

LONDON: Thursday, 29 November 2018

## THE CHARACTER GROUP PLC

("Character", "Group" or "Company")

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

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 AUGUST 2018

KEY PERFORMANCE INDICATORS	12 months ended 31 August 2018	12 months ended 31 August 2017
Revenue	£106.2m	£115.3m
Operating profit	£11.7m	£13.6m
Gross margin	34.2%	32.6%
Pre-tax profit	£11.6m	£13.4m
Underlying basic earnings per share*	45.09p	52.01p
Underlying diluted earnings per share*	44.38p	50.54p
Underlying EBITDA*	£13.5m	£15.9m
EBITDA	£13.7m	£14.8m
Dividends per share for the year	23.0p	19.0p
Net assets	£31.8m	£26.8m
Net cash	£15.6m	£11.5m

\*Excludes mark to market profit adjustments on FX derivative positions £0.14m £(1.2m)

- Key product ranges, such as *Peppa Pig*, *Little Live Pets*, *Teletubbies* and *Stretch*, remained in demand
- Additions made to these ranges, to supplement and refresh these lines, have been well received by our customers and the consumer
- Our strong and diverse, core portfolio has been complimented, and our sales efforts well supported by our "craze" lines, such as *Soft 'n Slo Squishies*, *Cakepop Cuties* and *Cra.Z.Slimy*
- The Group will be introducing new products and range extensions to its portfolio in the coming months, which will further strengthen the Group's offering for the year ahead
- Since completion of the acquisition of a 55% shareholding in PROXY in October 2018, PROXY has secured the exclusive distribution rights for the Nordic region of the *FUNKO* range including its *Fortnite* figurines.
- PROXY expected to be earnings enhancing in first full year

"The Board is delighted to report that the Group finished the financial year in a strong position, comfortably achieving market expectations. This is a particularly pleasing outcome as it endorses the optimism that we expressed at the time of the HY1 results announcement in April, when we projected that we would see a return to profitable growth progression during the second half of the year."

"The new financial year has started well and in line with management expectations; we are confident in the prospects for the current autumn/winter trading period, which includes the all-important Christmas season. In addition, we are delighted to be working closely with the team at PROXY. We believe that there is considerable scope to progress with joint initiatives in product development and marketing with the PROXY team, which should enable us to increase further our respective current market shares in the financial year ending 31 August 2019 and beyond."

The BRR media's interview with Joint MD's, Kiran Shah and Jon Diver discussing the annual results will be available shortly. To listen to it please follow this link:

<https://www.brmedia.co.uk/broadcasts-embed/5bfec889de873175978377b9/event&popup=true>

Product ranges can be viewed at [www.character-online.co.uk](http://www.character-online.co.uk).

## ENQUIRIES:

### The Character Group plc

Kiran Shah, Joint Managing Director & Group Finance Director  
Jon Diver, Joint Managing Director

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**FTSE sector:** leisure:

**FTSE AIM All-share: symbol:** CCT.L

**Market cap:** £105m

### Panmure Gordon

*(Nominated Adviser and Joint Broker)*

Atholl Tweedie, Investment Banking  
Charles Leigh-Pemberton, Corporate Broking  
**Tel:** +44 (0) 20 7886 2500

### Allenby Capital Limited

*(Joint Broker)*

Nick Athanas  
**Tel:** +44 (0) 20 3328 5656

### TooleyStreet Communications Limited

*(Investor and media relations)*

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## Notes:

1. The Key Performance Indicators (KPI's) table shown at the top of this Report provides the foregoing data on an underlying basis and, also by reference to Generally Accepted Accounting Practice (GAAP) as adopted and applied consistently by the Group.
2. This announcement contains inside information for the purposes of Article 7 of the Regulation (EU) No. 596/2014
3. A copy of this statement can also be found at [www.thecharacter.com](http://www.thecharacter.com)



## THE CHARACTER GROUP PLC

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

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 AUGUST 2018

#### INTRODUCTION

The Board is delighted to report that the Group finished the financial year in a strong position, comfortably achieving market expectations. This is a particularly pleasing outcome as it endorses the optimism that we expressed at the time of the HY1 results announcement in April, when we projected that we would see a return to profitable growth progression during the second half of the year.

As shareholders are aware, trading during the HY1 period was difficult, mainly due to the failure of a global retailer, Toys R Us. During the HY2 we have, through a combination of our collaborative culture (both within the Group as well as in partnerships with 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, successfully delivered a second half performance that produced record sales within our UK domestic business.

The Group's trading results for the financial year ended 31 August 2018 delivered, as expected, a profit before tax of £11.6m (FY2017: £13.4m). In addition, the cash generative nature of our model has ensured that the Group continues to strengthen its balance sheet.

#### OUR PRODUCT PORTFOLIO

Our core product ranges, such as *Peppa Pig*, *Little Live Pets*, *Teletubbies* and *Stretch*, have remained in demand and the additions that we have made to these ranges during the course of the year, to supplement and refresh these lines, have been very well received by our customers and the consumer, with sales continuing to grow. This strong and diverse, core portfolio has been complemented, and our sales efforts well supported, by our "craze" lines, such as *Soft 'n' Slo Squishies*, *Cakepop Cuties* and *Cra.Z.Slimy*.

We were delighted that earlier this month two of our novel lines were listed in the Toy Retailer Association's (TRA) **2018 DreamToys Dream Dozen**. This respected and informative listing is compiled by the TRA from data, feedback and opinions provided to it by large chain retailers, small multiples and independent retailers across the UK and reliably predicts the top selling Christmas toys. It is also worth highlighting that, in addition to being in the **DreamToys'** dream dozen list, 10 further toys and games from the Character portfolio were among the 72 toys and games named by the TRA as being ones to watch out for this Christmas.

Featuring in the TRA's **DreamToys** listings for Christmas 2018 are the following products from the Character catalogue:

Category	Products
Pre-school:	<i>Peppa Pig Mobile Medical Centre</i>
Girls toys:	<i>Little Live Pets - Sparkles My Dancing Unicorn</i> <i>Little Live Pets - Wrapples</i>
Boys toys:	<i>Laser X 2 PlayerPack</i> <i>Treasure X Single Pack</i> <i>Really R.A.D Robots Mibro</i> <i>Mini Stretch Justice League Stretch Figures</i>
Activity toys:	<i>Cra-Z-Slimy Creations Super Slime Studio</i>
Novelty collectibles:	<i>Odditeez Ultra Slimiballz</i> <i>Soft n' Slo Squishies Sweet Shop Original</i> <i>Soft n' Slo Squishies Fun Food Ultra</i> <i>Bubbleezzz Animalzzz Mega</i>

The Group will be introducing new products and range extensions to its portfolio in the coming months, which will further strengthen the Group's offering for the coming year.

Our full product ranges can be viewed at [www.character-online.co.uk](http://www.character-online.co.uk).

## OPERATIONAL PERFORMANCE

The Group's portfolio continues to be derived from both our own-developed in-house ranges, including those produced 'under licence', and other products sourced on an 'exclusive' basis. We place a high degree of importance on new product categories and have successfully developed our brands and a reputation for reliability and integrity in our relationships across a wide spectrum of customers and suppliers globally. These relationships are long-term, tested and trusted and leverage our ability to gain successful and well supported access to market for our new ranges and product additions.

Overall, Group revenue in the year ended 31 August 2018 was £106.2m, against £115.3m in the comparable 2017 period. The revenue generated in the year from UK sales increased to £87.1m (FY2017: £86.7m – 75% of sales), representing 82% of Group total revenue, whilst revenue relating to our international sales was lower at £19.1m being 18% of total sales (FY2017: £28.6m – 25% of sales). This shift in sales mix has resulted in the gross profit margin increasing from 32.6% in 2017 to 34.2% in the year being reported. On an absolute basis, despite the reduction of approximately 8% in the Group's turnover, gross profit was £36.3m compared to £37.5m for the previous year.

A significant proportion of the Group's purchases are made in US dollars; it 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 an additional profit of £0.14m. This compares to an additional loss of £1.2m 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 various 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.

The Group is reporting a profit before tax in the period under review of £11.6m (FY 2017: £13.4m). Underlying earnings before interest, tax, depreciation and amortisation were £13.5m (FY 2017: £15.9m).

Underlying basic earnings per share before significant items amounted to 45.09p (FY 2017: 52.01p). Underlying diluted earnings per share, on the same basis, was 44.38p, (FY 2017: 50.54p).

## DIVIDEND

We are committed to maintaining our progressive dividend policy as we believe this reflects our confidence in the Company's ability to continue to generate and develop further sustainable cash flow. The Board will be recommending to shareholders a final dividend of 12.0p, an increase of 20% over last year (2017 H2: 10.0p per share). This, together with the interim dividend of 11.0p per share paid in July 2018, makes a total dividend for the year of 23.0p per share, an increase of 21% over the previous year (FY 2017: 19.0p). The 2018 final dividend is covered 1.96 times by underlying annual earnings. Subject to approval by shareholders at the Annual General Meeting ("AGM") at 11am on Friday, 18 January 2019, the final dividend will be paid on 25 January 2019 to Members on the Register as at the close of business on 4 January 2019; the shares will be marked ex-dividend on 3 January 2019.

## FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

Despite the well documented sector disruption and tough retail environment in the UK, we have worked diligently to ensure that we finished the year in a much-improved trading position, with increased positive cashflow and stocks firmly under control.

The Group's capital base has been further strengthened in the period, with net assets at 31 August 2018 totalling £31.8m (FY 2017: £26.8m), up 18.4% on last year.

Reflecting the record level of sales in the UK in the period, inventories were c.£1.9m higher at the end of the financial period at £10.9m (FY 2017 £9.0m).

During the financial year under review, the Group also generated cash from operations of £14.0m, a similar level to that in 2017. The Group continues to have no long-term debt. Interest charges on short-term use of working capital facilities during the year reduced to £0.1m (FY 2017: £0.2m).

At the end of the financial year, after making payments for dividends and share buy-backs (referred to in this Report), the Group had a net cash position of £15.6m, compared to £11.5m at the end of the 2017 comparative period, an increase of 35%.

## SHARE BUY-BACK PROGRAMME

During the 2018 financial year, the Company acquired a total of 338,700 ordinary shares in the Company at an aggregate cost of approximately £1.36m (excluding associated costs), with the average cost being approximately £4.475 per ordinary share (FY 2017: 564,402 ordinary shares were acquired and cancelled at an aggregate cost of approximately £2.6m and an average cost of approximately £4.58 per ordinary share).

The Company currently has an unutilised authority to buy-back up to a further 3,120,700 ordinary shares. As we have previously indicated, it remains part of our overall strategy to continue to repurchase the Company's own shares when appropriate under its current share buy-back programme with the Directors also prepared to participate in any future share buy-back programme the Company proposes.

## TOTAL VOTING RIGHTS

As at today's date, the Company has 21,220,052 ordinary shares in issue, excluding shares held in treasury. The Company holds 2,672,756 ordinary shares in treasury, representing approximately 12.6 per cent. of the issued share capital (excluding these treasury shares), which do not carry voting or dividend rights. The figure of 21,220,052 may be used by shareholders as the denominator for the calculations by which they may determine if they are required to notify their interest, or change to their notified interest, in the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

## OUR PEOPLE

At the year end the Group employed a total of 186 people across its locations in the UK and Asia. Our highly experienced teams are dedicated to developing, marketing and distributing innovative and exciting toys that meet today's high expectations of both our customers and consumer demand in terms of quality and value.

Once again, the Board takes this opportunity to thank everyone in the business for their continuous hard work, enthusiasm and commitment. The loyalty, spirit and work ethic demonstrated by the teams through to relationships with our customers and suppliers underpins the strength of the Group's model and provides us with the dynamics that assure us of the ability to deliver performance-led results.

## POST BALANCE SHEET EVENT

On 17 October 2018, we completed the acquisition of a 55% shareholding in OVG-PROXY A/S ("PROXY"), a Danish toy distributor based in Copenhagen. The purchase price comprised an initial cash consideration of DKK 2.5 million (approximately £300,000), with further "earn-out" consideration of up to DKK 25 million (approximately £3 million) payable, subject to achieving agreed performance targets, in each of the years ending 31 December 2018, 2019 and 2020. Part of the initial earn-out entitlements will be satisfied in shares in the Company (up to 150,000 Ordinary Shares) with any balance payable in cash.

The remaining 45% of the equity in PROXY is held by Morten Geschwendtner (CEO) and Mikkel Kjærsgaard (CFO), both of whom have over 25 years of experience in the toy industry and have worked in collaboration with the Character team over several years.

PROXY sources and secures exclusive rights to toy products and then markets and sells them to retailers in the Nordic region (principally Denmark, Sweden, Norway and Finland). This strategic acquisition gives Character the opportunity to further extend its European reach, to offer a more compelling marketing/distribution proposition for toy companies and brand owners seeking UK and EU market access and to provide a vehicle for growth of the Group's non-UK sales of its own-developed product ranges/resources. PROXY will also benefit from being able to access the wider knowledge and skills of Character as well as its sourcing, purchasing and marketing capabilities. It also potentially gives the Group frictionless access to EU markets post-Brexit.

Since completion of this acquisition and with the backing of the Group, PROXY has secured the exclusive distribution rights for the Nordic region of the *FUNKO* range including its *Fortnite* figurines.

The acquisition is expected to be earnings enhancing in the first full year in the enlarged Group.

To find out more about PROXY, please visit the website at <https://www.proxyas.com>.

## OUTLOOK

Character has delivered a solid performance in the second half of the year under review and we have started the current year in a healthy position, with a strong and balanced product portfolio and robust UK demand from our customers for our core ranges and new introductions.

Macroeconomic factors, including currency volatility, the potential implications of Brexit and the performance of the UK economy generally, will continue to dictate market behaviour in the coming months and our business is not immune from these factors. Notwithstanding this, the Board remains confident in its strategy and the Group's flexibility to adapt to change and will continue to strive to grow the business, while facing any challenges as and when they arise.

The new financial year has started well and in line with management expectations; we are confident in the prospects for the current autumn/winter trading period, which includes the all-important Christmas season. In addition, we are delighted to be working closely with the team at PROXY. We believe that there is considerable scope to progress with joint initiatives in product development and marketing with the PROXY team, which should enable us to increase further our respective current market shares in the financial year ending 31 August 2019 and beyond.

The Board look forward to further updating shareholders on the 2018 Christmas trading period and prospects at the time of the forthcoming AGM on 18 January 2019.

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

<i>Note</i>	Total 2018 £'000's	Total 2017 (restated)* £'000's
<b>Continuing operations</b>		
Revenue	106,229	115,319
Cost of sales	(69,891)	(77,770)
<b>Gross profit</b>	<b>36,338</b>	<b>37,549</b>
<b>Net operating expenses</b>	<b>2</b>	
Selling and distribution costs	(7,355)	(6,947)
Administration expenses	(17,874)	(17,657)
Other operating income	543	628
<b>Operating profit</b>	<b>11,652</b>	<b>13,573</b>
Finance income	45	57
Finance costs	(91)	(204)
<b>Profit before income tax</b>	<b>11,606</b>	<b>13,426</b>
Taxation	(2,108)	(2,418)
<b>Profit for the year attributable to equity holders of the parent</b>	<b>9,498</b>	<b>11,008</b>
Significant items:		
Movements in fair value of financial instruments	141	(1,188)
Tax relating to fair value movements of financial instruments	(27)	230
<b>Profit for the year attributable to equity holders of the parent</b>	<b>9,612</b>	<b>10,050</b>
<b>Earnings per share before significant items (pence)</b>	<b>3</b>	
Basic earnings per share	45.09p	52.01p
Diluted earnings per share	44.38p	50.54p
<b>Earnings per share after significant items (pence)</b>	<b>3</b>	
Basic earnings per share	45.63p	47.46p
Diluted earnings per share	44.91p	46.11p
<b>Dividend per share (pence)</b>	<b>4</b>	<b>17.00p</b>
<b>EBITDA</b>		
(earnings before interest, tax, depreciation and amortisation)	13,719	14,820

\* The movement in fair value of financial instruments for the year ended 31 August 2017 was previously included within cost of sales. As this item is now presented separately as a significant item, the comparative figure of cost of sales has been restated.

**GROUP STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

	Total 2018 £'000's	Total 2017 £'000's
Profit for the year after tax	9,612	10,050
<b>Items that will not be reclassified subsequently to profit and loss</b>		
Current tax credit relating to exercised share options	6	70
Deferred tax relating to share options	25	(6)
	31	64
<b>Items that may be reclassified subsequently to profit and loss</b>		
Net exchange differences on translation of foreign operations	(247)	(195)
<b>Total comprehensive income for the year attributable to the equity holders of the parent</b>	<b>9,396</b>	<b>9,919</b>

**GROUP BALANCE SHEET**

AT 31 AUGUST

	2018 £000's	2017 £000's
<b>Non-current assets</b>		
Intangible assets – product development	803	698
Investment property	1,715	1,780
Property, plant and equipment	3,129	3,204
Deferred tax assets	470	607
	<b>6,117</b>	<b>6,289</b>
<b>Current assets</b>		
Inventories	10,890	8,994
Trade and other receivables	25,555	25,817
Current income tax receivable	14	8
Derivative financial instruments	167	24
Cash and cash equivalents	34,630	28,752
	<b>71,256</b>	<b>63,595</b>
<b>Current liabilities</b>		
Short term borrowings	(19,050)	(17,216)
Trade and other payables	(24,666)	(22,700)
Income tax	(1,123)	(2,369)
Derivative financial instruments	(770)	(768)
	<b>(45,609)</b>	<b>(43,053)</b>
<b>Net current assets</b>	<b>25,647</b>	<b>20,542</b>
<b>Non-current liabilities</b>		
Deferred tax	(3)	(3)
<b>Net assets</b>	<b>31,761</b>	<b>26,828</b>
<b>Equity</b>		
Called up share capital	1,195	1,211
Shares held in treasury	(2,242)	(2,743)
Capital redemption reserve	1,762	1,745
Share-based payment reserve	2,990	2,928
Share premium account	16,258	15,483
Merger reserve	651	651
Translation reserve	898	1,145
Profit and loss account	10,249	6,408
<b>Total equity attributable to equity holders of the parent</b>	<b>31,761</b>	<b>26,828</b>



**GROUP CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

	Group	
	2018 £,000's	2017 £,000's
<b>Cash flow from operating activities</b>		
Profit before taxation for the year after significant items	11,747	12,238
Adjustments for:		
Depreciation of property, plant and equipment	398	401
Depreciation of investment property	65	65
Amortisation of intangible assets	1,463	1,969
(Profit) on disposal of property, plant and equipment	(8)	(6)
Interest expense	46	147
Financial instruments fair value adjustments	(141)	1,188
Share-based payments	62	150
(Increase) / Decrease in inventories	(1,896)	1,309
Decrease / (Increase) in trade and other receivables	262	(735)
Increase/ (Decrease) in trade and other creditors	1,967	(2,718)
<b>Cash generated from operations</b>	<b>13,965</b>	<b>14,008</b>
Interest paid	(46)	(147)
Income tax paid	(3,219)	(1,075)
<b>Net cash inflow from operating activities</b>	<b>10,700</b>	<b>12,786</b>
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(1,568)	(1,550)
Payments for property, plant and equipment	(327)	(249)
Proceeds from disposal of property, plant and equipment	11	7
<b>Net cash outflow from investing activities</b>	<b>(1,884)</b>	<b>(1,792)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	1,277	37
Purchase of own shares for cancellation	(1,367)	(2,597)
Dividends paid	(4,435)	(3,600)
<b>Net cash used in financing activities</b>	<b>(4,525)</b>	<b>(6,160)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,291</b>	<b>4,834</b>
Cash, cash equivalents and borrowings at the beginning of the year	11,536	6,913
Effects of exchange rate movements	(247)	(211)
<b>Cash, cash equivalents and borrowings at the end of the year</b>	<b>15,580</b>	<b>11,536</b>

**Cash, cash equivalents and borrowings consist of:**

Cash and cash equivalents	34,630	28,752
Short term borrowings	(19,050)	(17,216)
<b>Cash, cash equivalents and borrowings at the end of the year</b>	<b>15,580</b>	<b>11,536</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

	Called up share capital £'000's	Shares held in treasury £'000's	Capital redemption reserve £'000's	Share premium account £'000's	Merger reserve £'000's	Share-based payment reserve £'000's	Translation reserve £'000's	Profit and loss account £'000's	Total £'000's
<b>The Group</b>									
<b>At 1 September 2016</b>	<b>1,235</b>	<b>(2,743)</b>	<b>1,717</b>	<b>15,450</b>	<b>651</b>	<b>2,778</b>	<b>1,274</b>	<b>2,557</b>	<b>22,919</b>
Profit for the year after tax	-	-	-	-	-	-	-	10,050	10,050
<b>Other comprehensive (expense)/income</b>									
Net 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
<b>Total other comprehensive expense</b>							<b>(129)</b>	<b>(2)</b>	<b>(131)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129)</b>	<b>10,048</b>	<b>9,919</b>
<b>Transactions with owners, recorded directly in equity</b>									
Share-based payment	-	-	-	-	-	150	-	-	150
Dividends	-	-	-	-	-	-	-	(3,600)	(3,600)
Shares issued	4	-	-	33	-	-	-	-	37
Shares cancelled	(28)	-	28	-	-	-	-	(2,597)	(2,597)
<b>At 31 August 2017</b>	<b>1,211</b>	<b>(2,743)</b>	<b>1,745</b>	<b>15,483</b>	<b>651</b>	<b>2,928</b>	<b>1,145</b>	<b>6,408</b>	<b>26,828</b>
Profit for the year after tax	-	-	-	-	-	-	-	9,612	9,612
<b>Other comprehensive (expense)/income</b>									
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	(247)	-	(247)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	25	25
Current tax relating to exercised share options	-	-	-	-	-	-	-	6	6
<b>Total other comprehensive expense</b>							<b>(247)</b>	<b>31</b>	<b>(216)</b>
<b>Total comprehensive income for the year</b>							<b>(247)</b>	<b>9,643</b>	<b>9,396</b>
<b>Transactions with owners, recorded directly in equity</b>									
Share-based payment	-	-	-	-	-	62	-	-	62
Dividends	-	-	-	-	-	-	-	(4,435)	(4,435)
Shares issued	1	501	-	775	-	-	-	-	1,277
Shares cancelled	(17)	-	17	-	-	-	-	(1,367)	(1,367)
<b>At 31 August 2018</b>	<b>1,195</b>	<b>(2,242)</b>	<b>1,762</b>	<b>16,258</b>	<b>651</b>	<b>2,990</b>	<b>898</b>	<b>10,249</b>	<b>31,761</b>

**Capital and Reserves**

- Called up share capital represents the nominal value of equity shares allotted, called up and fully paid
- Share premium represents the excess of the fair value of consideration received for the equity shares, net of expenses of the share issue over the nominal value of the equity shares
- Capital redemption reserve represents the buyback and cancellation of shares at nominal value
- Merger reserve represents the premium arising on shares issued as consideration for the acquisition of subsidiaries and which qualified for merger relief
- Share-based payment reserve represents the amounts recognised in profit and loss in respect of share-based payments
- Translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations to the presentation currency of the parent
- Profit and loss account represents retained profit and losses

**THE CHARACTER GROUP PLC**  
**NOTES TO THE PRELIMINARY RESULTS**

**1. GEOGRAPHICAL DESTINATION OF REVENUE**

	12 months ended 31 August 2018 £,000's	12 months ended 31 August 2017 £,000's
United Kingdom	87,106	86,750
Rest of the world	19,123	28,569
Total Group	106,229	115,319

**2. EXPENSES BY NATURE – GROUP**

	12 months ended 31 August 2018 £,000's	12 months ended 31 August 2017 £,000's
Operating profit is stated after charging / (crediting):		
Cost of inventories recognised as an expense (included in the cost of sales)	60,904	70,209
Product development costs incurred	1,805	1,594
Product development costs capitalised	(1,568)	(1,550)
Amortisation of capitalised product development	1,463	1,969
Product development costs expensed to cost of sales	1,700	2,013
(Credit) / Charge financial instruments fair value adjustments	(141)	1,188
Inventories write down (credit)	901	(437)
Exchange losses	48	59
Staff costs	10,990	11,135
Depreciation of tangible fixed assets		
-owned assets	398	401
Depreciation of investment property	65	65
(Profit) on disposal of property, plant and equipment	(8)	(6)
Operating leases - land and buildings	366	371
Auditor remuneration	88	91

**3. EARNINGS PER SHARE - GROUP**

The earnings used in the calculation of basic and diluted earnings per share are as follows:

	12 months ended 31 August 2018 £,000's	12 months ended 31 August 2017 £,000's
Profit attributable to equity holders of the parent	9,498	10,050
Financial instruments fair value adjustments net of tax	114	958
Profit for adjusted earnings per share	9,612	11,008
In issue during the year – basic	21,065,941	21,175,949
Dilutive potential ordinary shares	337,282	618,399
Weighted average number of ordinary shares for diluted earnings per share	21,403,223	21,794,348

#### 4. DIVIDENDS

	12 months ended 31 August 2018 £,000's	12 months ended 31 August 2017 £,000's
On equity shares:		
Final dividend paid for the year ended 31 August 2017 — 10.0 pence (2016: 8.0 pence) per share	2,101	1,697
Interim dividend paid for the year ended 31 August 2018 11.0 pence (2017: 9.0 pence) per share	2,334	1,903
21.0 pence (2017: 17.0 pence) per share	4,435	3,600

The Directors recommend a final dividend of 12.0 pence per share (2017: 10.0 pence) amounting to £2,546,000 (2017: £2,091,000). Subject to approval by shareholders at the AGM, the final dividend will be paid on 25 January 2019 to shareholders on the Register on 4 January 2019.

#### 5. ANNUAL REPORT AND ACCOUNTS

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 August 2018 and 2017. The financial information for the year ended 31 August 2017 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 August 2018 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

#### 6. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Duane Morris LLP, City point, 16<sup>th</sup> Floor, One Ropemaker Street, London, EC2Y 9AW on Friday, 18 January 2019 at 11.00am.

#### 7. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 August 2018, together with the Notice convening the Company's 2019 Annual General Meeting, will be available for viewing and download on the Group's website, [www.character.com](http://www.character.com) by 20 December 2018.