



WEDNESDAY 27 APRIL 2016

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

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

Half Yearly Financial Report
for the six months ended 29 February 2016

"Record results continue to underpin Character's position as the UK's leading independent toy company."

Key Performance Indicators – continuing operations	Change	Half-year ended	Half-year ended	Full-year ended
		February 2016	February 2015	August 2015
Revenue	+12.0%	£65.2m	£58.2m	£99.1m
Underlying operating profit*	+20.8%	£8.7m	£7.2m	£10.4m
Operating profit	+1.1%	£8.8m	£8.7m	£12.5m
Underlying pre-tax profit*	+22.9%	£8.6m	£7.0m	£10.2m
Pre-tax profit	+2.4%	£8.7m	£8.5m	£12.3m
Underlying basic earnings per share*	+13.6%	32.43p	28.55p	38.83p
Underlying diluted earnings per share*	+13.9%	30.69p	26.94p	36.57p
Basic earnings per share	-7.9%	32.85p	35.66p	48.56p
Diluted earnings per share	-7.6%	31.09p	33.65p	45.73p
Dividend per share	+40%	7.0p	5.0p	11.0p
Underlying EBITDA*	+30%	£10.4m	£8.0m	£11.9m
EBITDA	+10.5%	£10.5m	£9.5m	£13.9m
Net cash	+237.2%	£14.5m	£4.3m	£4.5m
* Excludes mark to market profit adjustments on FX derivative positions		£0.1m	£1.5m	£2.1m

- Significant organic growth, revenue up 12% on comparative period
- International sales now represent approximately 25% of total revenue
- Revenue growth is from our Top 10 performing brands, which now include Teletubbies (launched January 2016)
- Peppa Pig continues to deliver a consistently high level of sales
- New licenses acquired in period include Stretch Armstrong
- Main Board further strengthened
- Profitable and cash generative business model
- **Progressive dividend policy, interim dividend up 40% over 2015 HY1**

"The Group continues to deliver highly credible results which is reflected in improved revenues and increased underlying profit before tax on the same half-year period last year."

"We are very fortunate at this time not only to have strength and depth across our brands but also a wide spread of customers and suppliers, with many of whom we have long term trusted relationships. We are also very pleased with the progress we are making in overseas markets as demonstrated by the increased level of International sales, particularly in the USA."

"Overall, current trading continues to be encouraging, and we remain on target to achieve market expectations for the full financial year ending 31 August 2016."

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

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FTSE sector: leisure:

FTSE AIM All-share: symbol: CCT.L

Market cap: £110m

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The Character Group plc

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

Half Yearly Financial Report

for the six months ended 29 February 2016

INTRODUCTION

The Board is pleased to report that the Group continues to deliver highly credible results which is reflected in improved revenues for the half-year period, up 12% on the comparative 2015 period, and increased underlying profit before tax, up 22.9% on the same half-year period last year.

Our top performing brands during the period included *Peppa Pig*, *Little Live Pets*, *Minecraft*, *Scooby Doo*, *Fireman Sam* and *Teletubbies*. We continue to refresh our ranges within these brands and it is particularly pleasing that this core group of products is progressively achieving longevity within their product lifecycles. *Peppa* remains our lead brand; additionally, we are very encouraged by the strong demand for *Teletubbies* product since launch at retail in January 2016, from which time it has already become a stand-out performer.

New licenses secured in the period include the iconic *Stretch Armstrong*; a range of products will be launched on a global basis including the USA where a new TV series is being developed by Netflix.

PERFORMANCE ON CONTINUING OPERATIONS

Revenue in the period was £65.2m, against £58.2m in the comparable 2015 period (year ended 31 August 2015 £99.1 m). Geographically our revenue split in the HY1 was United Kingdom 76% (HY2015: 83%), Rest of the World including USA 24% (HY2015: 17%).

Underlying gross profit margin in the half-year being reported amounted to 33.9%, compared to 35.4% in the comparable 2015 period and 34.9% for the August 2015 financial year. Underlying margins have remained consistent; the slight reduction in margin percentage overall has arisen due to international sales making up an increased proportion of total revenue.

The Group is reporting an underlying profit before tax in the period under review of £8.6 m, up 22.9% on the comparative period (HY2015: £7.0m), whilst the full year ended 31 August 2015 was £10.2m. Underlying earnings before interest, tax, depreciation and amortisation were £10.4m, up 30% on the comparative period (HY2015: £8.0m) and £11.9m for the full year ended 31 August 2015.

Underlying basic earnings per share amounted to 32.43 pence, an increase of 13.6% (HY2015: 28.55p; FY2015: 38.83p). Underlying diluted earnings per share, on the same basis, were 30.69 pence, up 13.9% (HY2015: 26.94p; FY2015: 36.57p).

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 £0.1 m being reported. This compares to an additional profit of £1.5m shown in the corresponding period in 2015 and an additional profit of £2.1m reported in the year to 31 August 2015. 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. In order to highlight profitability on a normal basis these adjustments have been added back to arrive at the "underlying" profit measures presented in this report.

The Key Performance Indicators (KPI's) table shown at the front 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.

DIVIDEND

We remain focused on delivering a progressive dividend policy. Given our performance to date and on-going progress, the Board is declaring an interim dividend of 7.0 pence per share, an increase of 40% (HY2015: 5.0p per share). This interim dividend, which is covered 4.7 times by earnings, will be paid on 29 July 2016 to shareholders on the Register as at the close of business on 8 July 2016. The shares will be marked ex-dividend on 7 July 2016.

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's capital base strengthened considerably in the period, with net assets at 29 February 2016 amounting to £21.4m, an increase of over 40% on the position at 31 August 2015.

Inventories at 29 February 2016 were £5.2m; (HY2015: £5.1m; FY2015 £9m); this highlights the continued high level of demand for our products and the on-going efficiency of our UK operation.

During the period the Group generated cash from continuing operations of £14.8m (HY2015 £16.6m; FY 2015 £18.2m).

The Group has no long term debt. Interest charges on the use of working capital facilities during the period were £0.1m (HY2015: £0.1m; FY 2015 £0.2m).

At the end of the half-year under review, after making payments for dividends and share buy-backs (referenced further in this Report), the Group had net cash on the balance sheet of £14.5m (HY2015: £4.3m), an increase of 237.2% on the position at the end of the comparative period.

SHARE BUY-BACK PROGRAMME

During HY1 the Company acquired a total of 213,936 ordinary shares in the Company at an aggregate cost of approximately £1.0m (excluding stamp duty and dealing costs), with the average cost being approximately £4.70 per ordinary share (HY2015: 2,336,330 ordinary shares at an aggregate cost of approximately £6.1m and an average cost of approximately £2.60 per ordinary share). There have been no further buy-backs since 29 February 2016. The Company has an unutilised authority to buy-back up to a further 3,128,700 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 21,418,554 ordinary shares in issue. The Company holds 3,269,456 ordinary shares in treasury, representing approximately 15.26 percent of the share capital excluding these treasury shares, which do not carry voting or dividend rights. The figure of 21,418,554 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 notified interest, in the Company under the Disclosure and Transparency Rules.

OUR PEOPLE

Shareholders have already witnessed, considerable growth in the business over recent years, both in the UK and internationally. To support our future growth and aspirations we have further strengthened the operational management team and the PLC Board.

In February this year Kiran Shah and Jon Diver took on the sole roles of Joint Managing Directors. At this time, we welcomed Mark Dowding, (previously the Company's CFO) to the PLC Board as Group Finance Director and Jerry Healy (Character Options Marketing Director) as Group Marketing Director. Clive Crouch also accepted the appointment as an Independent, Non-executive Director.

After having been involved with the business since 1991 and the Executive Chairman since the Company's flotation in 1995, founding director Richard King relinquished his executive role on the Board, however, we will retain his wise counsel as Non-executive Chairman of the Board. Executive Directors Joe Kissane (Managing Director, Character Options Limited) and Michael Hyde (Managing Director, Far East Operations) continue in their current Board positions.

The new Board configuration and skillset will combine to further enhance the team's capabilities and make a strong contribution to the delivery of our strategic goals into the future.

In total the business employs 182 people across its locations in the UK and Asia. Once again, the Board would like to take the opportunity, on behalf of all stakeholders, to thank every one of its colleagues around the business for their continuous hard work, dedication and loyalty, which underpins both the high-level customer relationships and the Group's overall performance.

OUTLOOK

Our strategic focus remains: *"to seek out and develop exciting products which meet domestic and international market demand"*. The Group's portfolio continues to be derived from, both our own-developed in-house ranges, including those produced 'under licence', and others sourced through exclusive distribution agreements. We are very fortunate at this time not only to have strength and depth across our brands but also a wide spread of customers and suppliers, with many of whom we have long term trusted relationships. We are also very pleased with the progress we are making in overseas markets as demonstrated by the increased level of International sales, particularly in the USA.

Overall current trading continues to be encouraging, and we remain on target to achieve market expectations for the full financial year ending 31 August 2016.

27 April 2016

The Character Group plc
Consolidated Income Statement
six months ended 29 February 2016

Notes	six months ended 29 February 2016 (unaudited) £'000	six months ended 28 February 2015 (unaudited) £'000	12 months ended 31 August 2015 (audited) £'000
Revenue	65,245	58,162	99,054
Cost of sales	(43,035)	(36,081)	(62,399)
Gross profit	22,210	22,081	36,655
Net operating expenses			
Selling and distribution costs	(4,440)	(4,674)	(7,310)
Administration expenses	(9,178)	(9,158)	(17,753)
Other operating income	250	421	892
Operating profit	8,842	8,670	12,484
Finance income	14	2	14
Finance costs	(121)	(138)	(230)
Profit before income taxation	8,735	8,534	12,268
Taxation	(1,683)	(1,017)	(2,029)
Profit for the period attributable to equity holders of the parent	7,052	7,517	10,239
Earnings per share (pence)	4		
Basic earnings per share	32.85p	35.66p	48.56p
Diluted earnings per share	31.09p	33.65p	45.73p
Dividend per share (pence)	3		
	6.0p	3.95p	8.95p
EBITDA (earnings before interest, tax, depreciation and amortisation)	10,471	9,511	13,934

Consolidated Statement of Comprehensive Income			
	six months ended 29 February 2016 (unaudited) £'000	six months ended 28 February 2015 (unaudited) £'000	12 months ended 31 August 2015 (audited) £'000
Profit for the period after tax	7,052	7,517	10,239
Items that will not be reclassified subsequently to profit and loss			
Current tax credit relating to exercised share options	-	-	582
Deferred tax credit relating to share options	30	-	674
	30	-	1,256
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	(129)	(131)	(227)
Total comprehensive income for the period attributable to the equity holders of the parent	6,953	7,386	11,268

The Character Group plc
Consolidated Balance Sheet
at 29 February 2016

	29 February 2016 (unaudited) £'000	28 February 2015 (unaudited) £'000	31 August 2015 (audited) £'000
Non-current assets			
Intangible assets – product development	682	459	837
Investment property	1,878	1,943	1,911
Property, plant and equipment	3,450	3,563	3,551
Deferred tax assets	559	252	1,058
	6,569	6,217	7,357
Current assets			
Inventories	5,153	5,051	8,965
Trade and other receivables	8,302	8,560	15,535
Current income tax receivable	-	-	22
Derivative financial instruments	118	169	234
Cash and cash equivalents	16,331	14,876	25,781
	29,904	28,656	50,537
Current liabilities			
Short term borrowings	(1,790)	(10,576)	(21,246)
Trade and other payables	(12,279)	(10,442)	(19,015)
Income tax payable	(723)	(1,545)	(1,862)
Derivative financial instruments	(156)	(850)	(363)
	(14,948)	(23,413)	(42,486)
Net current assets	14,956	5,243	8,051
Non – current liabilities			
Deferred tax	(136)	(92)	(167)
Net assets	21,389	11,368	15,241
Equity			
Called up share capital	1,235	1,242	1,244
Shares held in treasury	(2,743)	(3,373)	(3,373)
Investment in own shares	-	(908)	-
Capital redemption reserve	1,714	1,704	1,704
Share based payment reserve	2,705	2,555	2,631
Share premium account	15,428	14,611	14,642
Merger reserve	651	651	651
Translation reserve	1,578	1,485	1,374
Profit and loss account	821	(6,599)	(3,632)
Total equity	21,389	11,368	15,241

The Character Group plc
Consolidated Statement of Cash Flows
six months ended 29 February 2016

	six months ended 29 February 2016 (unaudited) £'000	six months ended 28 February 2015 (unaudited) £'000	12 months ended 31 August 2015 (audited) £'000
Cash flow from operating activities			
Profit before taxation for the period	8,735	8,534	12,268
Adjustments for:			
Depreciation of property, plant and equipment	224	207	425
Depreciation of investment property	33	33	65
Amortisation of intangible assets	1,372	601	960
(Profit) on disposal of property, plant and equipment	-	(2)	(14)
Interest expense	107	136	216
Financial instruments fair value adjustments	(91)	(1,499)	(2,051)
Share based payments	74	68	144
Decrease/(increase) in inventories	3,812	3,803	(111)
Decrease in trade and other receivables	7,233	14,857	7,882
(Decrease) in trade and other creditors	(6,736)	(10,103)	(1,530)
Cash generated from operations	14,763	16,635	18,254
Interest paid	(107)	(136)	(216)
Income tax paid	(2,219)	(556)	(725)
Net cash inflow from operating activities	12,437	15,943	17,313
Cash flows from investing activities			
Payments for intangible assets	(1,217)	(822)	(1,559)
Payments for property, plant and equipment	(128)	(144)	(349)
Proceeds from disposal of property, plant and equipment	13	2	14
Net cash outflow from investing activities	(1,332)	(964)	(1,894)
Cash flows from financing activities			
Proceeds from disposal of investment in own shares	-	-	908
Proceeds from issue of share capital	1,417	896	929
Purchase of own shares for cancellation	(1,011)	(6,088)	(6,088)
Dividends paid	(1,285)	(838)	(1,864)
Net cash used in financing activities	(879)	(6,030)	(6,115)
Net increase in cash and cash equivalents	10,226	8,949	9,304
Cash, cash equivalents and borrowings at the beginning of the period	4,535	(4,515)	(4,515)
Effects of exchange rate movements	(220)	(134)	(254)
Cash, cash equivalents and borrowings at the end of the period	14,541	4,300	4,535

Cash, cash equivalents and borrowings consist of:			
Cash, cash equivalents	16,331	14,876	25,781
Short term borrowings	(1,790)	(10,576)	(21,246)
Cash, cash equivalents and borrowings at the end of the period	14,541	4,300	4,535

The Character Group plc
Consolidated statement of changes in equity

	Called up share capital £'000	Investment in own shares £'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 2014 (unaudited)	1,266	(908)	(3,373)	1,587	13,808	651	2,487	1,508	(7,082)	9,944
Profit for the period	-	-	-	-	-	-	-	-	7,517	7,517
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(23)	(108)	(131)
Total comprehensive income for the period	-	-	-	-	-	-	-	(23)	7,409	7,386
Transactions with owners										
Dividend paid	-	-	-	-	-	-	-	-	(838)	(838)
Share based payment	-	-	-	-	-	-	68	-	-	68
Shares issued	93	-	-	-	803	-	-	-	-	896
Shares cancelled	(117)	-	-	117	-	-	-	-	(6,088)	(6,088)
Six months ended 28 February 2015	1,242	(908)	(3,373)	1,704	14,611	651	2,555	1,485	(6,599)	11,368

Balance as at 1 September 2014 (audited)	1,266	(908)	(3,373)	1,587	13,808	651	2,487	1,508	(7,082)	9,944
Profit for the year after tax	-	-	-	-	-	-	-	-	10,239	10,239
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(134)	(93)	(227)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	-	674	674
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	-	582	582
Total comprehensive income for the year	-	-	-	-	-	-	-	(134)	11,402	11,268
Transactions with owners										
Disposal of Investment in own shares	-	908	-	-	-	-	-	-	-	908
Dividends paid	-	-	-	-	-	-	-	-	(1,864)	(1,864)
Share based payment	-	-	-	-	-	-	144	-	-	144
Shares issued	95	-	-	-	834	-	-	-	-	929
Shares cancelled	(117)	-	-	117	-	-	-	-	(6,088)	(6,088)
Year ended 31 August 2015	1,244	-	(3,373)	1,704	14,642	651	2,631	1,374	(3,632)	15,241

Balance as at 1 September 2015 (unaudited)	1,244	-	(3,373)	1,704	14,642	651	2,631	1,374	(3,632)	15,241
Profit for the period	-	-	-	-	-	-	-	-	7,052	7,052
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	204	(333)	(129)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	-	30	30
Total comprehensive income for the period	-	-	-	-	-	-	-	204	6,749	6,953
Transactions with owners										
Dividend paid	-	-	-	-	-	-	-	-	(1,285)	(1,285)
Share based payment	-	-	-	-	-	-	74	-	-	74
Shares issued	1	-	630	-	786	-	-	-	-	1,417
Shares cancelled	(10)	-	-	10	-	-	-	-	(1,011)	(1,011)
Six months ended 29 February 2016	1,235	-	(2,743)	1,714	15,428	651	2,705	1,578	821	21,389

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 2016. These are consistent with the accounting policies used in the financial statements for the year ended 31 August 2015 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 29 February 2016 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 27 April 2016.

The information for the year ended 31 August 2015 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 29 February 2016 (unaudited) £'000	6 months ended 28 February 2015 (unaudited) £'000	12 months ended 31 August 2015 (audited) £'000
On equity shares:			
Final dividend paid for the year ended 31 August 2015			
- 6.00 pence (2014: 3.95p) per share	1,285	838	838
- Interim	-	-	1,026
	1,285	838	1,864

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. The calculations are based on the following:

	6 months ended 29 February 2016 (unaudited) £000's	6 months ended 28 February 2015 (unaudited) £000's	12 months ended 31 August 2015 (audited) £000's
Profit attributable to equity shareholders of the parent	7,052	7,517	10,239
Weighted average number of shares			
In issue during the year – basic	21,467,202	21,077,880	21,085,023
Dilutive potential ordinary shares	1,213,847	1,261,802	1,305,141
Weighted average number of ordinary for diluted earnings per share	22,681,049	22,339,682	22,390,164
Basic earnings per share (pence)	32.85	35.66	27.66
Diluted earnings per share (pence)	31.09	33.65	25.18

5 Electronic Communications

The Half Yearly Financial Report for the six months ended 29 February 2016 will be available for viewing and download on the Group's website, www.thecharacter.com.

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 29 February 2016, 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 Ireland) 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 29 February 2016 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
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27 April 2016