



LONDON, THURSDAY 9 MAY 2019

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.

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 2019

KEY PERFORMANCE INDICATORS	Half-year ended 28 February 2019	Half-year ended 28 February 2018	Full-year ended 31 August 2018
CONTINUING OPERATIONS			
Revenue	£58.8m	£50.5m	£106.2m
Operating profit*	£5.9m	£4.6m	£11.7m
Pre-tax profit*	£5.6m	£4.5m	£11.6m
Underlying basic earnings per share*	20.98p	16.96p	45.09p
Underlying diluted earnings per share*	20.67p	16.64p	44.38p
Dividend per share	13.0p	11.0p	23.0p
EBITDA	£6.9m	£5.8m	£13.6m
Net cash	£19.8m	£14.3m	£15.6m
Net assets	£33.5m	£24.7m	£31.8m
*Excludes mark to market (loss) adjustments on FX derivative positions and taxation thereon shown as significant items	£(0.3)m	£(3.9)m	£0.14m

- Character has delivered a strong first half performance and the Directors remain optimistic about the progress the business will make over this calendar year and the important 2019/20 winter season
- Leading in-house ranges include *Peppa Pig* and *Stretch*, and exclusive, third-party lines including *Little Live Pets* and *Pokémon*, all continue to trade well
- Character also continues to add exciting, innovative ranges, such as *Hair Dooz*, *Odditeez Ploppz*, and *OMG pets*
- Impulse buying at the right price point is a growing trend and Character has successfully tapped into this category with innovative new trend lines being sourced and introduced regularly. Our brands currently include *Cra.Z.Slimy*, *Treasure X* and *Bubbleezz*
- The Group will be introducing further new products and range extensions to its portfolio in the coming months, which will further enhance and strengthen the Group's product offering for the coming year.
- The Board remains confident in its strategy and the Group's flexibility to adapt to change
- Group trading remains in line with management expectations and market consensus.

FOLLOW THIS LINK TO LISTEN TO THE INTERVIEW WITH JOINT MDs' JON DIVER AND KIRAN SHAH DISCUSSING WITH BRR MEDIA THE GROUP'S HY1 2019 PERFORMANCE AND OUTLOOK:

Live link: <https://www.brrmedia.co.uk/broadcasts-embed/5cd29f46cfde5e11cc82430a/?cct&popup=true>

FTSE sector: leisure: **FTSE AIM All-share:** symbol: CCT.L: **Market cap:** £122.2m

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 2019

INTRODUCTION

Character is pleased to report that, with the good sell-through at retail during the 2018 Christmas period, the business has had a solid start to the 2019 calendar year. With stocks remaining firmly under control, a further enhanced net cash position, a strong balance sheet and a proven and balanced product portfolio, the Group’s performance and prospects remain healthy.

On 17 October 2018, we acquired a 55% shareholding in OVG-PROXY A/S (“Proxy”), a Danish toy distributor based in Copenhagen.

For the period to 28 February 2019, turnover at £58.8m was 16.5% up on the previous comparable period (£50.5m). Profit before tax increased to £5.6m (2018 HY1 2018: £4.5m) and the net cash at the end of the period was £19.8m (2018 HY1 2018: £14.3m).

OUR PORTFOLIO

We work in a dynamic market place and our business model is designed and has evolved to have the necessary agility to operate efficiently in adapting to the demands of change. We work tirelessly to anticipate and then deliver what our customers seek in terms of product, quality and price point. Our current portfolio is derived from our own-developed, in-house ranges, including those that we produce ‘under licence’, and those of third-party manufacturers, which we distribute in our territories on an exclusive basis. Our close partnerships and ongoing dialogue with our suppliers and customers give us invaluable feedback that enables us to develop and adjust our plans to optimise our sales penetration. This informed and responsive approach to understanding and working within our market gives us a strong platform across which we are able to promote and sell a broad portfolio of relevant, in-demand products. Our blend of long-term customers and suppliers and more recent entrants to the retail market, sees our business well balanced and diversified in both its customers and suppliers, thereby marginalising any potential concentration risk.

During this period, our evergreen branded, pre-school *Peppa Pig* range, now in its 15th year, has continued to grow well, both domestically and in our international markets. This brand is a striking example of how our business model is applied to understand what the market and consumer wants from a product range and to develop it over many years, keeping it fresh, innovative, fun and educational. To view some of these exciting developments within this range, follow this link: <https://www.youtube.com/watch?v=VR5AViNTvno>.

Old favourites like *Fireman Sam* and *Ben and Holly* (<https://youtu.be/C2c3PIMbgMU>), which are now well-established ranges, have also performed with resilience in the market. The *Stretch* range remains popular and in demand and is trading well in both our home market and internationally. We are also currently focused on capturing new licence opportunities for this range, which we anticipate will lead to exciting extensions to this enduring brand.

Our strong and diverse, core portfolio has been complemented, over the last few years, by trend lines. Positioned in the market at the right price point, this category of toy has been a growing trend since its introduction to the market a couple of years ago. We have successfully built our offering in this dynamic category and continue to add to it, with new novel and innovative products being sourced and added to our ranges regularly. Our brands in this category currently include *Cra.Z.Slimy* (<https://www.youtube.com/watch?v=P43wXCEytPQ>), *Treasure X*, *Bubbleezz* and *Odditeez Ploppz* (<https://www.youtube.com/watch?v=OOVUnCiM3z0>).

At the recent toy fairs, we once again successfully launched our next season’s ranges and a great variety of new products and range extensions. Our product development team has also been working hard on several collaborations with overseas toy companies; these partnerships have played an important part in evolving our expanded, innovative product offering.

The Group will be introducing further new products and range extensions to its portfolio in the coming months, which will further enhance and strengthen the Group’s product offering for the coming year. Examples of these are:

- Character's own-developed ranges:
 - Peppa Pig* wooden playhouse, theatre stage playset and a vehicle, https://youtu.be/Z_csn8Mr5f0
 - Stretch* figures <https://youtu.be/juHkTpGXBNg>
- Third-party ranges:
 - Hair Dooz* https://www.youtube.com/watch?v=0hjycCPP5_Y
 - Pokémon* – Classic, and movie related products – due for summer launch
<http://www.thecharacter.com/detectivepikachuplush>
 - OMG pets* (Little Live Pets range)
 - Laser X* Original Double Pack “30” <https://www.youtube.com/watch?v=5LYILCzyzyY>
 - Ballerina Dreamer* Dancing Ballerina <https://youtu.be/H3BKk0wmSGg>
 - “*What’s in a Box*” which is a YouTube sensation.

To view our current portfolio, go to www.character-online.co.uk.

AWARDS

We were delighted to achieve two accolades at the annual Toy Industry Awards held in January, during the all important London Toy Fair. We were awarded the coveted “Supplier of the Year” Award in recognition of the excellent standard of service that we provide to our customers. In addition, *Soft ‘n Slo Squishies* was announced the winner of the “Craze of the Year” category. Two further Character Options brands received recognition, with nominations in the pre-school category for *Peppa Pig* and in the craze category for *Bubbleez*.

OUR PEOPLE

Our experienced, knowledgeable and long serving teams in our UK and Far Eastern operations are proactive and focused on the delivery of the best service possible to customers and the supply of high-quality and in demand/most sought-after children’s toys.

On behalf of all stakeholders, the Board would like to thank our personnel at all levels throughout the business for their hard work, dedication and loyalty, which continues to underpin and develop both our enduring high-level customer relationships and collaborations and the Group’s overall performance.

GROUP TRADING

We are pleased to report an improved first half performance compared to the same time last year.

Revenue in the period being reported was £58.8m, against £50.5m in the comparable 2018 period (FY2018: £106.2m). Proxy contributed £6.2m of turnover in this period.

Our UK sales increased whilst the international sales, excluding USA, remained steady. Whilst USA sales continue to be challenging following the demise of Toys R Us, we are making good progress and should see an improvement in the second half.

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 the financial period under review results in a charge of £0.3m. This compares to a charge of £3.85m shown in the corresponding period in 2018 and an additional profit of £0.14m reported in the year to 31 August 2018. 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 improved to 36.8%, compared to 35.2% in the same 2018 period and 34.2% for the August 2018 financial year. Once again, the improvement in margin reflects the ongoing change in mix, with a greater percentage of revenue 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 £5.6m, (HY1 2018: £4.5m; FY 2018: £11.6m). Earnings before interest, tax, depreciation and amortisation (EBITDA) were £6.9m (HY1 2018: £ 5.8m; FY 2018: £13.6m).

Adjusted basic earnings per share amounted to 20.98p (HY1 2018: 16.96p; FY2018:45.09p). Diluted earnings per share, on the same basis, were 20.67p (HY1 2018: 16.64p; FY 2018: 44.38p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's capital base remained solid with net assets at 28 February 2019 of £33.5m (HY1 2018: £24.7m; FY 2018: £31.8m).

Inventories at 28 February 2019 increased to £11.2m of which £3.4m relates to Proxy (HY1 2018: £8.0m; FY 2018: £10.9m).

During the period the Group generated cash from operations of £17.0m (HY1 2018: £9.0m; FY 2018: £14.0m) which was predominantly due to the decrease in trade and other receivables.

The Group has no long-term debt. Net interest charges on the use of working capital facilities during the period were £0.2m (HY1 2018: £0.05m; FY 2018: £0.05m). Most of the interest charge relates to Proxy. After making dividend payments and financing share buy-backs (see below) and the acquisition of Proxy, the Group had net cash of £19.8m (HY1 2018: £14.3m; FY 2018: £15.6m) at the end of the first-half period.

PROXY

Proxy's turnover in HY1 was £6.2m and covers the period from 17 October 2018 (the date of completion of the acquisition of the Group's 55% interest in Proxy). This delivered a contribution of £357,000 to the Group's operating profit. We have been working closely with our new team members at Proxy on a number of joint initiatives and they have embraced and are benefiting greatly from our collaborative culture and platform.

As we previously announced, whilst Proxy's sales have been adversely affected by the occurrence of one of its major customers (Top Toy) going into liquidation in January this year, this is believed to be a short-term set back as the Nordic markets formerly served by Top Toy are quickly absorbing this retail capacity and other existing and new Proxy customers are seizing the available, additional market share, much as occurred in the UK toy market following the demise of Toys R Us and, previously, Woolworths. Additional opportunities have also arisen for Proxy, given that its distribution footprint in the Nordic region matches that of Top Toy's former cross-border presence in the region. Proxy is also very well positioned to offer a "one-stop" distribution service in the Nordic region to former suppliers to Top Toy, as has been seen with Proxy's capture of the Nordic distribution rights for *Little Live Pets* and *Laser X* in succession to Top Toy.

As stated at the time of the acquisition of the Group's shareholding interest in Proxy, whilst Character is supporting some of Proxy's finance facilities, these are independent and not part of the Group's overall banking arrangements. The disruption caused by the demise of Top Toy has increased Proxy's short-term working capital requirements. In this context, the discussions for the refinancing of Proxy's banking facilities with alternative banking sources have exposed an element of under-capitalisation of its business and, that this will be required to be addressed to ensure that Proxy can be viewed by the lending banks as an independent, stand-alone entity. An additional loan or guarantee will need to be made by the Group and/or other shareholders in Proxy before the replacement facilities can be agreed. Discussions are taking place currently with the management of Proxy (who retain the remaining 45% of the equity). Proxy's existing bankers require the position to be resolved by 31 August 2019 and the Board will keep shareholders updated with developments in this position in due course.

SHARE BUY-BACK PROGRAMME

In the period under review, the Company acquired a total of 178,010 ordinary shares in the Company at an aggregate cost of £0.94m (excluding dealing costs), with the average cost being £5.26 per ordinary share (HY1 2018: 338,700 ordinary shares at an aggregate cost of £1.36m and an average cost of £4.03 per ordinary share).

Since 28 February 2019, the Company has made further share buy backs totalling 27,000 ordinary shares at an aggregate cost of £0.15m at an average cost of £5.41 per ordinary share. Under the authority granted at the 2019 Annual General Meeting, the Company has an unutilised authority to buy-back up to a further 3,134,983 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.

TOTAL VOTING RIGHTS (TVR)

As at today's date, the Company's issued share capital consists of 23,687,798 Ordinary Shares. The Company holds 2,433,256 Ordinary Shares in treasury which do not carry voting rights and therefore the total number of voting rights in Character Group is 21,254,542. The figure of 21,254,542 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 FCA's 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 13p per share, an increase of 18.1% on the interim dividend in 2018 (HY1 2018: 11.0p). This interim dividend, which is covered 1.6 times by the underlying earnings, will be paid on 26 July 2019 to shareholders on the Register as at the close of business on 12 July 2019. The shares will be marked ex-dividend on 11 July 2019.

OUTLOOK

Character has delivered a strong first half performance and the Directors remain optimistic about the progress the business will make over this calendar year and the important 2019/20 winter season.

At the various trade fairs and presentations around the world this year, we have once again received positive feedback on our 2019 listings from our customers and we are confident that the performance of our core ranges, together with new introductions, will result in further growth in demand for our portfolio in the calendar year ahead. Our highly experienced teams are dedicated to developing, marketing and distributing innovative and exciting toys that meet today's high expectations that both our customers and the consumer demand in terms of quality, value and price.

Generally, our market is rapidly changing from a standard toy market to a trend-led, fast-moving sector and we believe that we are in a great position, both in market share terms and in experience and agility, to exploit this changing environment. We have made excellent progress and we are actively taking up opportunities, both at home and internationally, to deliver further fresh and new products, that meet demands of the market and that further enhance our portfolio.

The political landscape is providing an unwelcome distraction for many businesses and the performance of the UK economy generally. The macroeconomic factors, including currency volatility and the potential implications of Brexit, will continue to influence market behaviour, however, 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 and addressing any challenges as and when they arise. Overall, trading remains encouraging and in line with management expectations and market consensus for the financial year and we look forward to updating on our progress later in the year.

8 May 2019

The Character Group plc
Consolidated Income Statement
six months ended 28 February 2019

	Notes	6 months ended 28 February 2019 (unaudited) £'000	6 months ended 28 February 2018 (unaudited) £'000	12 months ended 31 August 2018 (audited) £'000
Revenue		58,841	50,493	106,229
Cost of sales		(37,216)	(32,698)	(69,891)
Gross profit		21,625	17,795	36,338
Net operating expenses				
Selling and distribution costs		(6,055)	(4,952)	(7,355)
Administration expenses		(10,028)	(8,646)	(17,874)
Other operating income		345	380	543
Operating profit		5,887	4,577	11,652
Discount charge on deferred consideration		(49)	-	-
Finance income		27	7	45
Finance costs		(263)	(61)	(91)
Profit before taxation		5,602	4,523	11,606
Taxation		(1,168)	(968)	(2,108)
Profit after taxation before significant items		4,434	3,555	9,498
Significant items				
Movements in fair value of financial instruments		(309)	(3,853)	141
Tax relating to fair value movements of financial instruments		59	732	(27)
Profit for the period after significant items		4,184	434	9,612
Attributable to:				
Owners of the parent		4,197	434	9,612
Non- controlling interest		(13)	-	-
Profit for the period		4,184	434	9,612
Earnings per share before significant items (pence)	5			
Basic earnings per share		20.98p	16.96p	45.09p
Diluted earnings per share		20.67p	16.64p	44.38p
Earnings per share after significant items (pence)	5			
Basic earnings per share		19.80p	2.07p	45.63p
Diluted earnings per share		19.51p	2.03p	44.91p
Dividend per share (pence)	4	12.00p	10.00p	21.00p
EBITDA (earnings before interest, tax, depreciation and amortisation)		6,851	1,953	13,578

The Character Group plc
Consolidated Statement of Comprehensive Income
six months ended 28 February 2019

	6 months ended 28 February 2019 (unaudited) £'000	6 months ended 28 February 2018 (unaudited) £'000	12 months ended 31 August 2018 (audited) £'000
Profit for the period after tax	4,197	434	9,612
Items that will not be reclassified subsequently to profit and loss			
Current tax credit relating to exercised share options	3	-	6
Deferred tax relating to share options	4	(5)	25
	7	(5)	31
Items that may be reclassified subsequently to profit and loss			
Net exchange differences on translation of foreign operations	(20)	(98)	(247)
Total comprehensive income for the period attributable to the equity holders of the parent	4,184	331	9,396

The Character Group plc
Consolidated Balance Sheet
at 28 February 2019

	28 February 2019 (unaudited) £'000	28 February 2018 (unaudited) £'000	31 August 2018 (audited) £'000
Non-current assets			
Goodwill	3,132	-	-
Intangible assets – product development	471	496	803
Investment property	1,682	1,747	1,715
Property, plant and equipment	3,322	3,151	3,130
Deferred tax assets	678	1,200	469
	9,285	6,594	6,117
Current assets			
Inventories	11,201	8,047	10,890
Trade and other receivables	12,733	12,015	25,555
Current income tax receivable	126	141	14
Derivative financial instruments	19	-	167
Cash and cash equivalents	23,502	14,269	34,630
	47,581	34,472	71,256
Current liabilities			
Short term borrowings	(3,717)	-	(19,050)
Trade and other payables	(15,866)	(11,165)	(24,666)
Deferred consideration	(325)	-	-
Income tax payable	(870)	(605)	(1,123)
Derivative financial instruments	(930)	(4,597)	(770)
	(21,708)	(16,367)	(45,609)
Net current assets	25,873	18,105	25,647
Non – current liabilities			
Deferred Consideration	(1,659)	-	-
Deferred tax	-	-	(3)
Net assets	33,499	24,699	31,761
Equity			
Called up share capital	1,186	1,194	1,195
Contingent issuable shares	714	-	-
Shares held in treasury	(2,091)	(2,353)	(2,242)
Capital redemption reserve	1,771	1,762	1,762
Share based payment reserve	3,088	2,945	2,990
Share premium account	16,491	16,084	16,258
Merger reserve	651	651	651
Translation reserve	816	863	898
Profit and loss account	11,037	3,553	10,249
Attributable to equity holders of the parent	33,663	24,699	31,761
Non-controlling interest	(164)	-	-
Total equity	33,499	24,699	31,761

The Character Group plc
Consolidated Statement of Cash Flows
six months ended 28 February 2019

	6 months ended 28 February 2019 (unaudited) £'000	6 months ended 28 February 2018 (unaudited) £'000	12 months ended 31 August 2018 (audited) £'000
Cash flow from operating activities			
Profit before taxation for the period	5,293	670	11,747
Adjustments for:			
Depreciation of property, plant and equipment	233	192	398
Depreciation of investment property	33	33	65
Amortisation of intangible assets	1,007	1,004	1,463
Loss/(profit) on disposal of property, plant and equipment	1	(9)	(8)
Unwinding of discount on deferred consideration	49	-	-
Interest expense	236	54	46
Financial instruments fair value adjustments	309	3,853	(141)
Share based payments	98	17	62
Decrease/(increase) in inventories	3,373	947	(1,896)
Decrease in trade and other receivables	20,957	13,802	262
(Decrease)/Increase in trade and other creditors	(14,558)	(11,535)	1,966
Cash generated from operations	17,031	9,028	13,964
Interest paid	(236)	(54)	(46)
Income tax paid	(1,280)	(2,777)	(3,219)
Net cash inflow from operating activities	15,515	6,197	10,699
Cash flows from investing activities			
Purchase of subsidiary company	(7,284)	-	-
Payments for intangible assets	(675)	(802)	(1,568)
Payments for property, plant and equipment	(286)	(147)	(326)
Proceeds from disposal of property, plant and equipment	28	12	11
Net cash outflow from investing activities	(8,217)	(937)	(1,883)
Cash flows from financing activities			
Proceeds from issue of share capital	384	991	1,277
Purchase of own shares for cancellation	(939)	(1,367)	(1,367)
Dividends paid	(2,539)	(2,101)	(4,435)
Net cash used in financing activities	(3,094)	(2,477)	(4,525)
Net increase in cash and cash equivalents	4,204	2,783	4,291
Cash, cash equivalents and borrowings at the beginning of the period	15,580	11,536	11,536
Effects of exchange rate movements	1	(50)	(247)
Cash, cash equivalents and borrowings at the end of the period	19,785	14,269	15,580

Cash, cash equivalents and borrowings consist of:			
Cash, cash equivalents	23,502	14,269	34,630
Short term borrowings	(3,717)	-	(19,050)
Cash, cash equivalents and borrowings at the end of the period	19,785	14,269	15,580

The Character Group plc
Consolidated Statement of Changes in Equity
six months ended 28 February 2019

	Called up share capital £'000	Contingent issuable 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	Non- controlling interest £'000	Total £'000
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)	1,762	16,084	651	2,945	863	3,553	-	24,699

Balance as at 1 September 2017 (audited)	1,211	-	(2,743)	1,745	15,483	651	2,928	1,145	6,408	-	26,828
Profit for the year after tax	-	-	-	-	-	-	-	-	9,612	-	9,612
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(247)	-	-	(247)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	-	25	-	25
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	-	6	-	6
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	-	(247)	9,643	-	9,396
Transactions with owners											
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)
Year ended 31 August 2018	1,195	-	(2,242)	1,762	16,258	651	2,990	898	10,249	-	31,761

Balance as at 1 September 2018 (unaudited)	1,195	-	(2,242)	1,762	16,258	651	2,990	898	10,249	-	31,761
Profit/(loss) for the period	-	-	-	-	-	-	-	-	4,197	(13)	4,184
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(82)	62	4	(16)
Deferred tax relating to share options	-	-	-	-	-	-	-	-	4	-	4
Current tax relating to exercised share options	-	-	-	-	-	-	-	-	3	-	3
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(82)	4,266	(9)	4,175
Transactions with owners											
Non- controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(155)	(155)
Dividend paid	-	-	-	-	-	-	-	-	(2,539)	-	(2,539)
Share based payment	-	-	-	-	-	-	98	-	-	-	98
Shares issued	-	-	151	-	233	-	-	-	-	-	384
Contingent issuable shares	-	714	-	-	-	-	-	-	-	-	714
Shares cancelled	(9)	-	-	9	-	-	-	-	(939)	-	(939)
Six months ended 28 February 2019	1,186	714	(2,091)	1,771	16,491	651	3,088	816	11,037	(164)	33,499

The Character Group plc
Notes to the Financial Statements
six months ended 28 February 2019

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 2019. These are consistent with the accounting policies used in the financial statements for the year ended 31 August 2018 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 8 May 2019.

The information for the year ended 31 August 2018 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. Acquisition

On 17 October 2018, the Group agreed to acquire 55% of the equity shareholding in OVG-PROXY A/S, a Danish toy distributor based in Copenhagen. The purchase price comprises an initial cash consideration of DKK2.5 million, with further "earn-out" consideration of up to DKK25 million depending on performance, in each of the years ending 31 December 2018, 2019 and 2020. The first part of any first year earn-out will be satisfied by allotment of ordinary shares of 5p each in the share capital of The Character Group Plc, subject to a cap of 150,000 ordinary shares.

The cash outflow under purchase of a subsidiary of £7,284,000 on the face of the Consolidated Statement of Cash Flows in the six months to 28 February 2019 relates to the following:

	£'000
Initial consideration	294
Invoice discounting	4,694
Bank borrowings	2,296
Cash consideration excluding acquisition costs	7,284
Fair value of 150,000 ordinary shares of the Character Group plc	714
Discounted deferred consideration	1,934
Total consideration	9,932

The acquisition had the following effect on the Group's assets and liabilities:

	£'000
Acquisition fair value	173
Fixed assets	3,683
Stock	8,135
Trade & other receivables	(5,758)
Trade & other payables	412
Current & deferred tax	6,645
Net Identifiable assets	3,132
Goodwill	155
Non controlling Interest	9,932

The principal factor contributing to the goodwill relates to the management team and their extensive knowledge and experience of toy distribution in the Nordic countries. There are no other separately identifiable acquired intangible assets.

3. 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.

4. Dividends			
	6 months ended 28 February 2019 (unaudited) £'000	6 months ended 28 February 2018 (unaudited) £'000	12 months ended 31 August 2018 (audited) £'000
On equity shares:			
Final dividend paid for the year ended 31 August 2018			
- 12.00p (2017: 10.00p) per share	2,539	2,101	2,101
- Interim	-	-	2,334
	2,539	2,101	4,435

5. 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 two (2018: one) categories 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, and contingent issuable shares as deferred consideration for acquisition of a subsidiary.			
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 2019 (unaudited) £'000	six months ended 28 February 2018 (unaudited) £'000	12 months ended 31 August 2018 (audited) £'000
Profit attributable to equity shareholders of the parent	4,197	434	9,612
Financial instruments fair value adjustments net of tax	250	3,121	(114)
Profit for adjusted earnings per share	4,447	3,555	9,498
Weighted average number of shares			
In issue during the year – basic	21,199,172	20,964,023	21,065,941
Dilutive potential ordinary shares	314,863	403,410	337,283
Weighted average number of ordinary for diluted earnings per share	21,514,035	21,367,433	21,403,224

Earnings per share			
Basic earnings per share (pence)	19.80	2.07	45.63p
Diluted earnings per share (pence)	19.51	2.03	44.91p

Adjusted earnings per share			
Basic earnings per share (pence)	20.98	16.96	45.09
Diluted earnings per share (pence)	20.67	16.64	44.38

6. Electronic Communications			
The Half Yearly Financial Report for the six months ended 28 February 2019 will shortly 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 28 February 2019, 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 5. 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 2019 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

8 May 2019