunities in the market to build on this position, with timely new brand and product additions, and remain sensitive to product life cycles and changes in the composition of our major customer base and the industry landscape generally.

OUR PORTFOLIO

Our product line is derived from third-party manufacturers, through exclusive distribution agreements, and our own-developed in-house ranges, including those that we produce ‘under licence’. We continue to have great strength and depth across our brands and a wide range of long-term customers and suppliers; potential concentration risk is well diversified.

At this year’s London Toy Fair held in January we won two awards: **Best Electronic Toy** for the *Laser X Dual Pack*, manufactured by NSI International Inc., and **Best Action Toy** for *The Original Stretch Armstrong*, manufactured under licence from Hasbro. Each of these toys were also awarded the status of ‘Dream Toys’ in November 2017.

Our leading in-house ranges include *Peppa Pig*, *Stretch*, *Teletubbies* and *Scooby Doo* and our exclusive, third-party lines include *Little Live Pets and Mashems* and these all continue to trade well. These core ranges will be strengthened as we add innovative product extensions to them. We continue to add exciting new ranges, such as the new line up of *Pokémon* products, which will be launched at retail this summer. We have also added to our offering, a collection of new “hot craze” items, including *Soft and Slo* memory foam toys, *Make your own Slime*, *Cup Cake Cuties* and *Mine iT*. Impulse buying at the right price point is a growing trend and we have successfully tapped into this category with new “craze” lines being sourced and introduced regularly.

Listings and support from our customers for our 2018 ranges have been very positive and many share our optimism for the prospects for our lines and sales in the coming Christmas season. Therefore, we are confident that the performance of our core ranges, together with new introductions, will result in further growth in demand for our products, in the calendar year ahead.

PERFORMANCE ON CONTINUING OPERATIONS

Revenue in the period was £50.5m, against £61.5m in the comparable 2017 period (FY2017: £115.3m).

A significant proportion of the Group’s purchases are made in US dollars. The business is therefore exposed to foreign currency fluctuations and manages the associated risk through the purchase of forward exchange contracts and derivative financial instruments. Under International Financial Reporting Standards (IFRS), at the end of each reporting period the Group is required to make an adjustment in its financial statements to incorporate a ‘mark to market’ valuation of such financial instruments. The ‘mark to market’ adjustment for this financial period results in a charge against profit of £3.85m being reported. This compares to a charge of £0.57m shown in the corresponding period in 2017 and a charge of £1.19m reported in the year to 31 August

2017. These mark to market adjustments are non-cash items, calculated by reference to unpredictable and sometimes volatile currency spot rates at the respective balance sheet dates. To highlight profitability on a normal basis these adjustments are shown separately as significant items to demonstrate the “underlying” profit measures presented in this report.

Gross profit margin in the period amounted to 35.2%, compared to 32.2% in the same 2017 period, and 32.6% for the August 2017 financial year. The improvement in margin reflects the change in mix, with a greater percentage of revenues being derived from UK sales and a lesser amount from the lower margin FOB sales.

The Group is reporting a profit before tax for the period of £4.5m, down on the comparative period in 2017 (HY2017: £7.1m; FY2017: £13.4m). Earnings before interest, tax, depreciation and amortisation (EBITDA) were £2.0m (HY2017: £ 7.9m; FY2017: £14.8m).

Basic earnings per share amounted to 16.96p (HY2017: 27.33p; FY2017: 51.98p). Diluted earnings per share, on the same basis, were 16.64p (HY 2017: 26.55p; FY 2017: 50.51p).

The Key Performance Indicators table shown at the front of this report provides the foregoing data by reference to Generally Accepted Accounting Practice (GAAP), as adopted by the Group.

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group’s capital base remained solid with net assets at 28 February 2018 of £24.7m (HY2017: £25.2m; FY2017: £26.8m).

As we stated at our AGM in January, in difficult trading periods, it is reassuring that we can rely on our management not only to read the market well but to react speedily and skilfully to address the impact of the rapidly changing conditions, notably in terms of the Group’s commitment to inventory levels and customer composition. Consequently, we started 2018 calendar year with virtually no excess stocks from the festive season and with our major retailers having experienced a clean sell-through of our products. Inventories at 28 February 2018 were £8.0m (HY 2017: £6.2m; FY 2017: £9.0m); the increase in large part being due to significant increases in stocks in transit to service the higher UK demand experienced from the commencement of this calendar year. Our stock position is made up predominantly of recent purchases; slow moving inventory is minimal.

During the period the Group generated cash from operations of £9.0m (HY 2017 £16.4m; FY 2017: £14.0m).

The Group has no long-term debt. Net interest charges on the use of working capital facilities during the period were £0.05m (HY 2017: £0.1m; FY 2017: £0.15m). After making dividend payments and share buy-backs (see below) and financing additional inventory, at the end of the first-half period, the Group had net cash on the balance sheet of £14.3m (HY2017: £18.6m; FY 2017: £11.5m).

SHARE BUY-BACK PROGRAMME

In the period under review, the Company acquired a total of 338,700 ordinary shares in the Company at an aggregate cost of £1.36m (excluding dealing costs), with the average cost being £4.03 per ordinary share (HY 2017: 292,402 ordinary shares at an aggregate cost of £1.3m and an average cost of £4.475 per ordinary share). There have been no further buy-backs since 28 February 2018 and the Company has an unutilised authority to buy-back up to a further 3,120,700 ordinary shares. It remains part of the Group’s overall strategy to continue to repurchase the Company’s own shares when appropriate under its current share buy-back programme and, as previously indicated, the Directors could also be prepared to participate in any future share buy-back programme the Company proposes.

TOTAL VOTING RIGHTS (TVR)

As at today’s date, the Company has 23,878,908 ordinary shares in issue. The Company holds 2,770,006 ordinary shares in treasury, representing approximately 13.1% of the share capital excluding these treasury shares, which do not carry voting or dividend rights. The figure of 21,108,902. may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest, or change to their interest, in the Company under the Disclosure Guidance and Transparency Rules.

DIVIDEND

The Directors remain committed to a progressive dividend policy. Given our ongoing progress, the Board is declaring an interim dividend of 11.0p per share, an increase of 22.2% on the interim dividend in 2017 (HY2017: 9.0p). This interim dividend, which is covered 1.54 times by the underlying earnings, will be paid on 27 July 2018 to shareholders on the Register as at the close of business on 6 July 2018. The shares will be marked ex-dividend on 5 July 2018.

OUR PEOPLE

The business employs c.194 people across its locations in the UK and Asia. The Board once again takes this opportunity to thank every one of its colleagues for their continuous hard work, dedication and loyalty, which underpins both the high-level customer relationships and the Group's overall performance.

OUTLOOK

Although trading in the first half was lower when compared to 2017, we believe that in view of the sector disruption and upheaval, Character delivered a very solid performance in what has been a very turbulent time at the retail level.

The calendar year has started very encouragingly, with the established brands and new ranges selling through extremely well at retail. We remain of the view that Character will continue to make good progress in meeting the demands of its customers and the consumer and growing the business. The Group is looking for a record second half-year for our domestic business in the current financial year and a recovery in our FOB business in the following year.

The Directors remain optimistic that the business will see a return to its previous growth pattern during the second half of this financial year and this will be fully reflected and significantly strengthen the trading results for the financial year ending 31 August 2019.

With the combination of our collaborative culture, both within the Group as well as in the partnerships with our customers and suppliers, the agility of our business model in addressing changes and challenges within our market and the proven skills of our central management team, the Board remains confident in the Group's ability to further profitably expand its presence both domestically and internationally in the years to come.

24 April 2018

The Character Group plc
Consolidated Income Statement
six months ended 28 February 2018

	Notes	6 months ended 28 February 2018 (unaudited) £'000	6 months ended 29 February 2017 (unaudited) £'000	12 months ended 31 August 2017 (audited) £'000
Revenue		50,493	61,542	115,319
Cost of sales		(32,698)	(41,730)	(77,770)
Gross profit		17,795	19,812	37,549
Net operating expenses				
Selling and distribution costs		(4,952)	(4,535)	(6,947)
Administration expenses		(8,646)	(8,280)	(17,657)
Other operating income		380	206	628
Operating profit		4,577	7,203	13,573
Finance income		7	14	57
Finance costs		(61)	(139)	(204)
Profit before taxation		4,523	7,078	13,426
Taxation		(968)	(1,283)	(2,418)
Profit after taxation before significant items		3,555	5,795	11,008
Significant items				
Movements in fair value of financial instruments		(3,853)	(568)	(1,188)
Tax relating to fair value movements of financial instruments		732	113	230
Profit for the period attributable to equity holders of the parent		434	5,340	10,050
Earnings per share before significant items (pence)	4			
Basic earnings per share		16.96p	27.33p	51.98p
Diluted earnings per share		16.64p	26.55p	50.51p
Earnings per share after significant items (pence)	4			
Basic earnings per share		2.07p	25.18p	47.46p
Diluted earnings per share		2.03p	24.47p	46.11p
Dividend per share (pence)	3	10.00p	8.00p	17.00p
EBITDA (earnings before interest, tax, depreciation and amortisation)		1,953	7,873	14,820

The Character Group plc
Consolidated Statement of Comprehensive Income
six months ended 28 February 2018

	6 months ended 28 February 2018 (unaudited) £'000	6 months ended 29 February 2017 (unaudited) £'000	12 months ended 31 August 2017 (audited) £'000
Profit for the period after tax	434	5,340	10,050
Items that will not be reclassified subsequently to profit and loss			
Current tax credit relating to exercised share options	-	-	70
Deferred tax relating to share options	(5)	77	(6)
	429	77	64
Items that may be reclassified subsequently to profit and loss			
Net exchange differences on translation of foreign operations	(98)	(224)	(195)
Total comprehensive income for the period attributable to the equity holders of the parent	331	5,193	9,919

The Character Group plc
Consolidated Balance Sheet
at 28 February 2018

	28 February 2018 (unaudited) £'000	29 February 2017 (unaudited) £'000	31 August 2017 (audited) £'000
Non-current assets			
Intangible assets – product development	496	729	698
Investment property	1,747	1,813	1,780
Property, plant and equipment	3,151	3,317	3,204
Deferred tax assets	1,200	462	607
	6,594	6,321	6,289
Current assets			
Inventories	8,047	6,205	8,994
Trade and other receivables	12,015	5,754	25,817
Current income tax receivable	141	-	8
Derivative financial instruments	-	104	24
Cash and cash equivalents	14,269	21,709	28,752
	34,472	33,772	63,595
Current liabilities			
Short term borrowings	-	(3,132)	(17,216)
Trade and other payables	(11,165)	(9,921)	(22,700)
Income tax payable	(605)	(1,577)	(2,369)
Derivative financial instruments	(4,597)	(228)	(768)
	(16,367)	(14,858)	(43,053)
Net current assets	18,105	18,914	20,542
Non – current liabilities			
Deferred tax	-	(22)	(3)
Net assets	24,699	25,213	26,828
Equity			
Called up share capital	1,194	1,224	1,211
Shares held in treasury	(2,353)	(2,743)	(2,743)
Capital redemption reserve	1,762	1,732	1,745
Share based payment reserve	2,945	2,854	2,928
Share premium account	16,084	15,483	15,483
Merger reserve	651	651	651
Translation reserve	863	1,293	1,145
Profit and loss account	3,553	4,719	6,408
Total equity	24,699	25,213	26,828

The Character Group plc
Consolidated Statement of Cash Flows
six months ended 28 February 2018

	6 months ended 28 February 2018 (unaudited) £'000	6 months ended 29 February 2017 (unaudited) £'000	12 months ended 31 August 2017 (audited) £'000
Cash flow from operating activities			
Profit before taxation for the period	670	6,510	12,238
Adjustments for:			
Depreciation of property, plant and equipment	192	204	401
Depreciation of investment property	33	33	65
Amortisation of intangible assets	1,004	1,001	1,969
(Profit) on disposal of property, plant and equipment	(9)	-	(6)
Interest expense	54	125	147
Financial instruments fair value adjustments	3,853	568	1,188
Share based payments	17	76	150
Decrease in inventories	947	4,098	1,309
Decrease/(increase) in trade and other receivables	13,802	19,328	(735)
(Decrease) in trade and other creditors	(11,535)	(15,497)	(2,718)
Cash generated from operations	9,028	16,446	14,008
Interest paid	(54)	(125)	(147)
Income tax paid	(2,777)	(623)	(1,075)
Net cash inflow from operating activities	6,197	15,698	12,786
Cash flows from investing activities			
Payments for intangible assets	(802)	(613)	(1,550)
Payments for property, plant and equipment	(147)	(160)	(249)
Proceeds from disposal of property, plant and equipment	12	-	7
Net cash outflow from investing activities	(937)	(773)	(1,792)
Cash flows from financing activities			
Proceeds from issue of share capital	991	37	37
Purchase of own shares for cancellation	(1,367)	(1,315)	(2,597)
Dividends paid	(2,101)	(1,697)	(3,600)
Net cash used in financing activities	(2,477)	(2,975)	(6,160)
Net increase in cash and cash equivalents	2,783	11,950	4,834
Cash, cash equivalents and borrowings at the beginning of the period	11,536	6,913	6,913
Effects of exchange rate movements	(50)	(286)	(211)
Cash, cash equivalents and borrowings at the end of the period	14,269	18,577	11,536

Cash, cash equivalents and borrowings consist of:			
Cash, cash equivalents	14,269	21,709	28,752
Short term borrowings	-	(3,132)	(17,216)
Cash, cash equivalents and borrowings at the end of the period	14,269	18,577	11,536

The Character Group plc
Consolidated Statement of Changes in Equity
six months ended 28 February 2018

	Called up share capital £'000	Treasury shares £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Share based payment £'000	Translation reserve £'000	Profit and loss account £'000	Total £'000
Balance as at 1 September 2016 (unaudited)	1,235	(2,743)	1,717	15,450	651	2,778	1,274	2,557	22,919
Profit for the period	-	-	-	-	-	-	-	5,340	5,340
Exchange differences on translation of foreign operations	-	-	-	-	-	-	19	(243)	(224)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	77	77
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	19	5,174	5,193
Transactions with owners									
Dividend paid	-	-	-	-	-	-	-	(1,697)	(1,697)
Share based payment	-	-	-	-	-	76	-	-	76
Shares issued	4	-	-	33	-	-	-	-	37
Shares cancelled	(15)	-	15	-	-	-	-	(1,315)	(1,315)
Six months ended 29 February 2017	1,224	(2,743)	1,732	15,483	651	2,854	1,293	4,719	25,213

Balance as at 1 September 2016 (audited)	1,235	(2,743)	1,717	15,450	651	2,778	1,274	2,557	22,919
Profit for the year after tax	-	-	-	-	-	-	-	10,050	10,050
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(129)	(66)	(195)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	(6)	(6)
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	70	70
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	(129)	10,048	9,919
Transactions with owners									
Share based payment	-	-	-	-	-	150	-	-	150
Dividends	-	-	-	-	-	-	-	(3,600)	(3,600)
Shares issued	4	-	-	33	-	-	-	-	37
Shares cancelled	(28)	-	28	-	-	-	-	(2,597)	(2,597)
Year ended 31 August 2017	1,211	(2,743)	1,745	15,483	651	2,928	1,145	6,408	26,828

Balance as at 1 September 2017 (unaudited)	1,211	(2,743)	1,745	15,483	651	2,928	1,145	6,408	26,828
Profit for the period	-	-	-	-	-	-	-	434	434
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(282)	184	(98)
Deferred tax relating to share options	-	-	-	-	-	-	-	(5)	(5)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(282)	613	331
Transactions with owners									
Dividend paid	-	-	-	-	-	-	-	(2,101)	(2,101)
Share based payment	-	-	-	-	-	17	-	-	17
Shares issued	-	390	-	601	-	-	-	-	991
Shares cancelled	(17)	-	17	-	-	-	-	(1,367)	(1,367)
Six months ended 28 February 2018	1,194	(2,353)	1762	16,084	651	2,945	863	3,553	24,699

The Character Group plc
Notes to the Financial Statements

1. Basis of Preparation

The financial information set out in this Half Yearly Financial Report has been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the accounting policies which will be adopted in presenting the Group's Annual Report and Financial Statements for the year ending 31 August 2018. These are consistent with the accounting policies used in the financial statements for the year ended 31 August 2017 as described in those annual financial statements.

As permitted, this Half Yearly Financial Report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 'Interim Financial Reporting'.

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and share based payments at fair value.

These Half Yearly Financial Statements and the financial information for the six months ended 28 February 2018 do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. These unaudited Half Yearly Financial statements were approved by the Board of Directors on 24 April 2018.

The information for the year ended 31 August 2017 is based on the consolidated financial statements for that year on which the Group's auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Going concern

The Directors consider that the Group has adequate resources to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

3. Dividends

	6 months ended 28 February 2018 (unaudited) £'000	6 months ended 29 February 2017 (unaudited) £'000	12 months ended 31 August 2017 (audited) £'000
On equity shares:			
Final dividend paid for the year ended 31 August 2017			
- 10.00p (2016: 8.00p) per share	2,101	1,697	1,697
- Interim	-	-	1,903
	2,101	1,697	3,600

4. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, being share options granted where the exercise price is less than average price of the company's ordinary shares during this period.

An adjusted earnings per share has also been calculated as, in the opinion of the directors, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

The calculations are based on the following:

	six months ended 28 February 2018 (unaudited) £000's	six months ended 28 February 2017 (unaudited) £000's	12 months ended 31 August 2017 (audited) £000's
Profit attributable to equity shareholders of the parent	434	5,340	10,050
Financial instruments fair value adjustments net of tax	3,121	455	958
Profit for adjusted earnings per share	3,555	5,795	11,008
Weighted average number of shares			
In issue during the year – basic	20,964,023	21,205,059	21,175,949
Dilutive potential ordinary shares	403,410	619,240	618,399
Weighted average number of ordinary for diluted earnings per share	21,367,433	21,824,299	21,794,348

Earnings per share			
Basic earnings per share (pence)	2.07	25.18	47.46
Diluted earnings per share (pence)	2.03	24.47	46.11

Adjusted earnings per share			
Basic earnings per share (pence)	16.96	27.33	51.98
Diluted earnings per share (pence)	16.64	26.55	50.51

5. Electronic Communications

The Half Yearly Financial Report for the six months ended 28 February 2018 will shortly be available for viewing and download on the Group's website, www.thecharacter.com.

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Independent Review Report to The Character Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half Yearly Financial Report for the six months ended 28 February 2018, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes 1 to 4. We have read the other information contained in the Half Yearly Financial Report which comprises the Board's letter and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Yearly Financial Report in accordance with the AIM rules of the London Stock Exchange which requires that the accounting policies and presentation applied to the financial information in the Half Yearly Financial Report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half Yearly Financial Report has been prepared in accordance with the AIM rules of the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half Yearly Financial Report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half Yearly Report for the six months ended 28 February 2018 is not prepared, in all material respects, in accordance with the AIM rules of the London Stock Exchange.

MHA MacIntyre Hudson
Statutory Auditors and Chartered Accountants
New Bridge Street House
30-34 New Bridge Street
London, EC4V 6BJ

24 April 2018