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.

LONDON, THURSDAY 28 MAY 2020

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 2020

KEY PERFORMANCE INDICATORS CONTINUING OPERATIONS	**Half-year ended 29 February 2020**	Half-year ended 28 February 2019	Full-year ended 31 August 2019
Revenue	**£51.7m**	£58.8m	£120.4m
Operating profit*	**£2.7m**	£5.9m	£11.6m
Pre-tax profit*	**£2.5m**	£5.6m	£11.1m
Underlying basic earnings per share*	**9.60p**	20.98p	43.27p
Underlying diluted earnings per share*	**9.58p**	20.67p	42.96p
Dividend per share	**2.0p**	13.0p	26.0p
EBITDA	**£4.1m**	£6.9m	£13.7m
Net cash	**£16.8m**	£18.6m	£6.5m
Net assets	**£32.8m**	£33.5m	£34.1m

*Excludes mark to market (loss)/profit adjustments on FX derivative positions and taxation thereon shown as significant items	**£(0.22)m**	£(0.25)m	£0.30m

- Combination of external factors impacted HY1 performance as already highlighted in the March update
- Standout product performers during the six months included *Peppa Pig*, *Pokémon*, *Goo Jit Zu* and *Little Live Pets*
- *Goo Jit Zu* launched successfully in the USA
- During HY2, portfolio to be further bolstered by the exciting new launches of *Gotta Go Flamingo* (from the *Little Live Pets* range), *Squeakee the Balloon Dog*, *Laser Battle Hunters*, *Shimmer 'n Sparkle* (including *Instaglam*) and a sustainable and environmentally friendly range of wooden *Peppa Pig* toys

"There is no disguising the fact that the severity and duration of the COVID-19 pandemic has considerably affected the toy sector globally and will affect our second half results for this financial year. However, with the proven record of our operational management team to judge the market and swiftly react to the changing environment and conditions, we intend to be fully open for business and to re-establish our prior trading trajectory as soon as we are safely able to."

"With the quality of our brand portfolio, the strength of our customer relationships and the resilience of our cash-generative business model, the Board expects to achieve a profit in the second half and, accordingly, for the current financial year as a whole."

"With a sizeable cash balance and substantial unutilised bank and finance facilities of at least £50.0m, the Group has a strong balance sheet, is financially robust and poised to return to its normal pattern of trading as soon as conditions allow."

FTSE sector: leisure: **FTSE AIM All-share: symbol**: CCT.L:
Market cap: £52.26m
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 29 February 2020

INTRODUCTION

Character presents its results for the half-year ended 29 February 2020.

As anticipated at the time of making the 2019 preliminary results announcement in December last year, the combination of the over-hang of stock from the demise of Top Toy in Scandinavian markets, the continued decline in consumer spending in the UK toy market, the weakness of Sterling and uncertainty over Brexit, all occurring in the lead up to the all-important Christmas period last year, had an adverse impact on our sales in the first half.

For the period ended 29 February 2020, turnover at £51.7m was down 12% on the previous comparable period (HY1 2019: £58.8m) and profit before tax was £2.5m (HY1 2019: £5.6m). The business remained strongly cash-generative throughout the period, with net cash held at the end of the period of £16.8m (HY1 2019: £18.6m).

Since March 2020, the rapid, global onset of the COVID-19 pandemic and the resulting lockdowns in most of our markets have deeply impacted our sales, as noted in our trading update of 24 March 2020. Many retailers in the UK and overseas closed their shops and stores and the distributors for our international markets substantially scaled back their operations during the period. Although online channels have remained open and we have continued to service demand from this channel of distribution in our markets, only now are we beginning to see a move towards phased relaxations and planned re-openings globally.

Despite this, the management team and staff have safely maintained operations at all of our facilities in order to preserve the business-critical functions of the Group and to fulfil the reduced level of demand for our goods over the lockdown period. Whilst it is too early to predict the likely level and rate of recovery in footfall at retail in high streets and shopping malls as we move into the phase of the anticipated re-opening of our retail customers' shops and stores during June in many of our markets, due to the careful stewardship of our management and the sheer grit and determination of our operational, sales, administrative, product development and support teams in successfully safeguarding the essentials of our operations, the Company believes that it is in a position to emerge strongly from the global lockdowns.

OUR PORTFOLO

Our portfolio of products and ranges has performed well in the limited channels of distribution that have been available to our customers during the lockdowns (principally online) but, after the lockdowns end and market conditions normalise, we anticipate that demand for this exciting and innovative range of products will be restored in all of our markets. New product and range launches are scheduled throughout the summer and into the autumn, with the planning and design of new product concepts and range additions for 2021 now well advanced.

Standout performers during the six months to 29 February 2020 continued to include *Peppa Pig*, *Pokémon*, *Goo Jit Zu* and *Little Live Pets*, to be further bolstered by the exciting new launches planned for later in the year of our new , *Gotta Go Flamingo* (from the *Little Live Pets* range), *Squeakee the Balloon Dog*, *Laser Battle Hunters, Shimmer 'n Sparkle (including Instaglam*) and a sustainable and environmentally friendly range of wooden *Peppa Pig* toys. Together, these products and ranges present one of the most formidable collections that we have showcased to date.

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

AWARDS

The Toy Industry Awards, presented annually by the Toy Retailers Association (TRA), recognise the very best in toy product design and toy supply for the UK and Ireland. They are the coveted awards and celebrate outstanding achievement and excellence. The TRA's judging panel is made up of representatives of a cross-section of retailers (large chains, large and small multiples and independent retailers). Character Options was once again honoured this year at this important toy industry event with the award for Action Figure Toy of The Year for our *Goo Jit Zu* range and (jointly) for Pre-school Range of the Year with our *Peppa Pig* products.

OUR PEOPLE

We have always considered that it is one of our prime responsibilities to ensure the safety and wellbeing (financial, physical and mental) of all of our staff. In response to the growing concerns over the spread of COVID-19 from late January, we addressed this by the phased introduction of a series of protective measures at our Far Eastern and then our European operations, including restricted visitor access to, and deep cleaning and the provision of PPE at, our premises, enabling various enhancements to our remote working capabilities and furloughing approximately 30% of our UK staff. Thankfully, we are not aware of any of our staff or their families that have contracted the virus and we are hopeful that the measures that we have taken will ensure that this remains the case.

There have been many reports in the media of heart-warming displays of selflessness, kindness, loyalty and courage of people during the spread of this disease in recent weeks and these qualities have been clearly evident in the actions and achievements of our personnel during this time. Our team have demonstrated their determination to ensure the wellbeing of the business by coming together to support the Group's efforts to preserve its business critical operations and its ability to fulfil its obligations to customers and suppliers throughout the period of the lockdowns. Our employees' commitment to protecting the Group's business for the long-term has been humbling and inspiring. For this, we thank each and every one of them.

GROUP TRADING

As anticipated in December 2019, revenue in the period being reported was lower at £51.7m, against £58.8m in the comparable 2019 period (FY2019: £120.4m). Although turnover was down in most territories, we were pleased to grow our turnover in the USA, due to the successful launch of our new range of *Goo-Jit-Zu* action figures. We have completed a review of the product catalogue at Proxy and have streamlined and brought it largely into alignment with Character Options' line plan. We expect to further rationalise the Proxy business within the next few months and should see the benefits flowing from these initiatives in the latter part of this calendar year.

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 £0.27m. This compares to a charge of £0.3m shown in the corresponding period in 2019 and an additional profit of £0.36m reported in the year to 31 August 2019. 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 reduced to 33.2%, compared to 36.8% in the same 2019 period and 34.5% for the August 2019 financial year. The reduction in margin reflects the product mix and the bias of sales away from the higher margin UK domestic sales to increased lower margin international, particularly US, FOB sales.

The Group is reporting a profit before tax for the period of £2.45m, (HY1 2019: £5.6m; FY 2019: £11.1m). Earnings before interest, tax, depreciation, and amortisation (EBITDA) were £4.1m (HY1 2019: £6.9m; FY 2019: £13.7m).

Adjusted basic earnings per share amounted to 9.60p (HY1 2019: 20.98p; FY2019: 43.27p). Diluted earnings per share, on the same basis, were 9.58p (HY1 2019: 20.67p; FY 2019: 42.96p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Company maintained a disciplined approach to managing its working capital and sustaining cash-generation throughout the period under review.

The Group's capital base remained solid, with net assets at 29 February 2020 of £32.8m (HY1 2019: £33.5m; FY 2019: £34.1m). Inventories at 28 February 2020 reduced to £10.6m (HY1 2019: £11.2m; FY 2019: £16.4m). During the period the Group generated cash from operations of £15.1m (HY1 2019: £17.0m; FY 2019: £10.4m).

Net interest charges on the use of working capital facilities during the period were £0.2m (HY1 2019: £0.24m; FY 2019: £0.47m). Most of the interest charge relates to Proxy borrowings. After making dividend payments and financing share buy-backs (see below), the Group had net cash of £16.8m (HY1 2019: £18.6m; FY 2019: £6.5m) at the end of the first-half period.

SHARE BUY-BACK PROGRAMME

In the period under review, the Company acquired a total of 46,500 ordinary shares in the Company at an aggregate cost of £162,000 (excluding dealing costs), with the average cost being £3.48 per ordinary share (HY1 2019: 178,010 ordinary shares at an aggregate cost of £0.94m and an average cost of £5.26 per ordinary share).

The Company has made no further share buy backs since 29 February 2020. Under the authority granted at the 2020 Annual General Meeting, the Company has an unutilised authority to buy-back up to a further 3,200,000 ordinary shares.

It remains part of the Group's overall strategy to continue to repurchase the Company's own shares.

TOTAL VOTING RIGHTS (TVR)

As at today's date. the Company's issued share capital consists of 23,608,501 Ordinary Shares. The Company holds 2,228,720 Ordinary Shares in treasury, which do not carry voting rights, and therefore the total number of voting rights in Character Group is 21,379,781. The figure of 21,379,781 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 believe that, whilst the business remains strongly cash-generative and they maintain a positive outlook for the Group, it would be prudent to retain a significant level of earnings within the business until there is more certainty over the final impact of the COVID-19 epidemic in all its markets. The Board is therefore declaring an interim dividend of 2.0p per share (HY 2019: 13.0p). This interim dividend, which is covered 4.8 times by the underlying earnings, will be paid on 31 July 2020 to shareholders on the Register as at the close of business on 17 July 2020. The shares will be marked ex-dividend on 16 July 2020.

OUTLOOK

There is no disguising the fact that the severity and duration of the COVID-19 pandemic has considerably affected the toy sector globally and will affect our second half results for this financial year. In addition, there may be factors beyond our control, such as the severity and duration of the pandemic, the occurrence of a "second spike" and, of course, post-lockdown consumer behaviour, any of which could have a continued impact, and this creates a measure of uncertainty when assessing the outlook. However, with the proven record of our operational management team to judge the market and swiftly react to the changing environment and conditions, we intend to be fully open for business and to re-establish our prior trading trajectory as soon as we are safely able to.

Whilst Character's international sales have held up well and we are currently planning to move to a full resumption of our global operations in the coming weeks, we cannot hope to make up the sales that we lose during the period of lockdowns in our markets. Notwithstanding this, with the quality of our brand portfolio, the strength of our customer relationships and the resilience of our cash-generative business model, the Board expects to achieve a profit in the second half and, accordingly, for the current financial year as a whole.

With a sizeable cash balance and substantial unutilised bank and finance facilities of at least £50.0m, the Group has a strong balance sheet, is financially robust and poised to return to its normal pattern of trading as soon as conditions allow.

27 May 2020

The Character Group plc

Consolidated Income Statement

six months ended 29 February 2020

	Notes	**6 months ended 29 February 2020 (unaudited) £'000**	6 months ended 28 February 2019 (unaudited) £'000	12 months ended 31 August 2019 (audited) £'000
Revenue		**51,732**	58,841	120,416
Cost of sales		**(34,554)**	(37,216)	(78,849)
Gross profit		**17,178**	21,625	41,567
Net operating expenses				
Selling and distribution costs		**(5,472)**	(6,055)	(9,114)
Administration expenses		**(9,297)**	(10,028)	(21,111)
Other operating income		**244**	345	244
Operating profit		**2,653**	5,887	11,586
Discount charge on deferred consideration		**-**	(49)	(49)
Finance income		**9**	27	40
Finance costs		**(208)**	(263)	(512)
Profit before taxation		**2,454**	5,602	11,065
Taxation		**(651)**	(1,168)	(2,273)
Profit after taxation before significant items		**1,803**	4,434	8,792
Significant items				
Movements in fair value of financial instruments		**(265)**	(309)	364
Tax relating to fair value movements of financial instruments		**45**	59	(66)
Exceptional items				
Impairment of goodwill		**-**	-	(3,132)
Contingent consideration not payable		**-**	-	1,547
Profit for the period after significant items		**1,583**	4,184	7,505
Attributable to:				
Owners of the parent		**1,831**	4,197	7,905
Non- controlling interest		**(248)**	(13)	(400)
Profit for the period		**1,583**	4,184	7,505
Earnings per share before significant items (pence)	5			
Basic earnings per share		**9.60**	20.98p	43.27p
Diluted earnings per share		**9.58**	20.67p	42.96p
Earnings per share after significant items (pence)	5			
Basic earnings per share		**8.57**	19.80p	37.21p
Diluted earnings per share		**8.55**	19.51p	36.94p
Dividend per share (pence)	4	**13.00p**	12.00p	25.00p
EBITDA (earnings before interest, tax, depreciation and amortisation)		**4,053**	6,851	13,715

The Character Group plc

Consolidated Statement of Comprehensive Income

six months ended 29 February 2020

	6 months ended 29 February 2020 (unaudited) £'000	6 months ended 28 February 2019 (unaudited) £'000	12 months ended 31 August 2019 (audited) £'000
Profit for the period after tax	**1,583**	4,184	7,505
Items that will not be reclassified subsequently to profit and loss			
Current tax credit relating to exercised share options	**-**	3	7
Deferred tax relating to share options	**(15)**	4	(9)
	(15)	7	(2)
Items that may be reclassified subsequently to profit and loss			
Net exchange differences on translation of foreign operations	**(296)**	(16)	191
Total comprehensive income for the period	**1,272**	4,175	7,694

Total comprehensive income for the period attributable to:			
Equity holders of the parent	**1,499**	4,184	8,104
Non-controlling interest	**(227)**	(9)	(410)
	1,272	4,175	7,694

The Character Group plc

Consolidated Balance Sheet

at 29 February 2020

	Notes	**29 February 2020 (unaudited) £'000**	28 February 2019 (unaudited) £'000	31 August 2019 (audited) £'000
Non-current assets				
Goodwill		**-**	3,132	-
Intangible assets – product development		**447**	471	903
Investment property		**1,616**	1,682	1,649
Property, plant and equipment	2	**4,419**	3,322	3,251
Deferred tax assets		**502**	678	542
		6,984	9,285	6,345
Current assets				
Inventories		**10,563**	11,201	16,405
Trade and other receivables		**13,508**	12,733	34,973
Current income tax receivable		**-**	126	-
Derivative financial instruments		**66**	19	398
Cash and cash equivalents		**19,582**	23,502	29,990
		43,719	47,581	81,766
Current liabilities				
Short term borrowings		**(1,891)**	(3,717)	(22,174)
Trade and other payables		**(12,142)**	(14,648)	(28,766)
Lease liabilities	2	**(236)**	-	-
Deferred consideration		**-**	(325)	-
Income tax payable		**(1,331)**	(870)	(1,083)
Derivative financial instruments		**(570)**	(930)	(637)
		(16,170)	(20,490)	(52,660)
Net current assets		**27,549**	27,091	29,106
Non – current liabilities				
Deferred Consideration		**-**	(1,659)	-
Deferred tax		**-**	-	(2)
Lease liabilities	2	**(848)**	-	-
Long term borrowings		**(921)**	(1,218)	(1,312)
Net assets		**32,764**	33,499	34,137
Equity				
Called up share capital		**1,181**	1,186	1,183
Contingent issuable shares		**-**	714	-
Shares held in treasury		**(1,870)**	(2,091)	(1,912)
Capital redemption reserve		**1,776**	1,771	1,774
Share based payment reserve		**3,276**	3,088	3,180
Share premium account		**17,324**	16,491	17,161
Merger reserve		**651**	651	651
Translation reserve		**855**	816	1,223
Profit and loss account		**10,215**	11,037	11,293
Attributable to equity holders of the parent		**33,408**	33,663	34,553
Non-controlling interest		**(644)**	(164)	(416)
Total equity		**32,764**	33,499	34,137

The Character Group plc

Consolidated Statement of Cash Flows

six months ended 29 February 2020

	6 months ended 29 February 2020 (unaudited) £'000	6 months ended 29 February 2019 (unaudited) £'000	12 months ended 31 August 2019 (audited) £'000
Cash flow from operating activities			
Profit before taxation for the period	**2,189**	5,293	9,844
Adjustments for:			
Depreciation of property, plant and equipment	**347**	233	481
Depreciation of investment property	**33**	33	66
Amortisation of intangible assets	**1,285**	1,007	1,582
Impairment of goodwill	**-**	-	3,132
Contingent consideration not payable	**-**	-	(1,547)
(Profit)/loss on disposal of property, plant and equipment	**(2)**	1	1
Unwinding of discount on deferred consideration	**-**	49	49
Interest expense	**199**	236	472
Financial instruments fair value adjustments	**265**	309	(364)
Share based payments	**96**	98	190
Decrease/(increase) in inventories	**5,842**	3,373	(1,831)
Decrease/(increase) in trade and other receivables	**21,465**	20,957	(1,283)
Decrease in trade and other creditors	**(16,624)**	(14,558)	(438)
Cash generated from operations	**15,095**	17,031	10,354
Interest paid	**(199)**	(236)	(472)
Income tax paid	**(347)**	(1,280)	(1,999)
Net cash inflow from operating activities	**14,549**	15,515	7,883
Cash flows from investing activities			
Purchase of subsidiary company	**-**	(8,504)	(8,925)
Payments for intangible assets	**(829)**	(675)	(1,682)
Payments for property, plant and equipment	**(360)**	(286)	(449)
Proceeds from disposal of property, plant and equipment	**4**	28	28
Net cash outflow from investing activities	**(1,185)**	(9,437)	(11,028)
Cash flows from financing activities			
Payment of leasing liabilities	**(86)**	-	-
Proceeds from issue of share capital	**205**	384	519
Purchase of own shares for cancellation	**(163)**	(939)	(1,270)
Dividends paid	**(2,779)**	(2,539)	(5,316)
Unwinding of discount on deferred consideration	**-**	-	(15)
Net cash used in financing activities	**(2,823)**	(3,094)	(6,082)
Net increase in cash and cash equivalents	**10,541**	2,984	(9,227)
Cash, cash equivalents and borrowings at the beginning of the period	**6,504**	15,580	15,580
Effects of exchange rate movements	**(275)**	3	151
Cash, cash equivalents and borrowings at the end of the period	**16,770**	18,567	6,504

Cash, cash equivalents and borrowings consist of:			
Cash, cash equivalents	**19,582**	23,502	29,990
Total borrowings	**(2,812)**	(4,935)	(23,486)
Cash, cash equivalents and borrowings at the end of the period	**16,770**	18,567	6,504

The Character Group plc

Consolidated Statement of Changes in Equity

six months ended 29 February 2020

	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 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**

	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 2018 (audited)	**1,195**	**-**	**(2,242)**	**1,762**	**16,258**	**651**	**2,990**	**898**	**10,249**	**-**	**31,761**
Profit/(loss) for the year after tax	-	-	-	-	-	-	-	-	7,905	(400)	7,505
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	-	325	(124)	(10)	191
Deferred tax credit relating to share options	-	-	-	-	-	-	-	-	(9)	-	(9)
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	-	7	-	7
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	-	325	7,779	(410)	7,694
Transactions with owners											
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(155)	(155)
Change in non controlling interest	-	-	-	-	-	-	-	-	(149)	149	-
Share based payment	-	-	-	-	-	-	190	-	-	-	190
Dividends	-	-	-	-	-	-	-	-	(5,316)	-	(5,316)
Shares issued as consideration for acquisition of subsidiary	-	-	126	-	588	-	-	-	-	-	714
Shares issued	-	-	204	-	315	-	-	-	-	-	519
Shares cancelled	(12)	-	-	12	-	-	-	-	(1,270)	-	(1,270)
At 31 August 2019	**1,183**	**-**	**(1,912)**	**1,774**	**17,161**	**651**	**3,180**	**1,223**	**11,293**	**(416)**	**34,137**

The Character Group plc

Consolidated Statement of Changes in Equity

six months ended 29 February 2020

	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**
At 31 August 2019	**1,183**	**-**	**(1,912)**	**1,774**	**17,161**	**651**	**3,180**	**1,223**	**11,293**	**(416)**	**34,137**
***Adjustment for adoption of IFRS16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(1)**	**(4)**
Adjusted balance as at 31 August 2019	**1,183**	**-**	**(1,912)**	**1,774**	**17,161**	**651**	**3,180**	**1,223**	**11,290**	**(417)**	**34,133**
Profit/(loss) for the period	–	–	–	–	–	–	–	-	1,831	(248)	1,583
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(368)	51	21	(296)
Deferred tax relating to share options	–	–	–	–	–	–	–	-	(15)	-	(15)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(368)	1,867	(227)	1,272
Transactions with owners											
Dividend paid	-	-	-	-	-	-	-	-	(2,779)	-	(2,779)
Share based payment	-	-	-	-	-	-	96	-	-	-	96
Shares issued	-	-	42	-	163	-	-	-	-	-	205
Shares cancelled	(2)	-	-	2	-	-	-	-	(163)	-	(163)
Six months ended 29 February 2020	**1,181**	**-**	**(1,870)**	**1,776**	**17,324**	**651**	**3,276**	**855**	**10,215**	**(644)**	**32,764**

*Refer to Note 2

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 2020. These are consistent with the accounting policies used in the financial statements for the year ended 31 August 2019 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 2020 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 May 2020.

The information for the year ended 31 August 2019 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. New accounting Standards

The group has adopted the following new standard during the period:

IFRS 16: 'Leases', which replaced IAS 17, was effective for the financial period that started on 1 September 2019. IFRS 16 removed the distinction between operating leases and finance leases for the lessee and resulted in most leases being recognised on the balance sheet as a lease liability and a right-of-use asset. The group has applied the modified retrospective method of adoption; under this method, the standard has been applied retrospectively with the cumulative effect of initially applying the standard recognised in retained earnings at the date of initial application, being 1 September 2019. The Group has applied the exemptions allowable on adoption of the standard for short term and low value leases.

For leases previously classified as operating leases, the leased property was not previously capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively. Under IFRS 16, the group has recognised a new lease liability equal to the present value of the remaining lease payments discounted using an incremental borrowing rate.

A right-of-use asset has been recognised equal to the lease liability, adjusted for any initial direct costs, prepaid and accrued lease payments and any lease premiums. The income statement now includes a depreciation charge for the right-of-use asset and an interest expense on the lease liability. This replaces the previous cost incurred for operating leases that were expensed within operating expenses on a straightline basis over the term of the lease.

The cumulative impact of the changes made to the group balance sheet as at 1 September 2019 for the adoption of IFRS 16 is summarised as follows:

	Pre-IFRS 16 1 September 2019 £'000	IFRS 16 adjustment £'000	Post- IFRS 16 1 September 2019 £'000
Non-current assets			
Property, plant and equipment	3,251	866	4,117
Other non-current assets	3,094	-	3,094
Total non-current assets	**6,345**	**866**	**7,211**
Total current assets	**81,766**	**-**	**81,766**
Current liabilities			
Lease liabilities	-	(136)	(136)
Other current liabilities	(52,660)	-	(52,660)
Total current liabilities	**(52,660)**	**(136)**	**(52,796)**
Non – current liabilities			
Lease liabilities	-	(734)	(734)
Other non-current liabilities	(1,314)	-	(1,314)
Total non-current liabilities	**(1,314)**	**(734)**	**(2,048)**
Net assets	**34,137**	**(4)**	**34,133**
Equity			
Profit and loss account	11,293	(3)	11,290
Other equity accounts	23,260	-	23,260
Attributable to equity holders of the parent	34,553	(3)	34,550
Non-controlling interest	(416)	(1)	(417)
Total equity	**34,137**	**(4)**	**34,133**

3. Acquisition

On 17 October 2018, the Group agreed to acquire 55% of the equity share-holding in OVG-PROXY, 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 capital of the Character Group Plc, subject to a cap of 150,000 ordinary shares.

The cash outflow under "purchase of subsidiary company" of £8,925,000 on the face of the Consolidated Group Cash Flow Statement in the year to 31 August 2019 relates to the acquisition of Proxy:

	28 Feb 2019	31 Aug 2019
Initial consideration	294	294
First year earn-out	-	421
Invoice discounting	4,694	4,694
Bank borrowings	2,296	2,296
Long term loan	1,220	1,220
Cash consideration excluding acquisition costs	**8,504**	**8,925**
Fair value of 150,000 ordinary shares of The Character Group plc	714	714
Discounted contingent consideration	1,934	1,513
Total consideration	**11,152**	**11,152**
The acquisition had the following effect on the Group's assets and liabilities:		
Acquisition fair value	£000's	£000's
Fixed assets	173	173
Stock	3,683	3,683

Trade & other receivables	8,135	8,135
Trade & other payables	(4,538)	(4,538)
Current & deferred tax	412	412
Net identifiable assets	**7,865**	**7,865**
Goodwill	3,132	3,132
Non-controlling interest	155	155
	11,152	**11,152**

4. Going concern

The Directors acknowledge the Financial Reporting Council's 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' issued in April 2016.

In assessing the Group and Company's ability to continue as a going concern, the Board reviews and approves the annual budget and updated forecasts, including forecasts of cash flows, borrowing requirements and headroom. The Board reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities. The Group's financial forecasts, taking into account possible sensitivities in trading performance including the potential impact of Covid-19, indicate that the Group will be able to operate within the level of its committed borrowing facilities for the foreseeable future. The banks remains supportive of the Group and in the UK has an ongoing invoice discount facility of £20m, together with overdraft and trade finance facilities of £21m which were renewed in April 2020.The Directors have a reasonable expectation that the Group and Company have adequate resources to continue their operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Interim report.

5. Dividends

	6 months ended 29 February 2020 (unaudited) £'000	6 months ended 28 February 2019 (unaudited) £'000	12 months ended 31 August 2019 (audited) £'000
On equity shares:			
Final dividend paid for the year ended 31 August 2019			
- 13.00p (2018: 12.00p) per share	**2,779**	2,539	2,539
- Interim	**-**	-	2,777
	2,779	2,539	5,316

6. 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 one category (2019: two 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.

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:

	6 months ended 29 February 2020 (unaudited) £'000	6 months ended 28 February 2019 (unaudited) £'000	12 months ended 31 August 2019 (audited) £'000
Profit attributable to equity shareholders of the parent	**1,831**	4,197	7,905
Financial instruments fair value adjustments net of tax	**220**	250	(298)
Impairment of goodwill	**-**	-	3,132
Contingent consideration not payable	**-**	-	(1,547)
Profit for adjusted earnings per share	**2,051**	4,447	9,192
Weighted average number of shares			
In issue during the year – basic	**21,355,507**	21,199,172	21,241,756
Dilutive potential ordinary shares	**60,164**	314,863	152,886
Weighted average number of ordinary for diluted earnings per share	**21,415,671**	21,514,035	21,394,642

Earnings per share			
Basic earnings per share (pence)	**8.57**	19.80	37.21
Diluted earnings per share (pence)	**8.55**	19.51	36.94

Adjusted earnings per share			
Basic earnings per share (pence)	**9.60**	20.98	43.27
Diluted earnings per share (pence)	**9.58**	20.67	42.96

7. Electronic Communications

The Half Yearly Financial Report for the six months ended 29 February 2020 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 29 February 2020, 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 6. 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 29 February 2020 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
2 London Wall Place
London EC2Y 5AU

27 May 2020