the CHARACTER group plc

Annual Report and Accounts

For the year ended 31 August 2024

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DIRECTORS AND ADVISERS

www.thecharacter.com

www.character-online.com

Directors
J J Diver
K P Shah
J J P Kissane
J Healy
M S Hyde
C Warren
J Shearman
C Crouch

Registered office
CityPoint, 16th Floor
One Ropemaker Street
London EC2Y 9AW

Auditors
Lubbock Fine LLP
Paternoster Housse
65 St Paul's Churchyard
London EC4M 8AB

Solicitors
Duane Morris
CityPoint, 16th Floor
One Ropemaker Street
London EC2Y 9AW

Nominated Adviser and Broker
Panmure Liberum Limited
25 Ropemaker Street
London EC2Y 9LY

Company Secretary
R B Smyth – B.A (Hons)

Company registration Number 3033333

Bankers
Barclays Bank plc
Standard Chartered Bank
DBS (Hong Kong) Ltd

Joint Broker
Allenby Capital Limited
5 St Helen's Place
London EC3A 6AB

Registrar
Neville Registrars Limited
Neville House
Steelpark Road
Halesown
West Midlands B62 8HD

OVERVIEW

The Character Group plc is an independent toy company based in the United Kingdom.

We design, manufacture and distribute a wide range of toys, games and playthings. Many of our products feature or are based on popular film, television, comic and digital characters, reproduced under licence from the brand owners. The principal markets for our products are our home territories of the UK and Scandinavia but our penetration into other international territories is growing. We also partner on an exclusive basis with other overseas-based toy producers, either to market and distribute their products in the UK or to collaborate to jointly-develop and distribute toy products and ranges worldwide.

Our diverse product ranges focus on key areas within the toy sector; these include Pre-school, Boys, Girls and Activity and Crafts.

Our corporate strategy is to expand and refresh our existing, diverse, successful core brands (where we continually look to add new and relevant products), to develop innovative and engaging new products (including environmentally-friendly and sustainable products) for newly emerging or established brands (both own-developed and third party) and to further increase our sales globally. We believe that this approach will enable sustainable growth for the Group.

We do not own factories; our manufacturing takes place predominantly in China and is carried out on a strictly managed and collaborative, sub-contract basis with closely vetted, reputable suppliers, many of whom we have worked with for a number of years. The Group owns and currently operates from freehold properties in the UK. Our head office is based in New Malden, Surrey and our principal distribution warehouses are located near Oldham in Greater Manchester. Our Far East operations are carried out from leased offices in Hong Kong and Shenzen, China and our Scandinavian operations are managed from leased offices in Copenhagen and a third party warehouse in Sweden.

The Group's customer list includes the major UK and Scandinavian toy retailers, independent toy stores and a wide selection of distributors in many key overseas territories and the brands we represent are amongst the most recognisable to children and parents alike. We have a diverse and exciting product range, which is revised and refreshed bi-annually for our Spring/Summer and Autumn/Winter catalogue launches, and we believe our ranges offer something to all our target consumers.

Our top performing brands in 2024 and into 2025 include: *Goo Jit Zu, Terror Fried, Smooshzees, Shimmer 'n Sparkle and Sticki Rolls*.

CHAIR'S STATEMENT

Dear shareholders and other stakeholders in the business of The Character Group plc.

This is my first statement to shareholders as Chair of the Company.

The Character Group plc has traded well through a very difficult year. There were many challenges, including the continued curtailment of consumer spending and concerns over cost-of-living increases generally. In addition, the effective closure of the Suez Canal has both lengthened the journey time by sea from China for many imports and resulted in reduced freight capacity. Despite this, the Group increased its forecast at the time of announcing its interim results in May 2024. Turnover for the full year was £123.4m and the Group delivered a profit before tax and highlighted items of £6.6m, in line with market expectations.

These results demonstrate yet again how effective our teams around the globe are in ensuring the profitable operation of the Group's business. I would like to thank them all for their hard work and achievements in this harsh and unfavourable trading environment.

The Board is recommending a final dividend of 11.0p per share, which (together with the interim dividend of 8.0p per share paid in July 2024), brings the total dividend for the year to 19.0p per share.

Carmel Warren

Non-Executive Chair
17 December 2024

EXECUTIVE REVIEW

KEY PERFORMANCE INDICATORS	12 months ended 31 August 2024	12 months ended 31 August 2023
Revenue	**£123.4m**	**£122.6m**
Operating profit before highlighted items *	**£6.5m**	**£5.3m**
Profit before tax and highlighted items *	**£6.6m**	**£5.2m**
Statutory profit before tax	**£5.7m**	**£4.7m**
EBITDA (earnings before interest, tax, depreciation and amortisation), before highlighted items*	**£10.1m**	**£8.9m**
Basic earnings per share before highlighted items*	**29.76p**	**20.15p**
Diluted earnings per share before highlighted items*	**29.72p**	**20.00p**
Basic earnings per share after highlighted items	**25.96p**	**18.08p**
Diluted earnings per share after highlighted items	**25.92p**	**17.95p**
Dividends declared per share for the year	**19.0p**	**19.0p**
Net assets	**£38.6m**	**£39.4m**
Net cash	**£13.2m**	**£9.6m**

*Excludes:		
Mark to market (loss)/profit adjustments on FX derivative positions	**£(1.0m)**	**£(0.5m)**

INTRODUCTION

I am delighted to report that, for the year under review, the Group has delivered a profit before tax and highlighted items of £6.6m (FY 2023: £5.2m). This is in line with market expectations, which were increased from £6.0m at the time of the publication of our interim results in May 2024.

This performance was achieved in a harsh trading environment and against a constant flow of negative headlines and data concerning the cost of living and a lack of consumer confidence combining to produce a reduction in sales at retail. The ongoing conflicts in key regions in the Middle East continued to severely disrupt the global supply chain and shipping from the Far East. Viewed against this backdrop, the Group's results are creditable and a testament to the strength of the Group's product portfolio and the energy, talent and resourcefulness of our teams around the world.

We have been able to achieve significant savings through the successful implementation of operational cost efficiencies, including reductions in storage costs in Scandinavia and efficient marketing. Particularly pleasing has been the turnaround in the year under review in cash generated from operations, which increased substantially to £14.9m (FY 2023: £136,000). This resulted in cash as at the year-end of £13.2m, (FY 2023: £9.6m), after the successful conclusion of the £2.0m share buyback programme announced in February 2024.

OPERATIONAL PERFORMANCE

Group revenue for the year ended 31 August 2024 was £123.4m, against £122.6m in the comparable 2023 period.

The gross profit margin was 26.5% (FY 2023: 26.7%). On an absolute basis, gross profit reported has been maintained at £32.8m (FY 2023: £32.8m). The profit before tax and highlighted items was £6.6m (FY 2023: £5.2m).

A significant proportion of the Group's purchases are made in US dollars; therefore, the business is exposed to foreign currency fluctuations. It manages the associated risk through the purchase of forward exchange contracts and derivative financial instruments. Under International Financial Reporting Standards (IFRS), at the end of each reporting period the Group is required to make an adjustment in its financial statements to incorporate a "mark to market" valuation of such financial instruments. The "mark to market" adjustment for this financial period results in a notional loss of £0.97m. This compares to a corresponding notional loss of £0.51m reported in the year to 31 August 2023. These "mark to market" adjustments are non-cash items calculated by reference to unpredictable and sometimes volatile currency spot rates at the relevant balance sheet dates. To present the results on a "normal" basis, these "mark to market" profit adjustments on foreign exchange derivative positions are excluded, although shown separately as "highlighted items" to demonstrate the "underlying" position.

The Group is reporting a profit before tax in the period, after highlighted items, of £5.7m (FY 2023: £4.7m). Underlying earnings before interest, tax, depreciation, and amortisation were £10.1m (FY 2023: £8.9m).

Underlying basic earnings per share before highlighted items amounted to 29.76p (FY 2023: 20.15p). Diluted earnings per share, on the same basis, were 29.72p (FY 2023: 20.0p).

Basic earnings per share after highlighted items were 25.96p (FY 2023: 18.08p). Diluted earnings per share, on the same basis, were 25.92p (FY 2023: 17.95p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's net assets at 31 August 2024 totalled £38.6m (FY 2023: £39.4m).

Inventories stood at £20.1m at the end of the financial period (FY 2023: £18.0m). Although the actual inventory held at the warehouses was down, the goods-in-transit were substantially higher due to the longer shipping times from the Far East.

During the financial year, the Group generated cash from operations of £14.9m (FY 2023: £136,000). Net interest received in the year amounted to £0.1m (FY 2023: charge £0.1m).

At the end of the financial year, the Group had a net cash position of £13.2m, compared to £9.6m at the end of the 2023 comparative period.

DIVIDEND

The Directors will be recommending a maintained final dividend of 11.0p per share (H2 2023: 11.0p per share). This, together with the interim dividend of 8.0p per share paid in July 2024, will bring the total dividend for the year to 19.0p per share (FY 2023: 19.0p). The total dividend is covered approximately 1.56 times by underlying annual earnings (2023: 1.1 times).

Subject to approval by shareholders at the Company's 2025 Annual General Meeting on 17 January 2025 (the "AGM") the following timetable will apply:

Event	Date
Ex-dividend date	16 January 2025
Record date	17 January 2025
Payment date	31 January 2025

OUR PRODUCT PORTFOLIO

Our portfolio of brands and products performed well across the full range during the financial year and this has left the Group well poised at the beginning of the current year. *Goo Jit Zu* continues to be our leading brand both at home and abroad and the plans for expanding the range during 2025 and beyond are well developed and very encouraging.

We are proud that once again this year, one of our products, *Sticki Rolls Sticki Book*, featured in the official 2024 Toy Retailers Association "Dream Toy" listing. Selected by an independent panel of toy retailers and toy experts, the annual Dream Toys bills itself as the most authoritative prediction of what are expected to be the hottest new toys on the high street this festive season.

Planning the expansion and development of our successful portfolio is the Group's way of maximising the longevity of each brand's shelf life. To ensure the novelty and relevance of all its lines, Character reassesses, refreshes, and develops its products on a regular, ongoing basis. *Peppa Pig* continues as an "evergreen brand" in the Company's offering, which is to be further invigorated by the addition of an exciting new range: *Peppa Pig Whizz Around*. This is an innovative, Character in-house developed toy category featuring a brightly coloured range of electronic vehicles, tracks and playsets aimed at the pre-school market. This range will be launched in summer 2025 and we are delighted that this new concept has presented exceptionally well at all customer previews to date.

We are also looking forward to the London Toy Fair next month where we shall showcase all our exciting new developments for *Goo Jit Zu* and *Peppa Pig* ranges as well as our new line of *Stuntman Stu* products and the other features of our 2025 catalogue.

The Group's current portfolio of products and brands can be viewed at www.character-online.com.

SHARE BUY-BACK PROGRAMME

During the 2024 financial year, the Company acquired a total of 708,472 ordinary shares in the Company at an aggregate cost of c.£2.0m (including associated dealing costs), with the average cost being approximately £2.81 per ordinary share (FY 2023: nil). On 29 October 2024, the Company commenced a further buyback programme to purchase ordinary shares with a maximum aggregate consideration (including associated dealing costs) of c.£2.0m. At the date of this report, the Company has, under this new programme, acquired for cancellation a further 66,757 ordinary shares in the Company at an aggregate cost of approximately £182,156 (excluding associated costs), with the average cost being approximately £2.73 per ordinary share.

The Company currently has an unutilised authority to buyback up to a further 2,114,771 ordinary shares. It remains part of our overall strategy to continue to repurchase the Company's own shares when appropriate. The Board believes that it is in the Company's and shareholders' interests to provide an opportunity to access liquidity that is not otherwise available in the market and enable shareholders to realise part or all their investment in the Company and subsequently to return excess capital to members.

It is the Board's intention at the 2025 AGM, to seek a new authority to buyback up to 2,815,000 ordinary shares (representing approximately 15% of the total voting rights in the Company). If granted, this authority will enable the current buyback programme to continue until 30 May 2025 or such earlier date as the maximum aggregate gross purchases effected under the programme reach the limit of £2.0 million. It will also allow the Company to implement further buybacks until the AGM in 2026 either by way of an announced buyback programme or by way of tenders for its issued ordinary shares.

TOTAL VOTING RIGHTS

As at today's date, the Company has 18,707,641 ordinary shares in issue, excluding shares held in treasury. The Company holds 1,983,059 ordinary shares in treasury, representing approximately 9.58 per cent. of the issued share capital. These treasury shares do not carry voting or dividend rights. Therefore, the total number of voting rights in the Company is 18,707,641. This figure of 18,707,641 may be used by shareholders as the denominator for the calculations by which they may determine if they are required to notify their interest, or change to their notified interest, in the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

OUR PEOPLE

As in previous years, on behalf of the Board and all stakeholders, I wish to pay tribute and thank every member of the Character team from the warehouse floor to the boardroom for their extraordinary efforts and unstinting dedication to serving the Group. These efforts have contributed to the Group's robust performance despite turbulent trading conditions.

THE BOARD

Two of our Non-executive Directors will be retiring and will not be offering themselves for re-election at the forthcoming 2025 AGM. These are:

- **Mike Hyde:** after 20 years with the Group and having been a Board member since 2011 in both an executive and, more recently, a non-executive capacity, Mike will step down from his role to focus solely on his new fledgling enterprise. As our senior manager until the end of 2022, when he relinquished the full-time role, Mike managed our Far Eastern operations with vigour, intelligence, and great understanding. He has also been invaluable in assisting with the induction of his successor over the last three years and directing and informing efforts on the ground in the Far Eastern region. On behalf of all stakeholders, the Board wishes him every success for the future, both professionally and personally;

- **Clive Crouch:** after nearly nine years on the Board, Clive is stepping down as the current Senior Non-executive Director and Chair of the Nominations Committee of the Board. He has been a solid performer in the boardroom, an important contributor to Board discussions over the years and his guidance and contribution have been greatly valued and will be missed. On behalf of everyone, we thank him for his support and wise counsel over the time of his tenure with us.

The Board has already begun a search for a suitable replacement Non-executive Director. The Nominations Committee, which is to be Chaired by Jonathan Shearman in succession to Clive from the AGM, has been tasked with the responsibility of sourcing a shortlist of potential candidates to be considered by the Board. We will update shareholders on progress of this search at the AGM.

THE 2025 ANNUAL GENERAL MEETING (AGM)

The Company's 2025 AGM will take place as a combined in-person and virtual meeting and will be held at the Group's head office in New Malden, Surrey at 11.00 a.m. on Friday, 17 January 2025.

The formal Notice of the Meeting and an associated explanatory summary of the special business to be transacted at the Meeting is set out on pages 77 - 82 of this document. Attendance can be in person or by proxy or, in the case of a company or organisation, by appointment of a corporate representative.

Shareholders who wish to join the Meeting remotely should register for access by no later than 11:00am. on Wednesday, 15 January 2025. This can be done by emailing info@charactergroup.plc.uk (stating in the subject line of the email "Character Group: 2025 AGM virtual attendance"). Invitations enabling remote attendance will be issued by 5:00 pm on Thursday, 16 January 2025.

Please note, however, that joining remotely will not constitute attendance at the Meeting for the purposes of being counted in the quorum for the AGM and that virtual attendees will not be able to vote at the AGM. Shareholders wishing to attend the meeting virtually in this fashion are, therefore, requested to exercise their votes by submitting their forms of proxy appointing the Chair of the AGM as their proxy, in accordance with the instructions set out in the notes to the Notice of Meeting, by no later than Wednesday, 11.00 am on 15 January 2025. If the Chair of the AGM is appointed as proxy to a shareholder, he/she will vote in accordance with any instructions given to him/her. If the Chair of the meeting is given discretion as to how to vote, he/she will vote in favour of each of the resolutions to be proposed at the AGM.

Any shareholder that wishes to put questions to the Board is invited to submit those questions in writing in advance of the Meeting by sending them to info@charactergroup.plc.uk (stating "Character Group: 2025 AGM Questions" in the subject line of the email) by no later than Wednesday, 11.00 am on 15 January 2025. The Board will seek to respond to questions asked in person or submitted online either during the AGM and/or by publishing written responses on the Company's website post the event together with results of resolution voting.

OUTLOOK

The reception that our retail customers and distributors have given to our current portfolio together with the brands and product lines that we will be introducing in our Autumn/Winter 2025 product launches has been very gratifying. However, the challenging and unpredictable conditions that persisted throughout much of the last financial year have continued into the current fiscal year. With buffeting from political and macroeconomic developments, consumer confidence remains low, and this has adversely affected footfall in the high street and click-through from online marketplaces in the lead up to the key Christmas 2024 trading period. Despite this, we are encouraged by the resilience of our market share in our domestic markets and the prospects growth in our international markets expected in Q4 of the current financial year. Accordingly, the Board expect sales and profit before tax and highlighted items for the full year ending 31 August 2025 to remain at similar levels to those reported in the year under review.

The Group continues to have a strong cash position and balance sheet. The Board has maintained the dividend and continued with its share buyback programme, both of which are considered by the Board to be for the benefit of all shareholders.

The Board looks forward to welcoming shareholders to the Company's Annual General Meeting in January 2025 and updating shareholders at that time.

J J Diver
Joint Managing Director
17 December 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The nature of the Group's business renders it subject to a number of risks and uncertainties. The Directors have set out below the principal risks facing the business:

Cyber crime

The menace of cyber-crime continues to grow and become increasingly sophisticated. Phishing, website spoofing, ransomware, malware, hacking and data theft are the most prevalent and effective crime practices currently used by cyber criminals. Combining these attacks with social engineering, criminals are potentially able to gain access to enterprise systems, steal data and intellectual property and/or hold organisations to ransom. The Group manages this risk by maintaining a well-trained dedicated IT team (supported by accredited IT consultants and Cyber-crime prevention specialists), adopting and updating strong anti-virus and anti-spam software and filters and other software protections, maintaining off-network back-ups of critical data and information, implementing multi factor authentication, providing regular staff training and update alerts (coupled with simulated phishing attacks on the Group's systems) and maintaining cyber-attack response consultancy and insurance coverage.

Information technology

The management of the Group's business is dependent on network and information systems, the internet and other technologies. Shutdowns or service disruptions could adversely affect the Group. The Group's IT systems are backed up regularly and there are processes in place to restore critical services. The Group's IT department continually reviews the suitability of the Group's systems and identifies any legacy or ageing systems that need to be replaced or updated.

Suppliers

In order to achieve competitively priced products, the Group has outsourced production, mainly to China. Risks and uncertainties of this strategy include management and quality control issues and compliance with regulatory, brand owners' and customer policy requirements at the factories and throughout the supply chain and the possible imposition of trade tariffs on the import of toys and other products that we produce in China to countries where we seek to distribute our products. The Group manages this risk by using a wide range of suppliers, by operating through local offices in Hong Kong and China with teams that work closely with the factories and supply chain links and by potentially seeking manufacturing capacity in other Asian countries.

Competition

The Group operates in a highly competitive market. As a result, there is a constant pressure on margins and the additional risk of being unable to meet customers' expectations. Policies and procedures for supply chain management and product development are in place to mitigate such risks.

Changes in legislation and regulation

The sensitivity to the health and safety of children, our ultimate target consumers, is (quite rightly) an area of close regulation and control in all jurisdictions where we distribute and sell our products. We are closely involved with representative bodies in the Toy Industry in the UK and are often involved in (and always aware of) early consultations on proposed legislative or regulatory changes and make submissions and/or otherwise adapt our production/processes in compliance with and often in anticipation of those changes before they become law. As many of the products that we produce are distributed in the territories outside the UK (and with some ranges globally), all of our products are produced to the highest standards applied in the territories where we sell or distribute them as we do not undertake separate production runs for different territories. In addition, the Group maintains substantial product liability and product recall insurance.

Toy safety regulation is not the only way in which changes to law can affect the Group. The imposition of tax on plastic packaging for imports to the UK from 1 April 2022 is an example of other impactful legislative change and where the Group has fully implemented processes and procedures for accurately recording and reporting in this regard. To the extent that it can be achieved, the Group will endeavour, and will certainly move towards, reducing new plastics in packaging to ever closer to and, potentially below the tax threshold.

Foreign currency

A significant amount of the Group's purchases is made in US dollars. The Group is therefore exposed to foreign currency fluctuations. The Group seeks to manage its foreign exchange risk with forward foreign exchange contracts and other derivative financial instruments such as currency options, to reduce the exposure.

Financial risks

The main risks arising from the financial instruments are foreign currency risk, credit risk, concentration risk, interest rate and liquidity risk. The Board reviews and agrees policies for managing each of these risks. A summary of these risks is disclosed in note 23 to the financial statements.

Environmental/sustainable products

The threat to the environment from global industrial practices is an increasing point of focus for governments, businesses, social commentators, lobbyists and the general public and will be an area of greatly increased regulation in the coming years.

The Group recognises its responsibility to reduce the potential for harm to the environment caused by its operations and production and is committed to reducing its environmental impact by continually improving its environmental performance as an integral part of its devising, developing and implementing its business strategies and operating methods. The Group requires all suppliers in its supply chain to understand, and then to adopt and/or adapt work practices that are aligned with, its environmental policy requirements and aims.

SECTION S172 STATEMENT

The Directors have given due regard to the matters set out in Section 172(1)(a) – (f) when performing their duties under section 172 of the Companies Act 2006 (the "Act"). In compliance with The Companies (Miscellaneous Reporting) Regulations 2018, this report seeks to explain how the Directors have achieved this in the year under review.

S172(1)(a) of the Act - "Likely consequences of any decision in the long term"
The Directors have a responsibility to consider the likely long-term consequences of decisions that they make. The Directors understand the dynamic environment under which the business operates and the consequences of each of their decisions are carefully assessed.

S172(1) (b) of the Act - "The interests of the Group's employees"
Ensuring the welfare of, and a safe working environment for, all Group employees is a duty that the Directors have continued to focus on. The Group's staff, at all levels of the business, are focussed, loyal, motivated and well-trained and are supported and enabled by a clear structure and framework, which has been instrumental in the success of the Group.

Qualifying employees participate in the Group's share option scheme, which is designed to motivate and reward their contributions to Group performance. Details of the share option scheme can be found in note 25 to the financial statements.

S172(1) (c) "The need to foster the company's business relationships with suppliers, customers and others"
The Group was established on the principle of placing customer and supplier relations and experience at its core. The need to foster and maintain strong and positive relations with customers and suppliers and, indeed, all other stakeholders in the business, has been a central part of the Group's approach to doing and developing its business since its inception and one of the key reasons for its success.

To support this principle, an integrated management structure was adopted by the Group ("GIMS") over 18 years ago. The GIMS structure facilitates and supports carefully considered, medium to long term decision making in all aspects of the business, including regulatory, commercial and other internal and external factors that influence future policy making, operational decisions, employee welfare, effects on the supply chain and, more recently, the environment and artificial intelligence. Regular senior management meetings are held, in addition to at least 5 main Board meetings each year, to address these issues as they affect the business, with focused team sessions being an ongoing process to inform the management decision making process and, when made, to implement decisions effectively. A continuous review of all Group policies and practices is undertaken with a view to making adjustments and/or amendments to those policies and practices where deficiencies are detected or best practice has developed from the state of the art when any such policy or practice was first promulgated or last updated.

The Group has adopted an Ethical Policy and Code of Conduct applicable to staff and suppliers and this is regularly reviewed and updated, most recently to take account of developments in practices designed to eliminate modern slavery and human trafficking in all its forms from the Group's supply chain.

The Group's supply chain is key to the strategic success of the business. From concept, through early development stages to production and shipment, each approved supplier is fully engaged with to ensure its compliance with all our safety, regulatory, ethical policy and other requirements, including those of other stakeholders (most notably the Group's licensors and customers). Internal and external ethical audits are routinely carried out and each supplier's compliance with the Group's ethical policy requirements is monitored and reported on. The Group holds annual "vendor reviews" for each factory that it retains for the Group's manufacturing requirements and this review scrutinises compliance with all regulatory, ethical, quality, safety and more recently the Group's (and its stakeholders') environmental requirements.

Dedicated marketing and sales teams collaboratively engage with the Group's customers to coordinate product programs and maximise sales opportunities, including at domestic and international trade exhibitions and viewings at the Group's UK, Scandinavian and Los Angeles showrooms.

In addition, the Group makes extensive use of online audio and web-based conferencing platforms to showcase its products to its distributors and customers, making the Group's catalogue accessible globally.

S172(1)(d) of the Act - "The impact of the company's operations on the community and the environment".
The impact of everyday work practices and product design on the environment are of increasing concern to the Group, its customers and consumers. In 2020, the Group formally adopted a focussed, standalone environmental policy. The policy focuses on continuously improving and monitoring the Environmental impact in the areas of various aspects of the Group's operations. Updates on the Group's endeavours and outcomes during the year under review are given in the Environmental section of the Group's ESG Report on pages 12 to 18 of this document.

S172(1)(e) of the Act - "The desirability of the Company maintaining a reputation for high standards of business conduct".

The Group strives to maintain the highest standards of conduct, both within the Group and in its dealings with customers and suppliers. This is supported by extensive polices and processes that the Group has implemented, including the Group's Ethical Policy and Code of Conduct, which are applicable to all of the Group's suppliers. Employees and managers receive regular briefings on these policies and they are reviewed and updated, as necessary, in line with best practice.

S172(1)(f) of the Act - "The need to act fairly as between members of the company"

The Group has one class of share in issue and all shareholders benefit from the same rights and entitlements. Most of the Directors are shareholders or otherwise interested in shares in the Company, with a number of the executive Directors being interested in significant holdings. The Board considers that the interests of the executive Directors are, therefore, closely aligned with those of the shareholders. The Board has a regular dialogue with analysts and major shareholders and is aware of its legal and regulatory duties not to act in any manner that would provide any shareholder or group of shareholders with any unfair advantage compared to shareholders as a whole. The Company has a dedicated investors section on its website, which is available to all shareholders and potential investors (http://www.thecharacter.com). The website includes regulatory and non- regulatory announcements from 2014 and financial reports from 2001.

All shareholders are invited to the annual general meeting and encouraged to speak at the meeting or otherwise have discussions with the Directors after the meeting. The Board has enabled virtual attendance at its shareholder meetings to ensure the fullest possible engagement between the Directors and shareholders.

ENVIROMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

INTRODUCTION

Welcome to the 2024 report from The Character Group plc, covering environmental, social and governance (ESG).

As a leading independent children's toy company in the UK, we operate in a highly regulated industry and are committed to a high level of product quality, safety and responsible sourcing. Character wishes to play its part in the corporate eco-system's contributions to implementing the fundamental ESG tenets, however, the Board is mindful of the Group's size and scale of operations and the consequent need for its actions to be proportionate and clearly focused. Accordingly, the approach of the Board has been to identify the ESG factors most relevant to the Group, where the measures taken and behaviours adopted by the Group will have the most beneficial impact and to report on the progress made in implementing and adopting those measures and behaviours. We recognise that we need to seek to find ways to minimize the impact of our operations on the environment and play our part in protecting the world that future generations will inherit.

This report covers the 12-month period from 1 September 2023 to 31 August 2024 and our continued efforts to understand and mitigate our environmental footprint.

ENVIRONMENT

The impact of our product design and everyday work practices on the environment remain areas of vigilance for the Group, its customers and consumers. In 2020, the Group formally adopted what it believes to be a focused, standalone environmental policy. Whilst the Board will review this policy regularly to ensure that this remains fit for purpose, it is believed that this policy's focus on the following areas will ensure that all adopted measures are effectively targeted at mitigating the adverse environmental impact of the Group operations:

- transportation;
- efficient use of water and energy;
- minimising waste;
- recyclability of packaging materials;
- use of timber from certified, managed sources; and
- procedures to minimise noise disturbance to neighbours.

As an international business, we recognise the importance of seeking to mitigate the climate change impacts of our operations and supply chain. We seek to invest in ways to conserve energy and reduce Greenhouse Gas (GHG) emissions. The following section outlines information regarding our UK operations.

Estate management

As announced in February 2021, the Group acquired additional warehouse premises at Townley Street in Middleton, Lancashire, near our existing Oldham warehouse operations. These premises, now named "Infinity House", were in need of substantial updating and adaptation to the purposes of our operations. Major works have been carried out at those premises since that time but these have been subject to ongoing delays. These delays have given the Board pause to reflect on its strategy to move the Group's UK operations to Infinity House. The Board is also aware of the significant disruption this will cause to the business. The Lees Brook Mill premises are more than adequate to service the Group's current and projected requirements in the UK. Accordingly, the Board has resolved to retain the Group's UK operations at Lees Brook Mill and, instead, market the Infinity House premises.

Character Options Limited, the Group's principal UK trading subsidiary, once again engaged Beyondly Global Limited to independently assess our Greenhouse gas (GHG) emissions. These emissions have been reported with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting standard (GHG Protocol). The 2024 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) are used to convert energy use in our operations to emissions of CO_2e.

The Group's three UK sites are included in the assessment. The data below summarises these sites' GHG emissions for two reporting periods, namely the years to 31st August 2024 and 31st August 2023.

Streamline Energy Carbon Reporting (SECR)

Quantification and Reporting Methodology: The boundaries of this report are based on operational control. We report our emissions with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the UK subsidiaries and exclude the non-UK based subsidiaries that would not qualify under the 2018 Regulations in their own right.

The 2024 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) are used to convert energy use in our operations to emissions of CO_2e. Carbon emission factors for purchased electricity calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and internal systems. We purchase 100% renewable electricity for our sites and have included an additional net emissions figure calculated using market-based factors to account for this in our report above. For transport data, where actual usage data (e.g.litres) was unavailable, conversions were made using average fuel consumption factors to estimate the usage.

Intensity Ratio - one intensity ratio has been used for this reporting period – tCO_2e per £m turnover, this amounts to 5.5 tCO_2e per each million-pound of turnover.

Energy Efficiency Action- over the years, Character Options Ltd has taken various steps to improve its energy efficiency. In the last year, the company continued to fit more LED and motion sensor lighting and improved pipe lagging insulation. It would appear that improved management controls of electric and gas consumables were achieved. Staff with company vehicles travelled more miles which has a negative effect on emissions.

Scope 1 and 2 Greenhouse Gas Emissions (2021-2024)

In Summary

For the reporting period 1 September 2023 – 31 August 2024, Character Options' gross carbon footprint equated to 251 tCO_2e. Gas has now become the biggest contributor to its carbon emissions at 48% (120.3 tCO_2e), followed by electricity at 44% (110.7 tCO_2e). LPG, company car emissions and electricity for electric vehicles (EVs) contribute more minimally at 2% (4.9 tCO_2e), 3% (6.5 tCO_2e) and 3% (8.9 tCO_2e) respectively.

As Character Options purchases 100% renewable electricity, under the market-based methodology, the associated emissions can be reported as zero. With this considered, the net emissions are lower at 141 tCO_2e and natural gas usage has also reduced by 5% but the resultant effect was to see it become the main contributor at 86%. It is worth noting that, as EVs are also charged offsite, there are still emissions associated with the electricity from this, onsite charging has however been accounted for. Whilst the gross emissions have decreased by 17% since the FY 31 August 2023, the net emissions have also reduced by 10 tCO_2e to 141 tCO_2e for the FY 31 August 2024.

Scope	**Activity**	**2022/23**	**2023/24**
		Tonnes CO_2e	**Tonnes CO_2e**
Scope 1 GHG emissions	Site gas	135	125
	Company vehicles	9	6
Subtotal		**144**	**131**
Scope 2 GHG emissions	Purchased electricity	152	110
	Electricity for EVs	7	10
Total gross GHG emissions		**303**	**251**
Total energy consumption (kWh)		**1,553,992**	**1,320,851**
Net total emissions Scope 1, Scope 2 (market base)		**151 tCO_2e**	**141 tCO_2e**
Intensity metric: Gross tonnes CO_2e per £m turnover (Scope 1, Scope 2)		**6**	**5.5**

Energy Saving Opportunity Scheme (ESOS) phase 3

The Energy saving opportunity scheme (ESOS) phase 3 audits for all three UK sites was undertaken in December 2022 and the report published in first quarter of 2023. The ESOS report findings have further guided the measures we have taken in relation to our UK operations to harness more energy saving opportunities at our UK premises.

Electricity

During this reporting period electricity consumption and the associated emissions have decreased by 27% since the FYE Aug 23, from 735,691 kWh (152.3 tCO_2e) to 534,566 kWh (110.7 tCO_2e) for the FYE Aug 24. Lees Brook Mill is the largest consumer of electricity at 55%, followed by Infinity House at 40%. In the previous reporting period, Infinity House was the main electricity consumer (64%). Despite this, Character Options purchases 100% renewable electricity for all sites and generates its own renewable electricity from solar power at the Lees Brook site. In this reporting period, 37,287 kWh of electricity was generated from solar power, meaning that Lees Brook produced 13% of the electricity it consumed.

Gas

Overall, Character Options' gas consumption has decreased by 5% since the FY 31 August 2023. This is an annual decrease of 36,744 kWh (7 tCO_2e), illustrating improvements in controls.

LPG

Overall, emissions from LPG have continued to decrease by a further 36% since the FY 31 August 2023. This is a decrease of 2.8 tCO_2e from 7.8 tCO_2e for FY 2023. This is believed to be attributable to the use of battery-operated fork trucks at Infinity House.

ENVIROMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT CONTINUED

Company Vehicles
In total, company vehicle business mileage accounted for 6% of Character Options' total carbon footprint (15.4 tCO_2e) for the reporting period 1 September 2023 – 31 August 2024. This is broken down by 6.5 tCO_2e being from fuel-based vehicles and the other 8.9 tCO_2e being from charging of EVs. In the FY 31 August 2024 an increase of 22,217 business miles were accounted for. Emissions associated from EV's increased slightly by 1.45 tCO_2e and emissions from fuel-based vehicles decreased by 2.18 tCO_2e. This is the likely result of the introduction of more EV's into the UK Group fleet and a greater number of business miles travelled in the reporting period.

Forest Stewardship Council (FSC)
Character Options is FSC certified under the FSC Chain of Custody standard. We ensure that all wood in our currently stocked wooden toy ranges and all the cardboard packaging that we produce is sourced only from FSC managed suppliers so that the wood is validly trademarked "FSC 100%" and the cardboard is validly trademarked as "FSC Mix".

The FSC's forest management standards extend to the protection of water quality, prohibitions on the harvesting of rare old-growth forest, the prevention of loss of natural forest cover, the protection wildlife habitats and the prohibition of the use of highly hazardous chemicals. This also presents a strong social benefit in maintaining economic forest functions and respect for the rights of indigenous people and local communities.

The FSC has earned a reputation as the most rigorous, credible forest certification system. FSC certification traces the path of products from forests through the supply chain, verifying that FSC-certified material is identified or kept separated from non-certified material throughout the chain and ensures the consumer that the FSC-certified products they purchase are coming from responsibly managed sources.

Within the Group's supply chain, 6 vendors are supplying FSC certified packaging and/or products and 25 FSC certified packaging printers and an FSC certified wooden toy factory is used. Character will continue to work with licensors and suppliers on further implementation of FSC accreditation.

Packaging
Improving sustainability in packaging remains an important issue for end consumers and remains a strong focus for us and our licensors and customers. We have been refining our packaging designs, aiming at packaging minimisation and environmental improvement and compliance in material choice to help our customers to increase recycling and manage end of life packaging disposal decisions. As a result, we are now basing our future packaging designs on the following priorities:

- providing the consumer with on pack information regarding what is recyclable;
- reducing and ultimately seeking to remove all unrecyclable and unnecessary packaging;
- achieving an overall reduction in packaging sizing; and
- recycling and re-using when it is practicable to do so.

The Group has adopted the "REMOVE, REDUCE, RE-USE" design packaging guidelines for all Group designed products that include plastics in their packaging. This process assesses every use made of plastic in our packaging and the selection of plastic types (favouring only to use widely recyclable material) from inception in the design process and promotes a circular economy approach. Ultimately, the aim of this approach is to eliminate the use of plastics in packaging, which is essential to achieve a reduction in the amount of the energy that is expended at both ends of a product's life cycle (i.e. production and end of life recycling).

The UK saw the introduction of plastic tax legislation in 2022 and the Group complies with these requirements. The extended producer responsibility (EPR) for packaging reporting is also being addressed by the Group, with the 4-year transition period impacting the Group's operations from January 2023.

We will continue to assess packaging formats and materials to understand usage across categories and within specific brands and where practicable continue reducing material usage. In 2021, Character Options joined the On Pack Recycling Label (OPRL) – 'Certified as Recyclable' Scheme. This provides simple, consistent and visual consumer focused recycling labels on pack that are recognised and inspire confidence amongst consumers in the UK and is acknowledged by the UN Environment Program as international best practice.

United Nations Sustainable Development Goals (UNSDG)
The Group's sustainability initiatives align to a number of the United Nations' 17 Sustainable Development Goals, including gender equality, responsible consumption and production, climate action and life on land. We will continue to evaluate progress against these goals to reinforce positive action across our operations, products and wider communities.

Gender Equality: The Group is committed to a culture of equal opportunities for all employees regardless of gender, gender identity or reassignment, marital status, age, race, religion, sexual orientation or disability. The Group's selection, training, development and promotion policies ensure equal opportunities for all.

By specifying FSC accredited wood and packaging materials, Character ensures that these materials derive from sustainable sources. Through the installation of air soured heat pump technology in our Infinity House distribution centre, we have significantly mitigated our Greenhouse Gas (GHG) emissions through reduced energy consumption and avoiding consumption of non-renewable natural gas.

By investing in energy efficient air sourced heat pump technology, electric and hybrid company cars, insulating the roof of our warehouse at Infinity House and the solar panels at its Lees Brook Mill site, the Group is reducing its dependency on non-renewable technologies and reducing its carbon footprint year on year. Furthermore, all UK electricity purchased for consumption at our three UK sites is soured from renewable energy suppliers.

By specifying accredited FSC sourced materials amongst its packaging requirements, the Group is investing in the sustainable management of forests and forestry and this represent an investment in people and their livelihoods, especially in deprived areas.

SOCIAL

Our People

The Group employs a total of 212 people across its locations in the UK, Scandinavia and Asia. Our talented teams are the driving force behind our business. Ensuring the welfare of, and a safe working environment for, all Group employees is a duty that the Directors have continued to focus on.

Our staff, at all levels of the business, are focused, loyal, motivated and well-trained and are supported and enabled by a clear structure and framework, which has been instrumental in the success of the Group. Qualifying employees participate in the Group's share option scheme, which is designed to motivate and reward their contributions to Group performance.

The Group has a fond, mutual bond with its employees, as evidenced by the loyalty, strong work ethic and long-term staff retention within the Group over the years. The Group has cultivated and seeks to maintain a collaborative and caring culture for its employees, whilst providing a hot house for developing imaginative product ideas and concepts and entrepreneurial flair for making them happen and taking them to market. This culture has been tested in recent times with cost of living crisis and the impact of war in the Middle East and its impact on the supply chain and shipping from the Far East but has prevailed and seen the teams within the business assuredly navigate the Group through these testing conditions and attest to the critical importance of our people and culture to our business. Our staff understand and embrace, and many co-author, develop and enhance, the Group's business strategy to ensure its application, dynamism and continued relevance.

Good staff communications have been and will continue to be key to growth of the business and these enduring relationships. The Group does not discriminate between employees or potential employees on any grounds and seeks to provide a working environment that is both caring and supportive for all of its personnel.

Suppliers

With the Group's suppliers, whether manufacturers, licensors of characters/brands or distribution partners, ongoing communication is key to successful engagement and efficient business development. The relations are founded and developed very much in the spirit of partnership.

With manufacturers – the management team's ongoing communications and the Group's physical presence in Hong Kong and China ensures timely product development, tooling-up and production, rigorous quality and assurance standards (compliant with all applicable regulatory requirements and customer specifications) and reliable supply and timely delivery. Annual reviews and audits are conducted to ensure that the Group's policies and customer requirements in relation to such things as the prohibition of the use of any forced or child labour or modern slavery, the operation of any corrupt practices and adherence to our ethical policy are enforced and fully observed throughout our supply chain. These audits and reviews have been applied for a number of years and are continuously developed. Save in areas where the Group demands absolute adherence (i.e. zero-tolerance for breaches), the Group sees it as its responsibility to work with any manufacturer who falls short of its requirements to educate them, resolve the issues and bring their operations into full compliance.

With licensors - many of our product lines are based on much loved and instantly recognisable characters and/or brands owned by third parties (e.g. Disney, Warner Bros, Universal, etc.). Many of the larger global brand owners lead the way in our industry in adopting measures, ahead of the introduction of formal legislative/regulatory requirements, quite understandably, to enhance and protect their brands, to reduce the damage to the environment and to ensure that such practices as modern slavery and the use of child and forced labour are purged from, the supply chain in the production of products bearing or associated with their brands.

We work alongside these suppliers in implementing, monitoring and auditing comprehensive processes, policies and procedures to address these and other concerns. Many of these relationships are longstanding and our engagement with these brand owners is ongoing from the concept and product approval processes through to royalty reporting after the products are launched, distributed and sold. Again, these relationships are based on partnership principles and mutual respect.

Distribution partners - the Group provides an assured route to market in the UK, Ireland and Scandinavia for the products of many overseas toy manufacturers. An ongoing dialogue and close interactions with these toy companies enables our teams to gauge trends and capture items/lines at an early stage for distribution in the UK, Ireland and Scandinavia. As with our own production processes, we require that these suppliers comply with our policies, practices and procedures relevant to ESG issues.

Customers

Our relations with our customers, much like our suppliers, are based on the principles of partnership and engagement. We maintain an ongoing dialogue with customers to seek to monitor trends in their markets, anticipate their requirements, inform them of developments in the Group's business and to ensure that their ongoing business with the Company is serviced efficiently. The management team share/"road-test" concepts and designs with, and present mock-ups and pre-production samples to, these customers and adjust the designs and plans in response to their feedback. Ultimately, the Company will be judged on its ability to address ESG requirements and to meet its customers' expectations of quality and value and the Group's timeliness in fulfilment and the integrity, accessibility, adeptness and reliability of the Group's team (at all levels) is key to the achievement of these goals and the fostering and maintaining of these relationships.

Many of our customers, like our licensors, have their own policies and procedures that they require to be applied to the supply chains of their suppliers and we work closely with them to apply, monitor and audit the application of those requirements and harmonise our standards to the highest common denominator.

Our community

Our principal community is the children that our products are made for and the parents and family members and friends that select and purchase them. Almost all of our toys, playthings and activity items are real (i.e. not digital or virtual) objects and are designed to promote and stimulate imaginative and engaging play. We engage with children through focus groups and the content that we issue on our social media channels and websites. This engagement is critical to understanding what children want, like and are engaged by and what parents and family members consider suitable.

We ensure the safety and wellbeing of this community by rigid adherence to the Toy Safety Regulations of all of the territories that we distribute and sell our products within and from our own findings and precautions applied in our development, production and distribution processes. We are particularly mindful of the data privacy protections required for children and these are applied rigidly within our business.

Charitable and local community engagement

We actively support and promote the activities of:

- The Toy Trust - The British Toy and Hobby Association's charity supporting disadvantaged and disabled children within the UK and abroad;
- The Fence Club - a Charity founded by members of the UK Toy Trade, which raises money for a wide range of children's charities, including for support of hospices and handicapped and autistic children;
- The Variety Club - best known for providing 'Sunshine Coaches' to schools and organisations that provide disabled and disadvantaged children with services and support for their educational, recreational or vocational activities;
- The Kingfisher Learning Trust - a charity that has established the Kingfisher Special School focusing on supporting children with complex and severe learning needs in Oldham and which has led the way for other learning establishments in Oldham and the wider Greater Manchester area to make provision for and to support this underserved, disadvantaged group of children;
- Ovacome - the UK ovarian cancer charity focused on providing support (e.g. reducing isolation, sharing information, promoting knowledge) to anyone affected by ovarian cancer. This support is extended to people who have either been diagnosed with the disease or think that they might be at risk, as well as their friends and family and healthcare professionals. The support for this charity was fostered due to the untimely deaths of two of our long-standing colleagues from the disease;
- In Kind Direct – the UK registered charity that collects donated goods from companies and distributes them to charitable organisations, reducing their expenditure on essential items.

Many of our Directors, staff, suppliers and customers actively engage in the fundraising work of these and other organisations, principally giving support to disabled or disadvantaged children. Over the years, a number of our Directors and senior executives have assumed leadership roles in the organisation and administration of some of these bodies.

During the year under review, Group personnel at all of its locations (including Hong Kong, China and Scandinavia) took part in a challenge to record their steps taken in May and June with the aim of recording sufficient steps equivalent to circumnavigating the world. This was a sponsored event in support of the British Toy & Hobby Association's "May Mayhem" charity fundraising efforts. Our customers and suppliers and our staff's families and friends came together to support this effort and to raise funds for the Toy Trust and the Fence Club.

More locally, we are mindful of the neighbours, particularly those close to our centre of operations in Oldham. We have supported a considerable number of local schools and also hospitals, hospices, football clubs and a variety of charities with their fundraising efforts in the greater Oldham area in addition to the fundraising work more nationally referred to above.

The work of these organisations tangibly enriches the lives of the young and vulnerable and is immensely rewarding for all of our personnel involved and we will continue in our support for the work of these wonderful organisations going forward.

GOVERNANCE

We are committed to conducting our business affairs with high standards of ethics and are dedicated to robust corporate governance. We regularly review our Company policies with the goal of strengthening our standards and refining our practices to reflect changes in the global governance landscape. The Group was established on the principle of placing customer and supplier relations and experience at its core. The need to foster and maintain strong and positive relations with customers and suppliers and, indeed, all other stakeholders in the business, has been a central part of the Group's approach to doing business since its inception and is one of the key reasons for its success.

Our shareholders

Our Directors enjoy engaging with our shareholders and are keen to understand their needs and expectations. Proactive investor presentations and interviews are provided from time to time and the Directors maintain a regular dialogue with analysts, which assists in assuring transparency and potentially a wider readership for these communications. In addition, twice-yearly meetings are arranged with major shareholders when the Company presents its results and these enable the Board to obtain an understanding of our shareholders' objectives and concerns. The Board is, however, aware of its legal and regulatory duties not to act in any manner that would provide any shareholder or group of shareholders with any unfair advantage compared to shareholders as a whole.

The Company's annual general meeting enables a direct engagement between the Board and shareholders and maintains a good flow of information and feedback to the Board about shareholder areas of focus and concern. The 2025 AGM, scheduled for January next year, will be a fully open meeting and will also enable remote access to monitor the proceedings and the Board looks forward to engaging with shareholders at that time.

During a financial year, shareholders receive either a letter informing them that the Annual Report, the Interim Report and any Circular letter to shareholders published by the Company is available to view and download from the Company's website or, if they have so elected, providing them with hard copy of such reports or documents. In addition, shareholders and other interested parties are able to register at the Company's website to receive alerts when announcements are issued by the Company and/or to receive other information about the Group's products and services.

The Company communicates with its shareholders and the general investing community primarily through regulatory announcements. These contain the contact details of one or both of the Company's Joint-Managing Directors and its Nominated Adviser. All announcements are issued via the London Stock Exchange and are also placed in the investors section of the Company's website and, where appropriate, may also be sent to shareholders by post.

The Company also facilitates communication with investors by responding to questions and enquiries sent by email to info@charactergroup.plc.uk or by post to its registered office or other offices of the Group. The members of the Board are always available to enter into discussion with the Company's shareholders.

The Company's website (http://www.thecharacter.com) is principally an investor relations portal and contains materials readily accessible to shareholders, potential investors and those conducting research alike. The website includes regulatory and non-regulatory announcements from 2014 and financial reports from 2001.

Accreditations and Membership of Associations

The Group is an active member of the British Toy and Hobby Association (BTHA). The work of the BTHA has been key to developing the industry's relations with government, regulators and enforcement bodies in the UK, the EU and globally. Its campaigns and active participation in consultations in relation to toy safety, ethical manufacturing, environmental impact of and issues affecting the industry, responsible marketing to children and families, data protection and trade have helped to shape the landscape for the industry in the UK and, more widely, the EU and beyond and we are proud to be a vocal and very engaged member of this organisation.

The Group is also a member of the ICTI (International Council of Toy Industries) Ethical Toy Program. This is an independent, not-for-profit organisation established in 2004 to safeguard and improve ethical and sustainability standards in the global toy industry supply chain. The ICTI Ethical Toy Program oversees the Ethical Toy Program, the ethical manufacturing program for the toy industry.

Ethical Policy and Code of Conduct

The Group conducts its business according to high ethical standards and in compliance with all relevant legal requirements and this is embodied in the Group's Ethical Policy and Code of Conduct. This standard of behaviour is expected of all senior management towards employees within the Group as well as throughout the Group's supply chains over which the Group is able to exert control or influence.

UK Modern Slavery Act

The Group recognises that it has a responsibility to take a robust approach to slavery and human trafficking, which can take various forms (such as slavery, servitude, forced and compulsory labour). We expect the same high standards from all of those who we do business with.

We understand that our biggest exposure to modern slavery is in our supply chains, where we continue to undertake due diligence audits and, where necessary, conduct follow-up monitoring and consultations to remediate any adverse findings.

The Group is committed to ensuring that its suppliers adhere to high ethical standards. All factories comply with recognised independent ethical audit schemes such as ICTI, SMETA or BSCI, which are acknowledged by major retailers and our other customers as applying appropriate standards. It is a pre-requisite of our terms and conditions that all factories must have been approved under one of these three ethical audit processes and be in possession of a current independent audit report.

During 2024, we have continued to conduct reviews with our suppliers to find out what they have in place to prevent modern slavery and/or improve the measures that we have previously observed. As a result, we are seeing an ever-increasing awareness of the subject and a growing commitment to the principles of the UK's Modern Slavery Act and the elimination of modern slavery and human trafficking.

Our 2024 modern slavery statement can be found here.

Customer health and safety

The health and safety of children, our ultimate target consumers, is (quite rightly) an area of close regulation and control in all jurisdictions where we distribute and sell our products. We are closely involved with representative bodies in the Toy Industry in the UK and are often involved in (and always aware of) early consultations on proposed legislative or regulatory changes and make submissions and/or otherwise adapt our production/processes in compliance with those changes before they become law. As many of the products that we produce are distributed in territories outside the UK (and with some ranges globally), all of our products are produced to the highest standards applied in the territories where we sell or distribute them as we do not undertake separate production runs for different territories. In addition, the Group maintains substantial product liability and product recall insurance.

Data Protection

We are committed to safeguarding the confidentiality, integrity and availability of sensitive data and information within our business systems. We were subject to an external review of our global data management processes and policies in the year 2022/2023 and found the process both reassuring, because we were found to have an overall good compliance level, and informative, as it has highlighted areas where we could and have since been able to tighten our practices to take account of current good practice and actual and prospective legislative/regulatory changes.

17 December 2024

DIRECTORS' BIOGRAPHIES

Executive Directors

Jonathan Diver (aged 60), Joint Managing Director

Jon Diver joined the business in September 1991 from Rainbow Toys Limited, where he was Senior Marketing Executive. He became Group Marketing Director in August 1994 and has developed close working relationships with the Group's suppliers, including Licensors and Manufacturers. He has played a key role in determining and delivering the Group's diversified product development strategy. Jon is a past chairman of the British Toy & Hobby Association.

Jon is jointly responsibility with Mr Shah for the setting and implementation of the Group's corporate and competitive strategy and managing its commercial affairs.

Kiran Shah (aged 70), Joint Managing Director and Group Finance Director

Kiran Shah is a member of the Association of Chartered Certified Accountants. After initially working in a private accountancy practice, he moved into industry and, since 1978, has been involved extensively in the toy industry, notably in his role in jointly heading up a successful management buyout of Merit Toys Limited in 1981 and its subsequent sale to Bluebird Toys plc in 1988. He jointly established the original business of The Character Group plc with Mr King and Mr Kissane in April 1991.

Kiran is jointly responsible with Mr Diver for the setting and implementation of the Group's corporate and competitive strategy and managing its commercial affairs and is responsible for the Group's financial management, accounting, tax and legal affairs.

Joseph Kissane (aged 72), Managing Director of UK Operations

Joe Kissane has considerable sales expertise both at retail and supplier base in and outside the toy industry, gained over nearly 50 years, notably with such companies as Nabisco, Lego and Tonka. He is one of the founders of the Group and is a senior committee member, charity secretary, trustee and past chairman of the Toy Industry's leading children's charity The Fence Club.

Joe has direct responsibility for the sales and operational management of the Group's principal UK trading subsidiary Character Options Limited, including overseeing relations with customers.

Jeremiah Healy (aged 63), Group Marketing Director

Jerry Healy joined Character Options Limited (the Group's principal trading subsidiary) in 2004 as Head of Marketing; he was promoted to Marketing Director in 2006 and then became Group Marketing Director in February 2016. He has a wealth of marketing experience gained within the toy industry; prior to joining the Group he worked with Hornby Hobbies, Matchbox and Mattel, both in the UK and Europe and also at Sony Computer Entertainment Europe. Jerry holds a Bachelor of Arts (BA) degree in Business Studies.

Jerry is responsible for setting and managing the Group's product and customer focused marketing plans.

Non-Executive Directors

Carmel Warren (aged 60), Chair and Non-Executive Director

Carmel Warren was appointed to the Board in April 2021 and assumed the Chair in January 2024. Carmel is an experienced executive at both operational and board levels. She is currently a non-executive director of Fonix Mobile plc, an AIM listed company. Prior to this Carmel served as Chief Financial Officer of D4t4 Solutions Plc (D4t4), the AIM quoted specialist in data platforms. During her earlier career she spent eleven years with ExxonMobil in key financial and operational roles within the organisation and, for five years, operated her own Consultancy. She worked at E&Y from 1986 – 1990, where she qualified as a Chartered Accountant.

Carmel is Chair of the Audit Committee and a member of each of the Remuneration and Nominations Committees.

Jonathan Shearman (aged 54), Non-Executive Director

Jonathan Shearman was appointed to the Board in June 2022. He has broad stockbroking and investment banking experience, particularly in the fields of merger and acquisitions, strategic planning and forecasting. He was formerly a non-executive director and Chair of Trifast plc, which is a premium listed company on the London Stock Exchange's main market, a position from which he resigned during September 2023.

Jonathan is Chair of the Remuneration Committee and is also a member of each of the Audit and Nominations Committees.

Clive Crouch (aged 72), Non-Executive Director

Clive Crouch was appointed to the Board in February 2016. His 35-year career in media included senior roles within GMTV a company he launched together with his fellow directors. From 1992 to 2007, Clive was GMTV's sales and marketing director. He attended The London Business School Senior Executive Programme in 2003. From 2007 until 2010 he served as GMTV's Chief Operating Officer, taking responsibility for the Channel's License and Compliance to the Ofcom Broadcasting Codes.

Clive was a founder member of Thinkbox, the ITV programme marketing company, and Clearcast, the quango that pre-clears all advertising copy for compliance to the advertising guidance codes.

Clive now operates his own media consulting business and he remains actively involved in the toy industry, advising on such matters as regulatory, promotional activity and licensing. He brings a wealth of relevant management and industry experience to the Board.

Clive is Chairman of the Nominations Committees and is also a member of the Audit and Remuneration Committees.

Michael Hyde (aged 50), Non-Executive Director

Mike Hyde joined the Company in 2005 and was appointed to the Main Board in 2011. Prior to joining Character, Mike spent a number of years working for Mattel Inc., the NASDAQ listed US toy designer and manufacturer, where he held a number of management positions, focusing on brand management, marketing and product development. Mike had responsibility for the management of the Group's Far East operations from joining the Group in 2005 and became the managing director of the Group's operations in that region and a main board executive Director in 2011 until relinquishing his executive role with the Group on 31 December 2022. Mike is now Senior Vice President and managing director with Funko, LLC, the NASDAQ listed leading pop culture lifestyle brand, but continues to provide his expertise and experience to the Group as a non-executive Director of the Company.

Mike holds a Bachelor of Arts (BA) degree in Mandarin Chinese and a Master of Business Administration (MBA) degree.

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year ended 31 August 2024.

Dividend

The Directors recommend a final dividend of 11.0 pence per share (2023: 11.0 pence) making a total dividend for the year of 19.0 pence per ordinary share (2023: 19.0 pence). If approved, the final dividend will be paid on 31 January 2025, to shareholders on the register on 17 January 2025.

Employment policies

The Group depends on the skills and commitment of its employees in order to achieve its objectives. Group staff at every level are encouraged to make their fullest possible contribution to the Group's success. The Group's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of gender, gender identity or reassignment, marital status, race, religion, age, sexual orientation, or disability. All decisions are based on merit.

It is the Group's policy not to discriminate between employees or potential employees on any grounds. Full and fair consideration is given to the recruitment, training and promotion of disabled people and, should staff become disabled during the course of their employment, efforts would be made to provide appropriate re-training. The Group places enormous importance on the contributions of its employees and aims to keep them informed of developments in the Group by way of regular meetings, newsletters and publications, together with distribution of the Annual Report.

Employees are encouraged to become involved in the financial performance of the Group through participation in the Group's share option scheme.

Research and development

The Group's research and development activities are concentrated on the development of new products, new processes and improvements to, or developments of, existing products.

Policy and practice on payment of creditors

The Group does not follow any standard code of practice for paying its suppliers but, instead, agrees with each principal supplier the terms of payment for each transaction or series of transactions. The Group's policy is then to abide by those pre-arranged terms for payment. At 31 August 2024, trade creditors of the Group represented an average of 73 (2023: 56) days credit in relation to total purchases for the year.

Governance

Directors

The following Directors served during the year:

Jonathan James Diver (Joint Managing Director)
Kirankumar Premchand Shah (Joint Managing Director and Group Finance Director)
Joseph John Patrick Kissane (Managing Director, UK Operations)
Jeremiah Healy (Group Marketing Director)
Richard King (Non-Executive Chair)*
Carmel Elizabeth Warren (Chair† and Independent Non-Executive Director)
Jonathan Paul David Shearman (Independent Non-Executive Director)
Clive William Crouch (Senior Independent Non-Executive Director)
Michael Spencer Hyde (Non-Executive Director)

* *Until his resignation on 19 January 2024*

† *From 19 January 2024*

Directors and their interests in shares

The Directors and their interests (all of which are beneficial) in ordinary shares of 5p each in the capital of The Character Group plc ("Ordinary Shares") as at 31 August 2024 and 17 December 2024 (being the date of this report) were as follows:

Directors	As at 17 December 2024 Number of Ordinary Shares	As at 17 December 2024 Ordinary Shares Under option	As at 31 August 2024 Number of Ordinary Shares	As at 31 August 2024 Ordinary Shares under option	As at 31 August 2023 Number of Ordinary Shares	As at 31 August 2023 Ordinary Shares under option
K P Shah	**1,928,766**	**-**	**1,928,766**	**-**	1,928,766	-
J J Diver	**1,284,089**	**-**	**1,284,089**	**-**	1,284,089	-
J J P Kissane	**463,519**	**-**	**463,519**	**-**	463,519	-
J Healy	**64,817**	**66,000**	**64,817**	**66,000**	64,817	66,000
R King*	**295,814**	**-**	**295,814**	**-**	295,814	-
C Crouch	**14,378**	**-**	**14,378**	**-**	14,378	-
C Warren	**6,337**	**-**	**6,337**	**-**	5,932	-
J Shearman	**-**	**-**	**-**	**-**	-	-
M S Hyde	**200,000**	**-**	**200,000**	**-**	236,528	92,000

*retired 19 January 2024

Included in the interests of K P Shah are his interests in Ordinary Shares held by Sarissa Holdings Limited, being 1,759,294 Ordinary Shares at 17 December 2024, 31 August 2024 and 31 August 2023 and his interests in Ordinary Shares held by his personal pension scheme being 80,000 Ordinary Shares at 17 December 2024 and at 31 August 2024 and nil at 31 August 2023.

Included in the interests of J J Diver are his interests in Ordinary Shares held by Mr Diver's personal pension scheme being 535,449 Ordinary Shares at 17 December 2024 and at 31 August 2024 and 485,449 at 31 August 2023.

Included in the interests of J Healy are his interests in Ordinary Shares held by Mr Healy's personal pension scheme being 5,000 Ordinary Shares at 17 December 2024, 31 August 2024 and 31 August 2023, and 45,742 Ordinary Shares held by his spouse, Mrs K Healy at 17 December 2023, 31 August 2024 and 31 August 2023.

The interests of Mrs Warren are her interests in Ordinary Shares held by her personal pension scheme being 6,337 Ordinary Shares at 17 December 2024 and at 31 August 2024 and 5,932 at 31 August 2023.

Details of the Directors' share options are disclosed in note 4 to the financial statements. Disclosures required to be made in accordance with the Quoted Companies Alliance's Corporate Governance Code 2018 are made or otherwise sign-posted in the Corporate Governance Report.

Directors' indemnity insurance

The Company has purchased and maintains insurance to cover its Directors against liabilities in relation to their duties to the Group.

Matters referred to in the Strategic Report

In accordance with section 414C(11) of the Companies Act 2006, the future developments, principal risks and uncertainties and share buy-back disclosures required in the Directors' Report are made in the Strategic Report.

Environmental Report

As required by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Environmental Report forms part of the Company's ESG Report which commences on page 12.

Share option schemes

Details of the Company's share option schemes are given in note 25 to the financial statements.

Auditors

A resolution to reappoint Lubbock Fine LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Statement of disclosure to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has confirmed that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that it has been communicated to the auditors.

By Order of the Board

R B Smyth
Secretary

Registered Office:
CityPoint, 16th Floor,
One Ropemaker Street,
London
EC2Y 9AW

Registered number 3033333
17 December 2024

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

The Company applies the principles of the Quoted Companies Alliance's (the "**QCA**") Corporate Governance Code 2018 (the "**QCA Code**") to the Company's corporate governance. The QCA Code was originally published in 2013 and was updated in 2018. To mark its 10th anniversary, the QCA completed a review of the QCA Code in 2023 and published a revised form of this Code that is to take effect for all that apply it for their financial years commencing on or after 1 April 2024. The Character Group plc will, accordingly, apply the revised QCA Code and will first report on that basis in relation to its financial year ending 31 August 2025. The Company will continue to apply the QCA Code 2018 until that time.

Your Board of Directors identifies whole-heartedly with the underlying philosophy and objectives of the QCA Code and the Board's collaborative culture and engagement with our key stakeholders (i.e. shareholders, customers and suppliers) sees it very much aligned to core principles of the QCA Code. I engage with the business, its Directors and advisers in the formulation, development and review of the efficacy of the Group's strategy and its key procedures and processes.

As Chair, I am responsible for:

- articulating my role and demonstrating my responsibility for corporate governance;
- explaining how the QCA Code is applied to the Company and how that application supports the medium to long term success of the Company;
- explaining any areas in which the Company departs from the expectations of the QCA Code; and
- identifying any key governance related matters that have occurred during the period under review.

I accept these responsibilities and seek to demonstrate and disclose how these have been addressed in this report or otherwise "signpost" where disclosure of the measures taken by the Company has been made.

CORPORATE GOVERNANCE REPORT

The Board

The Board is responsible for the overall governance of the Company.

The Board comprises four executive Directors and four non-executive Directors, as detailed on pages 19 and 20. The executive Directors are full-time working directors. The non-executive Directors do not have prescribed working hours in their appointment letters but are required to expend such time in discharging their duties as is necessary or required to fulfil their respective roles.

The Board has a formal schedule of matters reserved for its consideration. It is responsible for: setting the overall Group strategy and providing leadership to implement the strategy; supervising the management of the business; the acquisition or disposal of material corporate entities or assets; public announcements (including statutory financial statements); approving or making significant changes in accounting policy, the capital structure and dividend policy of the Group; Group remuneration policy; and Board structure, composition and succession.

The Board delegates to management, through the executive Directors, the overall administration and operation of the Group, which is effected principally through the setting of clear objectives and monitoring of performance against those objectives. The Board is structured so that no one individual or group dominates the decision-making process. Board meetings are scheduled and held at least five times a year and at other times as required to address requirements arising between these scheduled meetings.

Each of Clive Crouch, Jonathan Shearman and myself was considered throughout the year under review to be an independent non-executive Director and free from any relationship that could materially interfere with the exercise of her/his independent judgement. Clive Crouch is the senior non-executive Director.

The Board is conscious of the fact that it has a lesser number of non-executive than is desirable at this time and is taking measures to address this position. In particular, the Nominations Committee of the Board has been tasked to source, interview and recommend a short list of candidates for potential appointment to the Board of a new, additional, non-executive director.

The Board - continued

During the year, 6 Board meetings were held. The Directors attended as follows:

Director	Number of meetings attended
Richard King*	3
Kiran Shah	6
Jonathan Diver	6
Joesph Kissane	6
Michael Hyde	6
Jerry Healy	6
Clive Crouch	5
Carmel Warren	6
Jonathan Shearman	6

* *resigned 19 January 2024*

In accordance with the terms of their appointment, each non-executive Director of the Company is obliged to retire each year and is eligible for re-election at the Company's annual general meeting. The executive Directors are not subject, either contractually or under the Company's Articles of Association, to a requirement to retire. Clive Crouch and Mike Hyde will not be offering themselves to re-election at the AGM in January 2025. The Board wishes to acknowledge the contributions of each of Clive and Mike over the years and thank them for their valued service to the Company. Gentlemen, you will be missed!

The Board has constituted the following three committees, comprised solely of Independent Non-Executive Directors, with duties and responsibilities formally assigned to them (as set out in their respective terms of reference):

- the Audit Committee, Chair – Carmel Warren;
- the Remuneration Committee, Chair – Jonathan Shearman (see the Committee's report set out on page 29); and
- the Nominations Committee, Chair – Clive Crouch, until the AGM on 17 January 2025, and, in succession to him from the date of the AGM, Jonathan Shearman.

The terms of reference for each of the Committees are available to view on the Company's website at: http://www.thecharacter.com/company-documents/.

The QCA Principles

The QCA Code sets out 10 broad principles based on delivering growth, maintaining a dynamic management framework and effective communication strategies as a means of building trust amongst stakeholders. The QCA Code requires the Company to consider how each principle should be applied to and implemented by the Company and to disclose how that implementation has been achieved by the Company or explain any areas in which the Company departs from any of those principles.

This Report explains the Company's Corporate Governance processes and practices or otherwise "sign-posts" where other disclosures are made in this document or on the Company's website at www.thecharacter.com, particularly the Company's Corporate Governance Statement: www.thecharacter.com/corporate-governance.

Principle 1:

"Establish a strategy and business model which promote long-term value for shareholder."

Our business model and strategy are explained in the Overview section of the Strategic Report on page 2 of this document.

The business' Key Performance Indicators (KPIs) are considered by the Board to be revenues, operating profit before significant and exceptional items, underlying earnings per share and cash generation. These KPIs are reported on in the Group's Annual Reports and the most recent audited position is summarised in a table on page 4 of this document. The principle risks and uncertainties faced by the business, and how the Board seeks to mitigate these, are explained on pages 8 and 9 of this document.

During AGMs, the strategy is open for discussion with the shareholders present or represented at the meeting. The strategy, and the progress made with its implementation, forms a large part of the dialogue with the shareholders and between the Group's senior personnel and this dialogue reflects the Company's commitment to good information flows and the promotion of long-term value for shareholders.

Principle 2:
"Seek to understand and meet shareholder needs and expectations."

The Company engages with shareholders by:

- Publishing announcements via a Regulatory News Service ('RNS').
- Publishing detailed, considered reports annually to accompanying its audited annual financial statements.
- Conducting proactive investor presentations and interviews.
- Conducting in-person or virtual meetings with major shareholders to obtain a balanced understanding of their issues and concerns.
- Active engagement with shareholders at the Company's AGMs.
- Replying to investor questions sent to info@charactergroup.plc.uk, its registered office or otherwise submitted to the Company.

When engaging with our shareholders, we endeavour to take due account of their concerns, explain our actions and, where appropriate, take steps to address any issues. When we do not agree with a shareholder's point of view, we explain our reasoning. This is very much a mutual informing process and one that we very much welcome.

Principle 3:
"Take into account wider stakeholder and social responsibilities and their implications for long-term success."

The Company's key stakeholders are:

- its shareholders;
- its customers both in its domestic markets, in the UK and Scandinavia, and (as we increasingly seek to grow our markets internationally) elsewhere around the world;
- its suppliers (including brand owners); and
- its employees.

The Company's ultimate consumers are children and the Company has a long tradition of "giving-back" through active engagement with charities, good-causes and its local community on projects that are dedicated to addressing children's welfare issues, particularly care and support for disabled children. Further details of these initiatives undertaken throughout the past year can be found in the Company's ESG Report (see pages 12 to 18 of this document).

We embrace and are committed to the causes of protecting and preserving the environment and saving our planet that we know concerns many of our stakeholders and benefits the children that our products are ultimately produced for. We actively seek to reduce plastics and other non-recyclable materials in, and the related packaging for, our products. Further information regarding the Group's endeavours in this regard are given in the Group's ESG Report on pages 12 to 18 of this document.

Principle 4:
"Embed effective risk management, considering both opportunities and threats, throughout the organisation."

Although the Board is ultimately responsible for the Group's system of internal controls and for reviewing its effectiveness, the Audit Committee has primary responsibility for overseeing the development of a comprehensive risk management policy framework by the Company, the implementation of appropriate risk management practices throughout the Company's operations and systems and reporting to the Board on its work in this area.

Whilst a risk management policy framework is designed to identify and then manage risks to a business, it cannot totally eliminate the risk of failure to achieve business objectives but does provide a reasonable (though not absolute) assurance against material misstatement or loss.

In accordance with the guidance for directors on internal control "Internal Control: Guidance for Directors on the Combined Code", the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and is continuing. Key areas of focus in this effort since my last Corporate Governance Report have been: (i) careful monitoring of developments with passage of vessels and goods through the Suez canal; (ii) maintaining close scrutiny of all developments affecting or likely to adversely impact the Group's supply chain; (iii) the need to maintain and strengthen the protections for data controlled and/or processed by the Group; (iv) ensuring the security of digital assets owned or managed by the Group; (v) continuing to combat the ever changing menace posed by cyber criminals; (vi) strengthening inventory controls and (vii) engaging in currency hedging. Sophisticated enhancements and processes for detecting and minimising these risks have been developed and introduced and will continue to be part of our ongoing diligence in this area.

Key elements of the Group's system of internal controls include the following:

Control environment

- the setting of appropriate levels of authorisation, which must be adhered to as the Group conducts its business;
- the operation of a recognised, organisational and management reporting structure, within which individual executive Directors have responsibility for the day-to-day running of the business;
- the operation of detailed procedures for the setting of annual budgets and monthly forecasts and the monitoring of actual financial performance against these targets and the impact on inventory levels, on a monthly basis;
- a clearly defined and well-established set of accounting policies, which ensure that the financial performance is recorded on a consistent and appropriate basis throughout the Group's reporting entities; and
- the implementation of stricter controls on our IT environment, the testing of the resilience of our IT systems to penetration and ongoing education of our workforce to the perils of cyber crime.

Monitoring and corrective action

There are ongoing procedures in place for monitoring the system of internal financial controls. The remit of the Audit Committee includes meeting to review the effectiveness of the Group's system of internal financial controls and considering reports made to it by the Group's auditors. The Group does not have an internal audit function. During the year, the Board has reviewed the need for an internal audit function and continues to believe that relative simplicity of the systems and the current overall size of the Group does not warrant the establishment of an internal audit function. The need for an internal audit function will continue to be reviewed on an annual basis.

Risk management

Management are responsible for assisting the Board in the identification and evaluation of significant risks applicable to their areas of the business together with the design and operation of suitable internal controls. These risks are assessed on a regular basis and may be associated with a variety of internal or external factors, including control breakdowns, disruption in the Group's information systems, natural catastrophe and changes to the regulatory requirements that apply to the markets that we serve.

Management report to the Board on their review of risks and how they have managed the risks at each Board meeting. At their meetings, the Directors review the key risks inherent in the business and the system of controls necessary to manage such risks.

Principle 5:

"Maintain the board as a well-functioning, balanced team led by the chair."

This principle is addressed in the section of this Report above entitled "The Board" (see page 24 to 25 of this document).

Principle 6:

"*Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.*"

The list and functions of the Directors is set out on page 21 of this document and the skills of each member of the Board are set out in her/his biography on pages 19 and 20 of this document.

The Directors select much of their own training/refresher/updating programs, as required, and the costs associated with such training are borne by the Company. The Company also provides structured training on relevant new developments, as considered appropriate, from time to time. This is considered to be a facilitating role on the part of the Company, not a prescriptive one, geared towards encouraging a systematic approach to updating skills and training for the Directors.

The Company is committed to maintaining a culture of equal opportunities for all employees regardless of gender, gender identity or reassignment, age, race, religion, sexual orientation or disability and this approach is adopted in relation to appointments to the Board. Although diversity and inclusion are important factors that the Directors take into account when making any new appointment to the Board, any new appointment will ultimately be made on the basis of a candidate's merits and the skills and experience identified by the Board as being desirable to complement those of the existing Directors.

The Directors understand the Group's business, have the skills to evaluate its performance and are able to deliver a clear strategy that can be communicated to personnel, the shareholders and other key stakeholders. The Directors also benefit from a corporate culture that they can all relate and commit to.

Principle 7:

"*Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.*"

The Directors consider that the size of the Company does not justify the use of third parties to evaluate the performance of the Board, though this will be kept under regular review.

An evaluation of the performance of the Board and its Committees is undertaken every year. This process requires each Director to complete a form of questionnaire designed to probe his views on various facets of the role, activities and performance of the Board, its committees and the Chairman. Before being deployed this year, a review of the questions on the form was undertaken and amendments made to focus on areas where it was considered that the evaluation process should particularly explore. A report is then complied from the responses and comments (on an anonymized basis) and circulated to each of the Directors and discussed at a meeting of the Board. This exercise was conducted in October this year and, as in previous years, has been instructive in highlighting some areas where the processes adopted by the Board and its committees may potentially be enhanced.

Principle 8:
"*Promote a corporate culture that is based on ethical values and behaviours.*"

The Group was founded and thrives on the basic principles of a vibrant collaboration between our personnel and with our customers and suppliers and a freedom and encouragement to follow an entrepreneurial but caring path for the development of the business. These principles have remained very much at the centre of the Group's culture. The successful application of these principles to our business has been rewarded by and is evident from the Group's historic staff retention levels and the longevity of good, productive and mutually profitable relations with our customers and suppliers.

This culture has survived a changing landscape in the global toy industry and many adversities over the years and remains very much in the DNA of the Group.

Principle 9:
"*Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.*"

The principal governance structures within the Company are the Board and its Committees, details of which have been given earlier in this Report (see page 24 and 25 under the heading "The Board"). There are dynamics to the development of good governance practices and decision-making in the Group's sphere of activity that require the Company to be ever vigilant to and cognizant of market, regulatory, fashion and macro-economic influences and shifts. The Board recognises the environmental concerns raised by the Group's activities and seeks to adopt behaviours or adapt them in a fashion designed to best mitigate or, where possible, eliminate them. The proven skills of our central management team, the depth of experience and knowledge of our Directors, our active market engagement through the partnerships with our customers and suppliers all ensure that the Board is alerted to and well briefed about all issues that affect our market and performance and is able to make informed decisions on the short, medium and long term shaping of the Group's business model and/or strategy.

More details of the Company's governance structures are given in the Company's Corporate Governance Statement at www.thecharacter.com/corporate-governance.

Principle 10:
"*Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.*"

The Company makes sure that a good flow of communication exists between the Board and all its stakeholders, including shareholders, to enable all interested parties to come to informed decisions over any interaction with the Company.

The report of the Remuneration Committee is set out on page 29 of this document.

The corporate website of the Company (www.thecharacter.com) plays an important role in ensuring that the shareholders and other stakeholders have all the information they should require.

Further details regarding the Corporate Governance of the Company are set out in the Company's updated Corporate Governance Statement, which may be viewed at the Company's website and in the Company's ESG Report on pages 12 to 18 of this document. Further updates will be made from time to time to the Corporate Governance Statement on the Company's website to reflect and report on developments in this area.

Carmel Warren
Chairman
17 December 2024

DIRECTORS' REMUNERATION REPORT

The Board presents the Remuneration Report for the year ended 31 August 2024.

The Remuneration Committee

The Remuneration Committee consisted solely of the following independent non-executive Directors:

J Shearman (Chair)
C Crouch
C Warren

Remuneration of Directors

Each executive Director is paid a basic salary and is entitled to benefits, including payments of pension contributions to a suitable chosen scheme, the provision of a company car and participation in a private health care scheme. Where a Director chooses not to take a pension allowance, an equivalent sum is added to his gross salary. No Director has a service contract incorporating a notice period of more than 12 months.

The basic salaries referred to above are reviewed every year by the Remuneration Committee, in a context of the total remuneration available to each executive Director. Messers Diver, Shah and Kissane have received the same basic salary since September 2010. The remaining elements of the Remuneration policy applied to the executive Directors are outlined below.

Each of the executive Directors is eligible for a bonus in the event that specified performance targets are met or exceeded. These are based on profit before tax, adjusted to exclude certain exceptional non-trading items. Messrs Diver, Shah and Kissane are also entitled to a further bonus of 4%, 2% and 1% respectively of the consolidated, pre-tax profits of the Group in the event that a specified minimum target is met or exceeded. Half of this further bonus is satisfied in shares. All bonuses are capped. No bonuses were payable to the executive Directors under these arrangements in respect of the year ended 31 August 2024, save in respect of Mr Healy (as disclosed in the Directors' remuneration table in note 4 to the accounts).

The Company believes that share ownership by executive Directors and senior executives strengthens the links between their personal interests and those of the shareholders. Executive Directors are entitled to participate in the Group's 2017 Share Option Plan, details of which may be found in note 25.

Non-executive Directors are appointed for a fixed term expiring at each Annual General Meeting of the Company, when they may offer themselves for re-election. The Non-Executive Chair is entitled to fees of £65,000 per annum, plus expenses. The remaining non-executive Directors are entitled to fees, currently at the rate of £40,000 per annum (2023: £40,000), plus expenses, without any right to compensation on early termination.

Details of the Directors' remuneration are disclosed in note 4 to the accounts.

On behalf of the Board

J Shearman
Chairman, Remuneration Committee
17 December 2024

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the the UK have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE CHARACTER GROUP plc

Our opinion
We have audited the financial statements of The Character Group plc (the "Company" or "Parent Company") and its subsidiaries (the "Group") for the year ended 31 August 2024, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, Group and Company Cash Flow Statements, Group Statement of Changes in Equity, Company Statement of Changes in Equity and the Notes to the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 August 2024 and the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed, and as a result of this our Group audit scope has focused primarily on the financial results of five components of the Group: Character Options Limited, Toy Options (Far East) Limited, Charter Limited, OVG Proxy A/S and Proxy Sweden AB. These entities trade from the UK, Hong Kong, Denmark and Sweden respectively. These entities have been subjected to a full audit with the nature and extent of testing driven by our assessment of the risks of material misstatement and of the materiality determined at the component level.

The audit of the Company and Character Options Limited was performed by us and we have acted as the Group engagement team in directing the audit of the other significant components. Our work in this respect was performed in accordance with the International Standards on Auditing, specifically ISAs (UK) 600.

As part of our audit work we have also tested the consolidation process. We have also performed those audit procedures of the remaining components necessary for us to reduce the risks of material misstatement to an acceptable level.

Key Audit Matters
Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team and, as required for public interest entities, our results from those procedures.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition As detailed in the accounting policies, adjustments are made to Group revenues at each year-end to take into account the expected sales returns and allowances. These adjustments are outside the normal transactional processes of the Group and are materially significant to the Group, and as such are a key focus of our audit approach.	We obtained detailed calculations of the adjustments for provisions and allowances. We have agreed the key inputs in these calculations to supporting documentation and reviewed significant assumptions to determine their reasonableness. We carried out analytical procedures to understand the various constituents of revenue and assess the completeness of any allowances provision. **Key observation** Based on the audit procedures performed, we found that revenue had been recorded appropriately.

Inventory valuation Inventory is a significant aspect of the financial statements. In line with the Group's accounting policies, management assesses whether any provision for obsolescence is required, based on whether the inventory is expected to be fully realised in the future at an amount in excess of its carrying value. As this assessment requires judgment and due to the significance of the inventory balance, inventory valuation is considered to be a key audit matter.	We obtained an understanding of management's approach to assessing stock obsolescence and impairment. We reviewed the policy in place for making provisions and verified compliance with this policy through the testing of a sample of inventory items. For a sample of inventory, we have assessed whether this is held at the lower of cost and net realisable value through comparison to actual sales. **Key observation** Based on the audit procedures performed, we concluded that the judgments and estimates made by management with regards to inventory valuation are reasonable.

Our application of materiality
The scope and focus of our audit were influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions made on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

Group

- Materiality in respect of the Group was set at £1,851,291 which was determined based on 1.5% of revenue. We believe revenue to be the most appropriate benchmark for materiality as we consider this to be the best financial indicator for a trading Group.
- Performance materiality for the Group, based on our risk assessment, together with our assessment of the Group's control environment, was determined to be 65% of materiality, amounting to £1,203,339.

Company

- Materiality in respect of the Company was set at £901,718 and is based on 2% of the net assets of the Company. We believe net assets to be the most appropriate benchmark for the Company due to its position and role in the Group.
- Performance materiality for the Company, based on our risk assessment, together with our assessment of the Company's control environment, was determined to be 65% of materiality, amounting to £586,116.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the Directors' assessment of the going concern assumption, including the consideration of available and predicted funds and the timing of key future expenditure.
- Review of the Directors' financial forecasts for a period of at least 12 months from the date of these financial statements. This included consideration of the key underlying assumptions and the sensitivity of the forecast model to variances in these assumptions.
- Agreeing the opening cash position used in these forecasts and the arithmetical accuracy of the forecast model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements of the Parent Company are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Directors
As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and noncompliance with laws and regulations, we considered the following:

- Enquiries of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance of laws and regulations; and
- Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and IFRS.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's and Company's ability to operate or to avoid a material penalty. These included health and safety regulations, employment law, data protection regulations and general trading laws in the geographies operated in.

As a result of these procedures, we considered the particular areas that were susceptible to misstatement due to fraud were in respect of revenue recognition, inventory valuation and management override.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing these to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Agreeing a sample of revenue transactions to supporting documentation;
- Reviewing the calculation of revenue and inventory provisions;
- Agreeing intercompany balances to the corresponding group entities;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments for evidence of management override/bias against a range of different criteria; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the rationale of any significant transactions that are unusual or outside the normal course of the Group's and Company's operations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sam Snelson
(Senior Statutory Auditor)
for and on behalf of Lubbock Fine LLP, London, United Kingdom
Statutory Auditor
18 December 2024

GROUP INCOME STATEMENT

for the year ended 31 August 2024

	Note	12 months ended 31 August 2024 Result before highlighted items £'000	12 months ended 31 August 2024 highlighted items £'000	12 months ended 31 August 2024 Statutory Result £'000	12 months ended 31 August 2023 Result before highlighted items £'000	12 months ended 31 August 2023 highlighted items £'000	12 months ended 31 August 2023 Statutory Result £'000
Revenue	2	**123,419**	**-**	**123,419**	122,591	-	122,591
Cost of sales		**(90,668)**	**-**	**(90,668)**	(89,805)	-	(89,805)
Gross profit		**32,751**	**-**	**32,751**	32,786	-	32,786
Other income		**547**	**-**	**547**	473	-	473
Selling and distribution expenses		**(6,417)**	**-**	**(6,417)**	(8,534)	-	(8,534)
Administrative expenses		**(20,335)**	**-**	**(20,335)**	(19,425)	-	(19,425)
Operating profit	3	**6,546**	**-**	**6,546**	5,300	-	5,300
Finance income	5	**184**	**-**	**184**	173	-	173
Finance costs	5	**(81)**	**-**	**(81)**	(269)	-	(269)
Changes in fair value of financial instruments		**-**	**(966)**	**(966)**	-	(510)	(510)
Profit before tax		**6,649**	**(966)**	**5,683**	5,204	(510)	4,694
Income tax	6	**(973)**	**242**	**(731)**	(1,305)	110	(1,195)
Profit for the period		**5,676**	**(724)**	**4,952**	3,899	(400)	3,499
Attributable to:							
Owners of the parent							
Profit for the period				**4,952**			3,499
Earnings per share (pence)							
Basic earnings per share	8			**25.96p**			18.08p
Diluted earnings per share	8			**25.92p**			17.95p

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2024

	Note	**Total 2024 £000's**	Total 2023 £000's
Profit for the year after tax		**4,952**	3,499
Items that will not be reclassified subsequently to profit and loss			
Current tax credit relating to exercised share options	6	**1**	-
		1	-
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(110)**	421
Income tax on exchange differences	6	**(41)**	(301)
		(151)	120
Other comprehensive income for the year, net of income tax		**(150)**	120
Total comprehensive income for the year attributable to equity holders of the parent		**4,802**	3,619

GROUP BALANCE SHEET

as at 31 August 2024

	Note	2024 £000's	2023 £000's
Non – current assets			
Intangible assets	10	**1,618**	2,338
Investment property	11	**1,323**	1,388
Property, plant and equipment	12	**10,065**	10,009
Right of use assets	14	**836**	747
Deferred tax assets	7	**993**	525
		14,835	15,007
Current assets			
Inventories	15	**20,103**	17,955
Trade and other receivables	16	**23,991**	26,696
Current income tax receivable	17	**591**	717
Derivative financial instruments	18	**16**	57
Cash and cash equivalents	19	**14,599**	10,894
		59,300	56,319
Current liabilities			
Short-term borrowings	20	**(1,446)**	(1,284)
Trade and other payables	21	**(31,197)**	(26,945)
Lease Liabilities	14	**(438)**	(486)
Income tax	17	**(192)**	(2,117)
Derivative financial instruments	18	**(1,424)**	(498)
		(34,697)	(31,330)
Net current assets		**24,603**	24,989
Non-current liabilities			
Deferred tax	7	**(377)**	(367)
Lease liabilities	14	**(431)**	(264)
		(808)	(631)
Net assets		**38,630**	39,365
Equity			
Called up share capital	25	**1,038**	1,074
Shares held in treasury		**(1,756)**	(1,762)
Capital redemption reserve		**1,919**	1,883
Share-based payment reserve		**4,231**	4,161
Share premium account		**17,761**	17,751
Merger reserve		**651**	651
Translation reserve		**698**	971
Profit and loss account		**14,088**	14,636
Total equity attributable to equity holders of the parent		**38,630**	39,365

The financial statements on pages 36 to 76 were approved by the Board of Directors on 17 December 2024 and were signed on its behalf by:

J J Diver
Joint Managing Director

K P Shah
Joint Managing Director and Group Finance Director

COMPANY BALANCE SHEET

as at 31 August 2024

	Note	2024 £000's	2023 £000's
Non – current assets			
Property, plant and equipment	12	**366**	315
Right of use asset	14	**-**	110
Investments in subsidiaries	13	**4,748**	4,695
Deferred tax assets	7	**135**	63
Amounts due from subsidiary undertakings	16	**39,485**	-
		44,734	5,183
Current assets			
Trade and other receivables	16	**491**	38,465
Cash and cash equivalents	19	**380**	365
		871	38,830
Current liabilities			
Trade and other payables	21	**(520)**	(264)
Lease liabilities	14	**-**	(118)
		(520)	(382)
Net current assets		**351**	38,448
Net assets		**45,085**	43,631
Equity			
Called up share capital	25	**1,038**	1,074
Shares held in treasury		**(1,756)**	(1,762)
Capital redemption reserve		**1,919**	1,883
Share-based payment reserve		**4,231**	4,161
Share premium account		**17,761**	17,751
Profit and loss account		**21,892**	20,524
Total equity attributable to equity holders of the parent		**45,085**	43,631

Under section 408 of the The Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The profit for the year is £6,990,000 (2023: £7,499,000).

The financial statements on pages 36 to 76 were approved by the Board of Directors on 17 December 2024 and were signed on its behalf by:

J J Diver
Joint Managing Director

K P Shah
Joint Managing Director and Group Finance Director

GROUP AND COMPANY CASH FLOW STATEMENT

for the year ended 31 August 2024

	Note	Group 2024 £000's	Group 2023 £000's	Company 2024 £000's	Company 2023 £000's
Cash flow from operating activities					
Profit before taxation for the year after highlighted items		**5,683**	4,694	**6,920**	7,566
Adjustments for:					
Depreciation of property, plant and equipment	12	**833**	791	**58**	51
Depreciation of investment property	11	**65**	65	**-**	-
Depreciation of right of use assets	14	**536**	609	**110**	110
Amortisation of intangible assets	10	**2,096**	2,175	**-**	-
(Profit) on disposal of property, plant and equipment		**(13)**	(52)	**(7)**	(5)
Net interest (income) / expense	5	**(103)**	96	**8**	77
Financial instruments fair value adjustments	18	**966**	510	**-**	-
Share-based payments	26	**70**	204	**12**	34
(Increase) / decrease in inventories		**(2,148)**	8,218	**-**	-
Decrease / (increase) in trade and other receivables		**2,705**	(1,968)	**(1,510)**	(4,192)
Increase / (decrease) in trade and other creditors		**4,252**	(15,206)	**255**	(748)
Cash generated from operations		**14,942**	136	**5,846**	2,893
Finance income	5	**184**	173	**-**	-
Finance expense	5	**(81)**	(269)	**(8)**	(77)
Income tax paid		**(3,028)**	(3,014)	**-**	-
Net cash (outflow)/inflow from operating activities		**12,017**	(2,974)	**5,838**	2,816
Cash flows from investing activities					
Payments for intangible assets	10	**(1,376)**	(2,550)	**-**	-
Payments for property, plant and equipment	12	**(858)**	(1,611)	**(109)**	(119)
Proceeds from disposal of property, plant and equipment		**14**	164	**11**	118
Net cash outflow from investing activities		**(2,220)**	(3,997)	**(98)**	(1)
Cash flows from financing activities					
Payment of lease liabilities		**(555)**	(671)	**(118)**	(113)
Proceeds from issue of share capital		**16**	236	**16**	236
Purchase of own shares for cancellation		**(2,000)**	-	**(2,000)**	-
Dividends paid	9	**(3,623)**	(3,486)	**(3,623)**	(3,486)
Net cash used in financing activities		**(6,162)**	(3,921)	**(5,725)**	(3,363)
Net increase / (decrease) in cash and cash equivalents		**3,635**	(10,892)	**15**	(548)
Cash, cash equivalents and borrowings at the beginning of the year		**9,610**	20,019	**365**	913
Effects of exchange rate movements		**(92)**	483	**-**	-
Cash, cash equivalents and borrowings at the end of the year		**13,153**	9,610	**380**	365

Cash, cash equivalents and borrowings consist of:

	Note	Group 2024 £000's	Group 2023 £000's	Company 2024 £000's	Company 2023 £000's
Cash and cash equivalents	19	**14,599**	10,894	**380**	365
Total borrowings	20	**(1,446)**	(1,284)	**-**	-
Cash, cash equivalents and borrowings at the end of the year		**13,153**	9,610	**380**	365

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2024

	Note	Called up share capital £000's	Shares held in treasury £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share-based payment reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
The Group										
At 1 September 2022		**1,074**	**(1,813)**	**1,883**	**17,566**	**651**	**3,957**	**1,950**	**13,630**	**38,898**
Profit for the year after tax		-	-	-	-	-	-	-	3,499	3,499
Other comprehensive income/(expense)										
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	(979)	1,099	120
Total other comprehensive income/(expense)								**(979)**	**1,099**	**120**
Total comprehensive income for the year								**(979)**	**4,598**	**3,619**
Transactions with owners, recorded directly in equity										
Share-based payment	26	-	-	-	-	-	204	-	-	204
Deferred tax debit relating to share options	7	-	-	-	-	-	-	-	(106)	(106)
Dividends	9	-	-	-	-	-	-	-	(3,486)	(3,486)
Shares issued	25	-	51	-	185	-	-	-	-	236
At 31 August 2023		**1,074**	**(1,762)**	**1,883**	**17,751**	**651**	**4,161**	**971**	**14,636**	**39,365**
Profit for the year after tax		-	-	-	-	-	-	-	4,952	4,952
Other comprehensive income/(expense)										
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	(273)	122	(151)
Total other comprehensive income/(expense)								**(273)**	**122**	**(151)**
Total comprehensive income for the year								**(273)**	**5,074**	**4,801**
Transactions with owners, recorded directly in equity										
Share-based payment	26	-	-	-	-	-	70	-	-	70
Deferred tax debit relating to share options	7	-	-	-	-	-	-	-	1	1
Dividends	9	-	-	-	-	-	-	-	(3,623)	(3,623)
Shares issued	25	-	6	-	10	-	-	-	-	16
Shares cancelled	25	(36)	-	36	-	-	-	-	(2,000)	(2,000)
At 31 August 2024		**1,038**	**(1,756)**	**1,919**	**17,761**	**651**	**4,231**	**698**	**14,088**	**38,630**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2024

	Note	Called up share capital £000's	Shares held in treasury £000's	Capital redemption reserve £000's	Share premium account £000's	Share-based payment reserve £000's	Profit and loss account £000's	Total £000's
At 1 September 2022		**1,074**	**(1,813)**	**1,883**	**17,566**	**3,957**	**16,617**	**39,284**
Profit for the year		-	-	-	-	-	7,499	7,499
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**7,499**	**7,499**
Transactions with owners, recorded directly in equity								
Share-based payment – Company	26	-	-	-	-	34	-	34
Share-based payment – Subsidiary undertaking	26	-	-	-	-	170	-	170
Deferred tax on share options	7	-	-	-	-	-	(106)	(106)
Dividend paid	9	-	-	-	-	-	(3,486)	(3,486)
Shares issued	25	-	51	-	185	-	-	236
At 31 August 2023		**1,074**	**(1,762)**	**1,883**	**17,751**	**4,161**	**20,524**	**43,631**
Profit for the year		-	-	-	-	-	6,990	6,990
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**6,990**	**6,990**
Transactions with owners, recorded directly in equity								
Share-based payment – Company	26	-	-	-	-	12	-	12
Share-based payment – Subsidiary undertaking	26	-	-	-	-	58	-	58
Deferred tax on share options	7	-	-	-	-	-	1	1
Dividend paid	9	-	-	-	-	-	(3,623)	(3,623)
Shares issued	25	-	6	-	10	-	-	16
Shares cancelled	25	(36)	-	36	-	-	(2,000)	(2,000)
At 31 August 2024		**1,038**	**(1,756)**	**1,919**	**17,761**	**4,231**	**21,892**	**45,085**

Capital and Reserves

- Called up share capital represents the nominal value of equity shares allotted, called up and fully paid.
- Share premium represents the excess of the fair value of consideration received for the equity shares, net of expenses of the share issue, over the nominal value of the equity shares.
- Capital redemption reserve represents the buyback and cancellation of shares at nominal value.
- Merger reserve represents the premium arising on shares issued as consideration for the acquisition of subsidiaries and which qualified for merger relief.
- Share-based payment reserve represents the amounts recognised in profit and loss in respect of share-based payments.
- Translation reserve represents the cumulative foreign exchange differences on the translation of the net assets of the Group's foreign operations to the presentation currency of the parent.
- Profit and loss account represents retained profit and losses.
- Details of shares held in treasury can be found in note 25.

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

General information

The Character Group plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom. The Company's shares are traded on the AIM Market of the London Stock Exchange.

The principal activities of the Company and its subsidiaries ('the Group') are detailed in the Strategic Report. The Group's principal places of operations are the United Kingdom, Denmark and the Far East.

Standards, amendments and interpretations effective in the current period

	Effective for annual periods beginning on or after:
IAS 1 (amendment) Presentation of Financial Statements on classification of liabilities	- 1 January 2023
IAS 1 (amendment) Presentation of Financial Statements and IFRS Practice Statement	- 1 January 2023
IAS 8 (amendment) Definition of accounting estimates	- 1 January 2023
IAS 12 (amendment) Deferred tax related to assets and liabilities arising from a single transaction	- 1 January 2023
IAS 12 (amendment) International Tax Reform – Pillar Two Model Rules	- 1 January 2023
IFRS 17 Insurance contracts – comparative information	- 1 January 2023

Standards, amendments and interpretations in issue not yet adopted

The following new standards, amendments and interpretations are yet to become mandatory and have not been applied in the Group's consolidated financial statements for the year ended 31 August 2024.

	Effective for annual periods beginning on or after:
IAS 1 (amendment) Classification of liabilities as Current or Non-current	- 1 January 2024
IAS 1 (amendment) Non-current liabilities with Covenants	- 1 January 2024
IAS 7 (amendment) & IFRS 7 (amendment) Suppliers Finance Arrangements	- 1 January 2024
IFRS 16 (amendment) Lease Liability in a Sale & Leaseback	- 1 January 2024

Neither the Group nor the Company anticipate a material impact on the financial statements by the adoption of these standards and interpretations in future periods.

MATERIAL ACCOUNTING POLICIES

Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006, and with those parts of the Companies Act 2006 that apply to financial statements prepared in accordance with IFRS.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain derivative financial instruments and share-based payments at fair value and on a going concern basis.

Audit exemption of subsidiaries

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

Company name	Registered number
Character Games Limited	03894001
Toy Options Limited	04107248
Character Promotions Limited	03722438

The outstanding liabilities at 31 August 2024 of the named subsidiaries have been guaranteed by the Company pursuant to s479A of the Act. In the opinion of the directors, the possibilities of the guarantees being called upon is remote.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration for each acquisition is measured at the date of acquisition as the aggregate of the fair values of assets transferred and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company. Acquisition-related costs are recognised in the Group's consolidated profit and loss account, as incurred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted through profit or loss.
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company (The Character Group plc) and subsidiaries controlled by the Company as at the balance sheet date in accordance with the provisions of IFRS 10. Subsidiaries are entities over which the Group has the power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The results of such investees are included in the consolidated financial statements from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or statement of comprehensive income for the Company alone.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates applicable when they were completed and monetary assets and liabilities at the period end are translated at the rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

On consolidation, assets and liabilities of overseas subsidiaries are translated into sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange. The exchange differences arising as a result of translating income statements at average rates and restating opening net assets at closing rates are taken to the translation reserve.

Revenue recognition

The Group's revenue is principally from the sale of goods comprising the invoiced value net of sales taxes, rebates and discounts.

(a) Sale of goods

Revenue comprises the invoiced value for the sale of goods net sales taxes, rebates and discounts.
The Group recognises revenue on Free on Board ("FOB") sales when the goods are delivered to a destination specified by the customer, usually on board the customer's designated vessel.
The Group recognises revenue on non-FOB sales at point of despatch. Goods are delivered via a combination of customers' own hauliers and those appointed by the Group.
At the point of revenue recognition, the Group neither has continuing involvement nor effective control over the goods as the performance obligations have been satisfied and retains none of the significant risks and rewards of the goods in question.
The Group has stringent procedures to ensure goods meet customer specifications and can predict with reasonable certainty that this will not affect the determination of when control passes. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled to in exchange for the goods.
Revenue received in advance of delivery of goods and performance of services is deferred and recognised as a liability. Deferred amounts are released to the Group statement of comprehensive income on delivery of goods and as sercices are performed.

(b) Customer returns and allowances

The Group establishes a reserve of returns, discounts and rebates on a product and customer basis reflecting their respective terms and conditions and management's best estimates of the amounts necessary to meet claims by the Group's customers. Reserves are calculated utilising the most likely amount method and are reviewed on an ongoing basis to record the amounts to be recognised as deductions from revenue.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment reviews of non-financial assets are undertaken if there are indications that the carrying values may not be recoverable.

INTANGIBLE ASSETS

Goodwill

Goodwill arising in a business combination is recognised at fair value as an asset at the date control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration payable over the Group's share, at the acquisition date, of the acquiree's identifiable net assets measured at fair value.
Goodwill is reviewed annually and when there are events or changes in circumstances that indicate a possible decline in the carrying value.

Product development expenditure

Development costs are capitalised if specific conditions are fulfilled and there is an intention to develop products for resale. Costs incurred on development projects (relating to the design and testing of new products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technical feasibility, and costs can be measured reliably and the intention is to finalise development prior to sales being made. The Group has capitalised those projects that have met these capitalisation criteria. Amortisation is calculated to allocate cost on a product by product basis in line with the related product's forecast sales up to a maximum of two years. The asset will be reviewed annually for impairment or whenever indicators suggest that the carrying amount may not be recovered. All other development costs are charged directly to expense in the income statement as incurred.

Patents, trademarks and design rights

Patents, trademarks and design rights acquired as part of a business acquisition are initially recognised at fair value and subsequently regarded as cost.
These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life. These are tested for impairment annually or if there is an indication that their value has declined.

TANGIBLE ASSETS

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost net of accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis on all such assets, except freehold land, at rates calculated to write off the cost of each asset over its expected useful life. The following principal rates per annum are used:

Freehold buildings	4%
Short leasehold improvements	over the unexpired term of the lease
Fixtures, fittings and equipment	20-33%
Motor vehicles	20-25%

Assets in the course of construction are not depreciated until they are brought into use.

Impairment reviews of fixed assets are undertaken if there are indications that the carrying values may not be recoverable. The recoverable amount is the higher of the asset's fair value or carrying value.

Investment Properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties are recorded at cost less accumulated depreciation and any recognised impairment loss. Impairment reviews of investment properties are undertaken annually. The recoverable amount is the higher of the asset's fair value or carrying value.

Investment properties are depreciated on a straight-line basis at the following rates per annum:

Freehold land	nil
Freehold buildings	4%

Investments

Shares in subsidiary undertakings are stated at cost less provision for impairment. Provision is made against investments where diminution in value is considered to be permanent.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is based on estimated selling price less the estimated cost of disposal.

FINANCIAL INSTRUMENTS

Financial assets are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Impairment of financial assets

The Group and the Company assesses at each balance sheet date whether a financial asset or group of assets is impaired.
The Group applies the simplified approach permitted by IFRS 9 to measure expected credited loss on its trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses are calculated on a customer by customer basis, assessing their payment profiles of sales for the year to 31 August 2023 or 31 August 2022 respectively and the corresponding historical credit losses experienced whith in this period. The historical credit loss allowances are adjusted to reflect current and forward-looking information regarding the ability of the debtors to settle their receivable balances.
Amounts due from other Group companies are initially recognised at fair value and subsequently carried at amortised cost net of allowance for expected credit loss. Measurement of impairment of receivables from subsidiary undertakings requires the consideration of forward-looking information based on assumptions of future economic conditions.

Derivative Financial Instruments

The Group has derivative financial instruments in respect of forward foreign exchange contracts and options to manage the Group's exposure to currency movements. The existing forward foreign exchange contracts and options used by the Group function as hedges, however, do not meet the criteria for hedge accounting set out by IFRS9 and consequently are carried at their fair value in the Group balance sheet. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Resulting changes in fair value are recognised in the income statement. Further details are provided in note 18.

Non Derivative Financial Instruments

Non derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's and the Company's financial assets and liabilities are a reasonable approximation of their fair values.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method, less provision for allowances. Specific provisions are made against doubtful debts taking the value of trade receivables to an estimated value based on the most likely outcome of future cash flows. A number of Group companies have agreements with finance companies (recourse) under which debts of customers are assigned to the relevant finance company. The Group retains all the risks and rewards of the underlying trade debt and continues to recognise the gross debtor balance net of specific provisions. Cash advanced under this arrangement has been treated as a finance advance under current liabilities.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and at hand and short-term deposits with a maturity of three months or less from the date of acquisition.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

Trade payables

Trade payables are measured at amortised cost using the effective interest method.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group or the Company has a present obligation as a result of a past event and where it is probable that the Group or the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If the effect of time value of money is material, the carrying value of the provision is the present value of the consideration.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

LEASES

The Group as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group or the Company as Lessee

The Group leases properties and motor vehicles.

Leases are recognised as a right of use asset and a corresponding lease liability at the date of which the leased asset is available for use by the Group or Company. The lease liability is discounted at the subsidiary's incremental borrowing rate. The right to use asset is depreciated on a straight-line basis over the lease term. Leases of periods of 12 months or less will continue to be reported as operating leases.

The finance cost is charged to the profit and loss over the lease period is on an amortised cost basis.

Contracts for leases are negotiated individually and do not have any covernants other than the security interest of the lessor.

The intercompany lease arrangement is on terms that would be offered to an unconnected party and is recognised over a period that would be contracted with a non-group entity.

Share-based payment

The Company issues equity settled awards to certain employees. The fair value of equity settled awards are measured using a binomial valuation model, taking into account the terms and conditions under which the option was granted. Options vest subject to the employee remaining in service during the vesting period and the relevant non-market related performance condition(s) being met. The fair value determined on this basis is expensed on a straight-line basis over the vesting period, based upon the Company's estimate of the number of shares that are expected to vest. The estimate of vesting is reviewed annually, with any impact on the cumulative charge being recognised immediately. The charge in respect of share-based payments is matched by an equal and opposite adjustment to equity. Further details are in note 25.

Employee benefits

The costs of short-term employee benefits are recognised when an employee has rendered service in exchange for those benefits.

Contributions to the occupational defined contribution pension scheme and personal pension schemes are charged to the income statement as services are rendered by the employees.

Segmental information

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The Board of Directors of the Company is identified as the chief operating decision maker and is responsible for allocating resources and assessing performance of the operating segments.

The performance of reportable segments is assessed on a measure of operating profit, excluding non-recurring items, such as share-based payments charges, amortisation of intangible assets and unrealised gains/(losses) on financial instruments.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Group Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised either in other comprehensive income or equity respectively.

The excess of the final tax deduction (current tax) or cumulative expected tax deduction (deferred tax) in excess of the cumulative amount arising on the share-based payment charged to the Group Income Statement, is recognised in equity.

The current tax includes UK and foreign tax payable or recoverable and is provided at tax rates and in accordance with the tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is calculated using tax rates and laws enacted or substantively enacted at the reporting date that are expected to apply as and when the temporary differences reverse. Deferred tax is recognised in profit or loss, other comprehensive income or equity on a similar basis to current tax.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised if and to the extent that it is probable that future taxable profit that will allow an unrecognised deferred tax asset to be recovered.

Treasury shares
The Company's shares which have been purchased and not cancelled are held as treasury shares and deducted from equity.

SIGNIFICANT JUDGEMENTS AND ESTIMATES
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on historical experience and other associated factors believed to be reasonable under the circumstances, actual results may differ from these estimates. Underlying assumptions are reviewed on an on-going basis. Revised accounting estimates are recognised in the period in which the revision is made or in the period of the revision and future periods.

Key judgements
The Group does not consider there to be any key judgements.

Key estimates
The following areas require assumptions and judgements that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Development
Development costs for products that will be sold and meet criteria for IFRS intangible asset recognition are capitalised. Assumptions are made with regard to the future economic benefits and the economic useful life. The capitalised development costs and useful economic life are assessed for impairment annually.

Stock obsolescence
The Group reviews the net realistic value of and demand for its inventory on an ongoing basis to encsure recorded inventory is stated at the lower of cost or net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with committed inventory levels. Assumptions have been made relating to the success of product ranges which would impact estimated demand and selling prices. Details of the charge recognized in the financial statements can be found in note 3.

Customer returns & allowances

The Group operates in a highly competitive environment which is subject to seasonal demand. Timing and success of product ranges are major factors that determine the level of returns and allowances. Reserves for allowances are reviewed on an ongoing basis and calculated as the management's best estimate of the amounts necessary to meet claims by the Group's customers.

Other judgements and estimates

The Group have also applied the following judgements and estimates to these financial statements that are not considered significant in this financial year.

Intangible assets

Goodwill, patents, trademarks and design rights

Goodwill is not amortised but is reviewed for impairment at least annually. Other intangible assets are reviewed for impairment annually and when there are events or changes in circumstances that may affect the carrying value. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash generating units). An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is the higher of fair value and value in use based on an internal discounted cash flow evaluation. This involves the calculation of estimated future cash flows, an assessment of the achievability of strategic plans (such as distribution and licensing agreements) and assumptions for the macroeconomic environment of the business.

Investment Property

The Group reviews annually the fair value of the investment property with reference to current prices of properties in a similar condition and location.

Fair value of derivatives

The Group uses derivatives to mitigate risks arising from foreign exchange. The calculation of fair value of derivatives is based on prevailing market conditions at the date of valuation and appropriate valuation models. The use of different market assumptions and/or valuation models may have a material effect on the estimated fair value amounts. The Group's derivative financial instruments are disclosed in note 18.

Deferred tax assets

The Group and the Company review the recoverability of deferred tax assets on a prudent basis in determining the recognition of deferred tax assets. Judgement is based on the best available information, historical experience and other assumptions that are consistent with the Group's and the Company's forecasts. The Group's and the Company's deferred income tax assets and liabilities are disclosed in note 7.

2 SEGMENT REPORT - GROUP

The Group's business in the UK, Scandinavia and Far East is the design, development and international distribution of toys, games and gifts.

For management purposes, the chief operating decision maker, the Board of Directors of the Company, considers the business from a geopraphical perspective based on the location of its operations.

Year ended 31 August 2024	UK £000's	Far East £000's	Scandinavia £000's	Unallocated £000's	Total £000's
Revenue - external (by origin)	46,319	58,485	18,615	-	123,419
Segment adjusted operating profit/(loss)	(192)	8,392	1,034	(542)	8,692
Amortisation of product development	-	-	-	-	(2,076)
Financial instruments fair value adjustments	-	-	-	-	(966)
Share-based payments	-	-	-	-	(70)
Operating profit					5,580
Interest on right of use assets	-	(24)	(10)	-	(34)
Finance costs	-	-	-	-	(47)
Finance income	-	-	-	-	184
Profit before tax	-	-	-	-	5,683
Taxation	-	-	-	-	(731)
Profit for the year after tax					4,952
Segment assets	40,161	21,925	9,706	2,343	74,135
Segment liabilities	(8,280)	(23,030)	(2,309)	(1,886)	(35,505)
Other segment information					
Capital additions	729	20	-	109	858
Capital disposals	(304)	(176)	(134)	-	(614)
Depreciation of property, plant and equipment	(716)	(59)	-	(58)	(833)
Depreciation of investment property	-	(65)	-	-	(65)
Depreciation of right of use assets	(9)	(302)	(225)	-	(536)

Analysis of unallocated assets and liabilities:

Assets	Total £000's	Liabilities	Total £000's
Corporate assets	366	Corporate creditors & accruals	462
Derivative financial instruments	16	Derivative financial instruments	1,424
Deferred tax asset	487		
Corporate cash at bank and in hand	380		
Intangible assets – product development	759		
Corporate debtors & prepayments	335		
Unallocated assets	**2,343**	**Unallocated liabilities**	**1,886**

Unallocated expenses comprise management fee income and corporate expenses incurred by the parent company.

2 SEGMENT REPORT - GROUP

Year ended 31 August 2023	UK £000's	Far East £000's	Scandinavia £000's	Unallocated £000's	Total £000's
Revenue - external (by origin)	53,927	50,991	17,673	-	122,591
Segment adjusted operating profit/(loss)	(477)	8,494	(485)	127	7,659
Amortisation of product development	-	-	-	-	(2,155)
Financial instruments fair value adjustments	-	-	-	-	(510)
Share-based payments	-	-	-	-	(204)
Operating profit	-	-	-	-	4,790
Interest on right of use assets	(1)	(20)	(16)	-	(37)
Finance costs	-	-	-	-	(232)
Finance income	-	-	-	-	173
Profit before tax	-	-	-	-	4,694
Taxation	-	-	-	-	(1,195)
Profit for the year after tax	-	-	-	-	3,499
Segment assets	42,020	17,229	9,303	2,774	71,326
Segment liabilities	(8,303)	(20,771)	(2,138)	(749)	(31,961)
Other segment information					
Capital additions	1,448	44	-	119	1,611
Capital disposals	(163)	(36)	-	(135)	(334)
Depreciation of property, plant and equipment	(662)	(60)	(18)	(51)	(791)
Depreciation of investment property	-	(65)	-	-	(65)
Depreciation of right of use assets	(11)	(377)	-	(221)	(609)

Analysis of unallocated assets and liabilities:

Assets	Total £000's	Liabilities	Total £000's
Corporate assets	315	Corporate creditors & accruals	(251)
Derivative financial instruments	57	Derivative financial instruments	(498)
Deferred tax asset	173		
Corporate cash at bank and in hand	365		
Intangible assets – product development	1,459		
Corporate debtors & prepayments	405		
Unallocated assets	**2,774**	**Unallocated liabilities**	**(749)**

Unallocated expenses comprise corporate expenses incurred by the parent company.

GEOGRAPHICAL DESTINATION OF REVENUE

	31 August 2024 £000's	31 August 2023 £000's
United Kingdom	**59,174**	61,116
Rest of the world	**64,245**	61,475
Total Group	**123,419**	122,591

Revenues of approximately £43,680,000 (2023: £33,820,000) were derived from 2 (2023: 2) external customers individually representing 10% or more of revenue.

The revenues from Customer 1 is attributable to the Far East segment whilst revenues from Customer 2 is attributable to both UK and Far East segments.

	2024 £000's	2023 £000's
Customer 1	**23,908**	17,083
Customer 2	**19,772**	16,737
	43,680	33,820

3 EXPENSES BY NATURE - GROUP

	Note	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
Operating profit is stated after charging/(crediting):			
Cost of inventories recognised as an expense (included in cost of sales)		**83,827**	77,100
Product development costs incurred		**1,536**	2,609
Product development costs capitalised	10	**(1,376)**	(2,550)
Amortisation of capitalised product development costs	10	**2,076**	2,155
Product development costs expensed to cost of sales		**2,236**	2,214
Debit financial instruments fair value adjustments		**966**	510
(Credit)/debit inventory provisions		**(798)**	944
Exchange losses		**391**	1,513
Staff costs	4	**12,123**	11,358
Depreciation of tangible fixed assets			
- owned assets	12	**833**	791
Depreciation of investment property	11	**65**	65
(Profit) on disposal of property, plant and equipment		**(13)**	(52)
Depreciation – right of use assets	14	**536**	609
Auditor's remuneration		**169**	154

ANALYSIS OF AUDITOR'S REMUNERATION

		12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
Group Auditor's remuneration	— Statutory audit services current year	**91**	52
Other Auditors' remuneration	— Statutory audit of the Group's subsidiaries	**71**	79
	— Taxation compliance	**7**	23
Total fees payable to Auditors		**169**	154

4 DIRECTORS AND EMPLOYEES REMUNERATION STAFF COSTS - GROUP

	Group		Company	
	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
Staff costs including Directors' emoluments				
Wages and salaries	**10,652**	9,679	**1,018**	767
Social security costs	**770**	847	**104**	194
Pension costs	**631**	628	**32**	39
Share-based payments	**70**	204	**12**	34
	12,123	11,358	**1,166**	1,034
The average number of employees during the year was:	**Number**	Number	**Number**	Number
Management and administration	**82**	81	**10**	11
Selling and distribution	**130**	128	**-**	-
	212	209	**10**	11

Of the total average number of employees, 121 (2023: 118) were based in the UK, 27 in Scandinavia (2023: 26) and 64 (2023: 65) in Hong Kong and mainland China.

4 DIRECTORS AND EMPLOYEES REMUNERATION CONTINUED
KEY MANAGEMENT PERSONNEL

Key management compensation are amounts payable to the Directors of The Character Group plc.

	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
Salaries, short-term benefits and pension contribution	**1,216**	1,299
Share-based payments	**9**	30
	1,225	1,329

ANALYSIS OF DIRECTORS' REMUNERATION

The following table shows a breakdown of the remuneration of the Directors for the year ended 31 August 2024 and the year ended 31 August 2023.

Year ended 31 August 2024

	Salary/fees £	Performance bonus £	Benefits in kind £	Pension contribution £	Total £
R King (non-executive)*	38,440	-	2,171	-	40,611
J J Diver	245,916	-	18,019	-	263,935
K P Shah	245,916	-	14,819	-	260,735
J J P Kissane	215,592	-	23,928	-	239,520
M S Hyde	40,000	-	-	-	40,000
J Healy	130,000	84,500	8,284	13,000	235,784
C Crouch (non-executive)	40,000	-	-	-	40,000
C Warren (non-executive)	55,288	-	-	-	55,288
J Shearman (non-executive)	40,000	-	-	-	40,000
	1,051,152	84,500	67,221	13,000	1,215,873

Year ended 31 August 2023

	Salary/fees £	Performance bonus £	Benefits in kind £	Pension contribution £	Total £
R King (non-executive)*	100,000	-	19,202	-	119,202
J J Diver	245,916	-	10,878	-	256,794
K P Shah	245,916	-	12,879	-	258,795
J J P Kissane	215,592	-	21,516	-	237,108
M S Hyde	131,934	-	-	8,386	140,320
J Healy	130,000	-	7,441	13,000	150,441
D Harris (non-executive)**	16,667	-	-	-	16,667
C Crouch (non-executive)	40,000	-	-	-	40,000
C Warren (non-executive)	40,000	-	-	-	40,000
J Shearman (non-executive)	40,000	-	-	-	40,000
	1,206,025	-	71,916	21,386	1,299,327

In the year ended 31 August 2024, certain of the Directors received remuneration (which is included in the amounts above) through payments by the Group to third parties as follows: £28,830 was paid to Bali Hai Consultancies for part of the services of R King (2023: £75,000); £40,000 was paid to Clive Crouch Media Insight Limited for the services of C Crouch (2023: £40,000); £nil was paid to Inva Trust Consultancy Limited for the services of D Harris (2023: £16,667).

* Resigned 19 January 2024
**Resigned 20 January 2023

4 DIRECTORS AND EMPLOYEES REMUNERATION CONTINUED
KEY MANAGEMENT PERSONNEL

Directors interests in long term incentive schemes

On 5 June 2018, options were granted under the Company's 2017 Share Option Plan at a price of 520 pence per share to M S Hyde and J Healy respectively over 100,000 and 72,000 existing Ordinary Shares held by the Company in treasury. On 2 October 2020, these options were surrendered and new options were granted to M S Hyde and J Healy under the Company's 2017 Share Option Plan at a price of 325.5 pence per share, respectively over 92,000 and 66,000 existing Ordinary Shares. The option granted to Mr Hyde lapsed on 2 April 2024. Exercise of Mr Healy's option is conditional on the satisfaction of a predetermined, profit related performance target which has been satisfied and became exercisable three years following the date of grant and will remain exercisable until the tenth anniversary of the date of grant.

At 31 August 2024, the mid-market price of an issued Ordinary Share in The Character Group plc was 284 pence. During the year the mid-market price ranged from 238 pence to 340 pence.

5 NET FINANCE COSTS - GROUP

	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
Finance costs:		
Interest payable on bank overdraft and similar charges	**(6)**	(170)
Factor and invoice discounting advances	**(41)**	(62)
Interest on right of use assets	**(34)**	(37)
	(81)	(269)
Finance income:		
Interest earned on cash and cash equivalents	**184**	173
Net finance income / (costs)	**103**	(96)

6 TAXATION - GROUP

	Note	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
UK Corporation Tax			
Tax on (loss) for the period		**-**	(301)
Adjustments to tax charge in respect of previous periods		**(15)**	5
Total UK corporation tax		**(15)**	(296)
Foreign Tax			
Tax on profit for the period		**1,250**	1,307
Adjustments to tax charge in respect of previous periods		**(6)**	333
Total foreign tax		**1,244**	1,640
Total current tax		**1,229**	1,344
Deferred Tax			
Origination and reversal of timing differences	7	**(498)**	(149)
Total deferred tax		**(498)**	(149)
Tax on profit on ordinary activities		**731**	1,195
Factors affecting tax charge for the period			
Profit before highlighted items and taxation		**6,649**	5,204
Profit on highlighted items before taxation		**(966)**	(510)
Profit before taxation after highlighted items		**5,683**	4,694
Profit multiplied by the UK corporation rate of 25.0% (2023: 21.5%)		**1,421**	1,009
Effects of:			
(Income)/expenses (not chargeable)/deductible for tax purposes		**33**	139
Capital allowances less/(more) than depreciation		**178**	(14)
Intangible asset relief		**-**	15
Lower tax rate on overseas earnings		**(630)**	(371)
Unrecognised losses utilised		**(177)**	(92)
Tax losses not recognised for deferred tax		**-**	241
Unrecognised timing differences		**(73)**	(5)
Effect of change of tax rate		**-**	(65)
Adjustments to tax charge in respect of previous periods		**(21)**	338
Tax charge reported in the income statement		**731**	1,195

Tax relating to items charged or (credited) or equity:

Income tax debit on exchange losses on intra Group balances	**41**	301
Income tax credit on exercise of employee share options	**(1)**	-
Deferred tax on share options	**-**	106
Net tax debit to equity	**40**	407

The UK corporation tax rate increased from 19% to 25% on the 1 April 2023.
Deferred taxes as at 31 August 2024 have been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

7 DEFERRED INCOME TAX - GROUP

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 25% (2023: 19% or 25%) for UK differences and local rates for overseas differences.

The net movement on the deferred income tax account is as follows:

	2024 £000's	2023 £000's
As at 1 September	**158**	115
Credit to the income statement	**498**	149
(Charge)/credit to equity	**(40)**	(106)
As at 31 August	**616**	158

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Intangibles	**-**	-	**(37)**	(25)
Property, plant and equipment	**-**	-	**(307)**	(315)
Employee share scheme charges	**4**	4	**-**	-
Derivative financial instruments	**352**	110	**-**	-
Inventories	**169**	284	**-**	-
Short-term timing differences	**-**	-	**(33)**	(27)
Tax losses	**468**	127	**-**	-
Tax assets/(liabilities)	**993**	525	**(377)**	(367)
Net tax asset	**616**	158	**-**	-

Movement in recognised deferred tax during the year:

	1 September 2023 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2024 £000's
Intangibles	(25)	(12)	-	**(37)**
Property, plant and equipment	(315)	8	-	**(307)**
Derivative financial instruments	110	242	-	**352**
Inventories	284	(115)	-	**169**
Employee share scheme charges	4	-	-	**4**
Short-term timing differences	(27)	(6)	-	**(33)**
Tax losses	127	381	(40)	**468**
	158	498	(40)	**616**

Movement in recognised deferred tax during the prior year:

	1 September 2022 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2023 £000's
Intangibles	-	(25)	-	**(25)**
Property, plant and equipment	(399)	84	-	**(315)**
Derivative financial instruments	(15)	125	-	**110**
Inventories	254	30	-	**284**
Employee share scheme charges	177	(67)	(106)	**4**
Short-term timing differences	(13)	(14)	-	**(27)**
Tax losses	111	16	-	**127**
	115	149	(106)	**158**

Deferred tax assets amounting to £821,000 (2023: £916,000) have not been recognised in respect of certain trading losses and tax allowable deductions, due to the unpredictability of future taxable profit streams in certain subsidiaries.

7 DEFERRED INCOME TAX - COMPANY

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2024 £000's	2023 £000's	**2024 £000's**	2023 £000's
Employee share scheme charges	**4**	4	**-**	-
Property, plant and equipment	**21**	11	**-**	-
Tax losses	**110**	48	**-**	-
Tax assets	**135**	63	**-**	-
Net tax asset	**135**	63	**-**	-

Movement in recognised deferred tax during the year:

	1 September 2023 £000's	**Recognised in income £000's**	**Recognised in equity £000's**	**31 August 2024 £000's**
Employee share scheme charges	4	-	-	**4**
Property, plant and equipment	11	10	-	**21**
Tax losses	48	62	-	**110**
	63	72	-	**135**

Movement in recognised deferred tax during the prior year:

	1 September 2022 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2023 £000's
Employee share scheme charges	177	(67)	(106)	**4**
Property, plant and equipment	(2)	13	-	**11**
Tax losses	62	(14)	-	**48**
	237	(68)	(106)	**63**

8 EARNINGS PER SHARE - GROUP

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

	Year ended 31 August 2024 Profit after taxation £	Year ended 31 August 2023 Profit after taxation £
Profit attributable to equity shareholders of the parent	**4,952,000**	3,499,000
Financial instruments fair value adjustments net of tax	**724,000**	400,000
Profit for adjusted earnings per share	**5,676,000**	3,899,000
Weighted average number of ordinary shares in issue during the year – basic	**19,072,573**	19,348,548
Weighted average number of dilutive potential ordinary shares	**28,775**	148,497
Weighted average number of ordinary shares for diluted earnings per share	**19,101,348**	19,497,045
Earnings per share before highlighted items		
Basic earnings per share (pence)	**29.76p**	20.15p
Diluted earnings per share (pence)	**29.72p**	20.00p
Earnings per share after highlighted items		
Basic earnings per share (pence)	**25.96p**	18.08p
Diluted earnings per share (pence)	**25.92p**	17.95p

9 DIVIDEND - GROUP

	12 months to 31 August 2024 £000's	12 months to 31 August 2023 £000's
On equity shares:		
Final dividend paid for the year ended 31 August 2023		
11.0 pence (2022: 10.0 pence) per share	**2,130**	1,937
Interim dividend paid for the year ended 31 August 2024		
8.0 pence (2023: 8.0 pence) per share	**1,493**	1,549
19.0 pence (2023: 18.0 pence) per share	**3,623**	3,486

The Directors recommend a final dividend of 11.00 pence per share (2023: 11.00 pence) amounting to £2,057,841 (2023: £2,130,235). If approved by shareholders, the final dividend will be paid on 31 January 2025 to shareholders on the register on 17 January 2025.

10 INTANGIBLE FIXED ASSETS - GROUP

Cost	Goodwill £000's	Product development £000's	Patents, trademarks and design rights £000's	Total £000's
1 September 2022	3,854	3,281	199	7,334
Additions	-	2,550	-	2,550
Write off fully amortised assets	-	(1,615)	-	(1,615)
31 August 2023	**3,854**	**4,216**	**199**	**8,269**
Additions	-	1,376	-	1,376
Write off fully amortised assets	-	(1,666)	-	(1,666)
31 August 2024	**3,854**	**3,926**	**199**	**7,979**
Amortisation & Impairment				
1 September 2022	**3,132**	**2,217**	**22**	**5,371**
Charge for the year	-	2,155	20	2,175
Write off fully amortised assets	-	(1,615)	-	(1,615)
31 August 2023	**3,132**	**2,757**	**42**	**5,931**
Charge for the year	-	2,076	20	2,096
Write off fully amortised assets	-	(1,666)	-	(1,666)
31 August 2024	**3,132**	**3,167**	**62**	**6,361**
Net book value				
31 August 2024	**722**	**759**	**137**	**1,618**
31 August 2023	722	1,459	157	2,338

11 INVESTMENT PROPERTY – GROUP

Cost	Total £000's
1 September 2021, 1 September 2022 and 31 August 2023	**2,194**
Depreciation	
1 September 2022	741
Charge for the year	65
31 August 2023	**806**
Charge for the year	65
31 August 2024	**871**
Net book value	
31 August 2024	**1,323**
31 August 2023	1,388

The investment property is held at depreciated historical cost. The fair value of the investment property was assessed by an independent valuer at £2.9 million in November 2019. In the opinion of the Directors, the fair value of the investment property is not materially different to the 2019 valuation. The investment property is classified as level 3 in the valuation hierarchy in the current and prior year. During the year the Group received gross rental income of £254,000 (2023: £214,000).

Expenses incurred in respect of occupied premises were £14,993 (2023: £1,883). Expenses in respect of unoccupied premises were £22,479 (2023: £48,766).

12 PROPERTY, PLANT AND EQUIPMENT – GROUP

Cost	Freehold land and buildings £000's	Property, plant, and equipment in construction £000's	Short leasehold improvements £000's	Fixtures, fittings and equipment £000's	Motor vehicles £000's	Total £000's
1 September 2022	**7,519**	**2,187**	**276**	**3,776**	**944**	**14,702**
Additions	54	437	-	698	422	1,611
Transfers	1,495	(2,187)	-	692	-	-
Disposals	-	-	-	(5)	(307)	(312)
Elimination of fully depreciated assets	-	-	-	(22)	-	(22)
Translation differences	-	-	(18)	(36)	(3)	(57)
31 August 2023	**9,068**	**437**	**258**	**5,103**	**1,056**	**15,922**
Additions	134	341	21	298	64	858
Transfers	423	(423)	-	-	59	59
Disposals	-	-	-	-	(24)	(24)
Elimination of fully depreciated assets	-	-	(49)	(541)	-	(590)
Translation differences	-	-	(6)	(20)	(2)	(28)
31 August 2024	**9,625**	**355**	**224**	**4,840**	**1,153**	**16,197**
Depreciation						
1 September 2022	**1,355**	**-**	**259**	**3,286**	**495**	**5,395**
Charge for the year	187	-	12	366	226	791
Disposals	-	-	-	(5)	(195)	(200)
Elimination of fully depreciated assets	-	-	-	(22)	-	(22)
Translation differences	-	-	(18)	(30)	(3)	(51)
31 August 2023	**1,542**	**-**	**253**	**3,595**	**523**	**5,913**
Charge for the year	196	-	3	380	254	833
Transfers	-	-	-	-	25	25
Disposals	-	-	-	-	(24)	(24)
Elimination of fully depreciated assets	-	-	(49)	(541)	-	(590)
Translation differences	-	-	(6)	(17)	(2)	(25)
31 August 2024	**1,738**	**-**	**201**	**3,417**	**776**	**6,132**
Net book value						
31 August 2024	**7,887**	**355**	**23**	**1,423**	**377**	**10,065**
31 August 2023	7,526	437	5	1,508	533	10,009

12 PROPERTY, PLANT AND EQUIPMENT – GROUP CONTINUED

TANGIBLE FIXED ASSETS – COMPANY

Cost	Freehold land and buildings £000's	Short leasehold improvements £000's	Fixtures, fittings and equipment £000's	Motor vehicles £000's	Total £000's
1 September 2022	1,182	-	272	201	1,655
Additions	-	-	1	118	119
Disposals	-	-	-	(135)	(135)
31 August 2023	**1,182**	**-**	**273**	**184**	**1,639**
Additions	-	21	24	64	109
Disposals	-	-	-	-	-
31 August 2024	**1,182**	**21**	**297**	**248**	**1,748**
Depreciation					
1 September 2022	982	-	265	48	1,295
Charge for the year	-	-	4	47	51
Disposals	-	-	-	(22)	(22)
31 August 2023	**982**	**-**	**269**	**73**	**1,324**
Charge for the year	-	1	4	53	58
Disposals	-	-	-	-	-
31 August 2024	**982**	**1**	**273**	**126**	**1,382**
Net book value					
31 August 2024	**200**	**20**	**24**	**122**	**366**
31 August 2023	200	-	4	111	315

A bank has a charge over the freehold properties.

13 FIXED ASSET INVESTMENTS – COMPANY

Cost	Shares in subsidiary undertakings £000's	Capital contribution £000's	Total £000's
1 September 2022	3,200	3,221	6,421
Share-based payment	-	170	170
At 31 August 2023	**3,200**	**3,391**	**6,591**
Liquidation of subsidiary	(5)	-	(5)
Share-based payment	-	58	58
At 31 August 2024	**3,195**	**3,449**	**6,644**
Amortisation and provisions			
1 September 2023 and 31 August 2024	1,896	-	1,896
Charge for the year	-	-	-
At 31 August 2024	**1,896**	**-**	**1,896**
Net book value			
31 August 2024	**1,299**	**3,449**	**4,748**
31 August 2023	1,304	3,391	4,695

13 FIXED ASSET INVESTMENTS – COMPANY CONTINUED

Details of the subsidiaries of the Group are set out below:

Subsidiaries	Country of incorporation and operation	Class of share capital held	Properportion held by Group %	Parent Company %	Nature of business
Character Options Limited	United Kingdom[1]	Ordinary	100	100	Design and distribution of toys and games
Toy Options (Far East) Limited	Hong Kong[2]	Ordinary	100	-	Design and distribution of toys and games
Charter Limited	Hong Kong[2]	Ordinary	100	-	Design and distribution of toys and games
Proxy (Far East) Limited	Hong Kong[2]	Ordinary	100	-	Distribution of toys and games
Character Games Limited	United Kingdom[1]	Ordinary	100	100	Design and distribution of toys and games
Character Gifts Limited	United Kingdom[1]	Ordinary	100	100	Gift importer and distributor
Q-Stat Limited	United Kingdom[1]	Ordinary	100	100	Property investment
Toy Options Limited	United Kingdom[1]	Ordinary	100	100	Intermediate holding company
OVG-Proxy A/S	Denmark[6]	Ordinary	100	-	Distribution of toys
Character Nordic Limited	United Kingdom[1]	Ordinary	100	100	Intermediate holding company
Character Promotions Limited	United Kingdom[1]	Ordinary	100	100	Holder of intellectual property
Toy Options Group plc	United Kingdom[1]	Ordinary	100	100	Non-trading
Character Games (Far East) limited	Hong Kong[2]	Ordinary	100	100	Intermediate holding company
Proxy Sweden AB	Sweden[5]	Ordinary	100	-	Distribution of toys
Toy Options Technology (Shenzhen) Limited	China[3]		100	-	Product development and toy design
Prelude Worldwide Limited	United Kingdom[1]	Ordinary	100	100	Non-trading
WWL (UK) Limited	United Kingdom[1]	Ordinary	100	100	Non-trading
Universal Concepts (UK) Limited	United Kingdom[1]	Ordinary	100	100	Non-trading
Chill Factor Global Pty Limited	Australia[4]	Ordinary	100	-	Holder of IP

Registered offices

[1] CityPoint, 16th Floor, One Ropemaker Street, London EC2Y 9AW
[2] 2401, 24/F, Dominion Centre, 43-59 Queen's Road East, Hong Kong
[3] Room2001, 2003-2006, Shenhua Commercial Building,2018 Jiabin Road, LuoHu District, Shenzhen, China
[4] Level 1, 1121 High Street, Armadale, Victoria, 3143, Australia
[5] Brunnsvägen 1 686 95, Västra Ämtervik, Värmland Sweden
[6] Gothersgade 14, 3rd, 1123 København K, Denmark

14 LEASES

The Group leases land and buildings and motor cars.

Amounts recognised on the balance sheets:

RIGHT OF USE ASSETS - GROUP

Cost	Land & Buildings £000's	Motor cars £000's	Total £000's
1 September 2022	2,673	195	2,868
Additions	145	51	196
Elimination on expiration of leases	(281)	(23)	(304)
Translation differences	(145)	(1)	(146)
31 August 2023	**2,392**	**222**	**2,614**
Additions	673	48	721
Transfers to property, plant and equipment	-	(59)	(59)
Elimination on expiration of leases	(1,061)	-	(1,061)
Translation differences	(60)	(3)	(63)
31 August 2024	**1,944**	**208**	**2,152**
Depreciation			
1 September 2022	1,577	75	1,652
Charge for the year	554	55	609
Elimination on expiration of leases	(281)	(23)	(304)
Translation differences	(89)	(1)	(90)
31 August 2023	**1,761**	**106**	**1,867**
Charge for year	490	46	536
Transfers to property, plant and equipment	-	(25)	(25)
Elimination on expiration of leases	(1,016)	-	(1,016)
Translation differences	(45)	(1)	(46)
31 August 2024	**1,190**	**126**	**1,316**
Net book value			
31 August 2024	**754**	**82**	**836**
31 August 2023	631	116	747

RIGHT OF USE ASSETS - COMPANY

Cost	Land & Buildings £000's
1 September 2022, 31 August 2023 & 31 August 2024	**550**
Depreciation	
1 September 2022	**330**
Charge for year	110
31 August 2023	**440**
1 September 2023	**440**
Charge for the year	110
31 August 2024	**550**
Net book value	
31 August 2024	**-**
31 August 2023	110

14 LEASES CONTINUED

Lease liabilities:

	Group		Company	
	31 August 2024 £000's	31 August 2023 £000's	**31 August 2024 £000's**	31 August 2023 £000's
Current	**438**	486	**-**	118
Non current – 2 to 5 years	**431**	264	**-**	-
	869	750	**-**	118

Maturity of contracted undiscounted lease liabilities:

	Group		Company	
	31 August 2024 £000's	31 August 2023 £000's	**31 August 2024 £000's**	31 August 2023 £000's
Lease liability less than one year	**467**	503	**-**	119
Lease liability greater than one year and less than five years	**445**	267	**-**	-
Finance charges included above	**(43)**	(20)	**-**	(1)
	869	750	**-**	118

Amounts recognised in comprehensive income:

	Group		Company	
	31 August 2024 £000's	31 August 2023 £000's	**31 August 2024 £000's**	31 August 2023 £000's
Interest on lease liabilities	**34**	37	**2**	6

Amounts recognised in the cash flow statement:

	Group		Company	
	31 August 2024 £000's	31 August 2023 £000's	**31 August 2024 £000's**	31 August 2023 £000's
Total cash outflow for lease rentals	**555**	671	**118**	113

Other lease disclosures

	Group		Company	
	31 August 2024 £000's	31 August 2023 £000's	**31 August 2024 £000's**	31 August 2023 £000's
Short term lease expense	**4**	7	**-**	-
Aggregate undiscounted commitments for short-term leases	**-**	4	**-**	-

15 INVENTORIES - GROUP

	2024 £000's	2023 £000's
Finished goods for resale	**20,103**	17,955

There is a floating charge over the UK inventories of £13,931,000 (2023: £13,753,000) to secure bank borrowings by the Group.

16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

Amounts falling due after one year:

	Company	
	2024	2023
	£000's	£000's
Amounts due from subsidiary undertakings	**40,699**	-
Loss allowance for subsidiary undertakings receivable	**(1,214)**	-
	39,485	-

Amounts falling due within one year:

	Group		Company	
	2024	2023	**2024**	2023
	£000's	£000's	**£000's**	£000's
Current:				
Trade receivables	**19,221**	22,324	**-**	-
Loss allowance for receivables	**(116)**	(15)	**-**	-
	19,105	22,309	**-**	-
Due from subsidiary undertakings	**-**	-	**156**	39,274
Loss allowance for subsidiary undertakings receivable	**-**	-	**-**	(1,214)
Other receivables	**1,069**	1,008	**35**	97
	20,174	23,317	**191**	38,157
Prepayments	**3,817**	3,379	**300**	308
	23,991	26,696	**491**	38,465

The majority of the Group's receivables are credit insured and the Group utilises letters of credit and bills of exchange to minimise credit risk further. The Group has a low level of losses in respect of its trade receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance at the end of the year to 31 August 2024 is £116,000 (2023: £15,000).

Amounts due to the Company by subsdiary undertakings are repayable on demand, unsecured and interest free. A credit loss allowance is made when there is objective evidence that a subsidiary undertaking is unable to settle its balances in full. The Company did not provide for an impairment in the year (2023: £nil). Impairment allowances at the end of the year are £1,214,000 (2023: £1,214,000).

Movement in loss allowance

	Group		Company	
	31 August 2024	31 August 2023	**31 August 2024**	31 August 2023
	£000's	£000's	**£000's**	£000's
Loss allowance at beginning of year	**(15)**	-	**(1,214)**	(1,214)
(Increase)/decrease in loss allowance	**(101)**	(15)	**-**	-
	(116)	(15)	**(1,214)**	(1,214)

16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY CONTINUED

Group trade receivables can be analysed as follows:

	2024 £000's	2023 £000's
Fully performing	**19,014**	22,220
Past due	**91**	89
Trade receivables	**19,105**	22,309

Ageing of past due, not impaired, receivables:

	2024 £000's	2023 £000's
1 – 90 days	**91**	89

Amounts relate to debtors for whom there is no recent history of default and there has been no significant change in credit quality.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2024 £000's	2023 £000's
Pounds Sterling	**5,569**	11,613
US Dollars	**11,435**	8,572
Euros	**344**	427
Danish Krone	**1,068**	1,080
Others	**689**	617
	19,105	22,309

17 INCOME TAX RECOVERABLE/ (PAYABLE) - GROUP

	2024		2023	
	Assets £000's	**Liabilities £000's**	Assets £000's	Liabilities £000's
UK income tax	**509**	**-**	717	-
Overseas income tax	**82**	**(192)**	-	(2,117)
	591	**(192)**	717	(2,117)

18 DERIVATIVE FINANCIAL INSTRUMENTS - GROUP

Numerical financial instrument disclosures are set out below. Additional disclosures are set out in the accounting policies in note 1 and in note 22 relating to financial instruments and note 23 relating to risk management.

	2024		2023	
	Assets £000's	**Liabilities £000's**	Assets £000's	Liabilities £000's
Forward foreign exchange contracts and options	**16**	**(1,424)**	57	(498)

Fair value hierarchy

The Group uses the following valuation hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Unlisted equity investments are included in level 3. The fair value of the embedded derivative is determined using the present value of the estimated future cash flow based on financial forecasts.

All derivative financial instruments are level 2 in the fair value hierarchy, the fair value of which has been determined using reports from the banks from whom the derivatives have been acquired.

19 CASH & CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2024	2023	**2024**	2023
	£000's	£000's	**£000's**	£000's
Cash and cash equivalents	**14,599**	10,894	**380**	365

Cash and cash equivalents are denominated in the following currencies:

Currency – floating rate financial assets	**2024 £000's**	2023 £000's	**2024 £000's**	2023 £000's
Sterling	**3,043**	1,282	**259**	256
US$	**10,463**	7,607	**169**	149
Euro	**133**	426	**(48)**	(40)
HK$	**614**	652	**-**	-
Danish Krone	**148**	567	**-**	-
Others	**198**	360	**-**	-
Total	**14,599**	10,894	**380**	365

Bank overdrafts and short-term borrowings are aggregated with cash and cash equivalents where there is a right of set-off. At 31 August 2024, the balances attracted interest at rates of between 3.6% and 4.75%.

20 BORROWINGS – GROUP

	31 August 2024			31 August 2023		
	Total	**Current**	**Non-current**	Total	Current	Non-current
	£000's	**£000's**	**£000's**	£000's	£000's	£000's
Finance Advances	**1,446**	**1,446**	**-**	1,284	1,284	-
Total	**1,446**	**1,446**	**-**	1,284	1,284	-

Finance advances are advances against trade receivables.

Analysis of borrowings by currency

	2024 £000's	2023 £000's
US$	**1,446**	1,284
Total	**1,446**	1,284

The Group utilises short-term borrowings to implement its working capital strategy. UK facilities include a bank overdraft of £8.25 million and a trade finance facility of £15.0 million which expire within one year; these are repayable on demand. A UK subsidiary has an ongoing recourse invoice discounting facility of £20 million. The interest charged on these facilities is 1.43% per annum over bank base rate. The facilities are secured by various fixed and floating charges over the assets and undertakings of the Company and certain subsidiaries. The Group has entered into composite accounting agreements whereby the participating companies have provided a guarantee to the bank in respect of drawn facilities.

Certain Far East subsidiaries have bank overdraft and trade finance facilities equivalent to approximately £16.4 million. The interest charged is between 0.25% per annum and 2.8% per annum over Prime or HIBOR. A subsidiary has a pledged cash deposit with a bank amounting to approximately £1.3m (2023: £1.3 million), which has been included in cash and cash equivalents.

21 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Group 2024 £000's	Group 2023 £000's	Company 2024 £000's	Company 2023 £000's
Trade creditors	**21,425**	15,526	**-**	-
Due to subsidiary undertakings	**-**	-	**57**	13
Other taxation and social security	**1,755**	2,907	**-**	45
Accruals and deferred income	**8,017**	8,512	**463**	206
	31,197	26,945	**520**	264

22 FINANCIAL INSTRUMENTS - GROUP

Financial assets Current financial assets	Note	**31 August 2024** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2023 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other receivables	**16**	**20,074**	**-**	**20,074**	23,317	-	23,317
Derivative financial instruments	**18**	**16**	**16**	-	57	57	-
Cash and cash equivalents	**19**	**14,599**	**-**	**14,599**	10,894	-	10,894
		34,689	**16**	**34,673**	34,268	57	34,211

Financial liabilities Current & non-current financial liabilities	Note	**31 August 2024** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2023 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other payables	**21**	**21,425**	**-**	**21,425**	15,526	-	15,526
Accruals	**21**	**8,017**	**-**	**8,017**	8,512	-	8,512
Derivative financial instruments	**18**	**1,424**	**1,424**	**-**	498	498	-
Borrowings	**20**	**1,446**	-	**1,446**	1,284	-	1,284
		32,312	**1,424**	**30,888**	25,820	498	25,322

22 FINANCIAL INSTRUMENTS - COMPANY

Financial assets Current financial assets	Note	**31 August 2024** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2023 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other receivables	**16**	**39,676**	**-**	**39,676**	38,157	-	38,157
Cash and cash equivalents	**19**	**380**	**-**	**380**	365	-	365
		40,056	**-**	**40,056**	38,522	-	38,522

Financial liabilities Current financial liabilities	Note	**31 August 2024** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2023 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other payables	**21**	**57**	**-**	**57**	13	-	13
Accruals	**21**	**463**	**-**	**463**	206	-	206
		520	**-**	**520**	219	-	219

The carrying amounts of financial assets and financial liabilities approximate to their fair values.

23 FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, market interest rates, concentration and counter party credit risk and its liquidity position.

The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using foreign currency financial instruments.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. Currently the exposure to short-term foreign exchange rate risks is mitigated through purchase of forward foreign exchange contracts and options to hedge the exchange rate risk arising on trading with overseas suppliers.

Foreign exchange risk

The Group is exposed to foreign exchange risks against Sterling and Swedish Krona, primarily on transactions in US dollars. It enters into forward contracts and other derivative financial instruments to hedge the cash flows of its product sourcing operation (e.g it buys US dollars forward in exchange for Sterling) and usually looks forward 12 months on a rolling basis at forecast purchase volumes.

Foreign currency sensitivity

The Group is primarily exposed to US Dollars, Hong Kong Dollars, the Euro, Swedish Krona and Danish Krone.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated, for example a change in interest rate and a change in foreign currency exchange rates.

The following table details how the Group's income and equity would (decrease)/increase on a before tax basis, given a 10% revaluation in the Group's functional currencies, in accordance with IFRS 7, with all other variables assumed to remain constant. The 10% change represents a reasonably possible change in the specified foreign exchange rates in relation to the Group's functional currencies.

	Functional currencies strengthening		**Functional currencies weakening**	
2024	**Total Equity £000's**	**Profit or (Loss) £000's**	**Total Equity £000's**	**Profit or (Loss) £000's**
Euro	**(16)**	**(16)**	**16**	**16**
US$	**(6,971)**	**(6,971)**	**545**	**545**
HK$	**38**	**38**	**(38)**	**(38)**
Danish Krone	**(4)**	**(4)**	**4**	**4**
Swedish Krona	**188**	**188**	**(188)**	**(188)**
	(6,765)	**(6,765)**	**339**	**339**

	Functional currencies strengthening		Functional currencies weakening	
2023	Total Equity £000's	Profit or (Loss) £000's	Total Equity £000's	Profit or (Loss) £000's
Euro	(35)	(35)	35	35
US$	(3,919)	(3,919)	701	701
HK$	(29)	(29)	29	29
Danish Krone	269	269	(500)	(500)
	(3,714)	(3,714)	265	265

Interest rate risk

The Group has seasonal cash flow and uses short-term borrowings, namely bank overdrafts, finance advances and import loans to finance working capital requirements.

The Group places excess funds on short-term bank deposit that attracts interest at the ruling market rate.

The Group believes that an interest rate sensitivity analysis is not representative of the underlying risks due to the seasonality of cash flows and the short-term nature of borrowings and deposits.

Interest rate sensitivities have not been presented here as the amounts would not be material to the consolidated financial statements.

23 FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk – Group and Company

The Group's and the Company's credit risk is attributable to trade and other receivables, cash and short-term bank deposits.

Exposure to credit risk is limited to the carrying amounts recognised at the balance sheet date, summarised as below:

	Group		Company	
Class of financial assets	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Trade receivables	19,105	22,309	-	-
Due from subsidiary undertakings	-	-	39,641	38,060
Other receivables	1,069	1,008	35	97
Current tax assets	591	717	-	-
Cash	14,599	10,894	380	365
	35,364	34,928	40,056	38,522

The Group manages credit risk of debtors through a credit control process and (where possible) retention of title clauses. Credit limits are agreed and closely monitored. Credit insurance is held on the majority of trade debtors. In addition, the Group employs trade finance instruments, such as letters of credit and bills of exchange, to minimise credit risk further. The Group recognises a default when it is aware that a debtor is in severe financial difficulty, when contractual payments are significantly past due/overdue and there is a failure to agree any repayment plans.

The Group places its cash with banks with high quality credit standing.

Concentration risk

The Group is subject to significant concentration of credit risk within its business. Five major counterparties within trade receivables amounted to £8,434,000 (2023: £12,199,000). Individual balances are closely monitored and managed in accordance with the Group's credit risk policies detailed above.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities and by continuously monitoring forecast and actual cash flows. The Group has committed debt facilities to cover its liquidity requirements for at least the next 12 months.
The Group's liabilities have the following contractual maturities:

	2024		2023	
	Current £000's	Non-current within five years £000's	Current £000's	Non-current within five years £000's
Finance advances	1,446	-	1,284	-
Import loans	-	-	-	-
Trade and other payables	31,197	-	26,945	-
Current tax liabilities	192	-	2,117	-
Derivative financial instruments	1,424	-	498	-
Lease liabilities	438	431	486	264
	34,697	431	31,330	264

24 CAPITAL RISK MANAGEMENT

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maximise returns for shareholders, reducing the cost of capital by optimising the capital structure.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders/effect share buy-backs or issue new shares. The Group holds shares in treasury, which it can release.
The Group considers its capital to comprise the equity attributable to equity holders of the parent.

25 CALLED UP SHARE CAPITAL (EQUITY)

	2024 £000's	2023 £000's
Authorised		
110,000,000 (2023: 110,000,000) ordinary shares of 5 pence each	**5,550**	5,550
Allotted, called up and fully paid		
20,757,457* (2023: 21,465,929) ordinary shares of 5 pence each	**1,038**	1,074

* Including 2,092,159 Ordinary Shares held in treasury (2023: 2,100,159).

Ordinary shares rank equally as regards to dividends, other distributions and return on capital. Each ordinary share carries the right to one vote.

Share capital movements in the year

8,000 (2023: 11,400) Ordinary Shares were transferred from treasury during the year to employees exercising their share options.

Date	Number of new Ordinary Shares transferred from treasury at exercise price 213.0p
26 June 2024	8,000

During the year, the Company repurchased for cancellation 708,472 (2023: nil) Ordinary Shares as follows:

Date	Number of shares	Price	% of the issued share capital immediately prior to cancellation (excluding shares held in Treasury)
06 February 2024	7,243	280.00p	0.04%
08 February 2024	9,174	279.00p	0.05%
09 February 2024	9,335	279.50p	0.05%
12 February 2024	9,664	275.00p	0.05%
13 February 2024	12,446	250.00p	0.06%
14 February 2024	21,029	250.00p	0.11%
15 February 2024	22,453	254.40p	0.12%
16 February 2024	23,327	255.00p	0.12%
19 February 2024	23,024	257.00p	0.12%
21 February 2024	23,202	260.00p	0.12%
22 February 2024	24,078	259.00p	0.13%
23 February 2024	25,044	260.00p	0.13%
26 February 2024	26,443	264.00p	0.14%
27 February 2024	27,497	266.90p	0.14%
01 March 2024	27,204	266.50p	0.14%
04 March 2024	27,614	270.00p	0.14%
07 March 2024	25,741	274.00p	0.14%
13 March 2024	21,252	270.40p	0.11%
04 April 2024	9,784	276.00p	0.05%
05 April 2024	11,232	276.00p	0.06%
08 April 2024	13,362	275.75p	0.07%
09 April 2024	13,566	275.25p	0.07%
11 April 2024	7,500	276.95p	0.04%
12 April 2024	7,500	279.00p	0.04%
29 April 2024	9,700	280.00p	0.05%
01 May 2024	9,800	275.90p	0.05%
07 May 2024	18,423	275.10p	0.10%
08 May 2024	17,783	275.99p	0.09%
08 May 2024	16,468	275.00p	0.09%
10 May 2024	23,287	293.00p	0.12%
13 May 2024	25,861	292.00p	0.14%
14 May 2024	27,211	299.00p	0.14%
20 May 2024	15,000	321.00p	0.08%

25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

Share capital movements in the year continued

	Number of shares	Price	% of the issued share capital immediately prior to cancellation (excluding shares held in Treasury)
21 May 2024	10,000	325.00p	0.05%
28 May 2024	20,000	329.90p	0.11%
29 May 2024	7,000	334.50p	0.04%
03 June 2024	23,000	335.00p	0.12%
06 June 2024	12,500	336.75p	0.07%
10 June 2024	7,500	332.00p	0.04%
11 June 2024	12,500	328.75p	0.07%
12 June 2024	7,000	326.25p	0.04%
17 June 2024	15,000	310.00p	0.08%
18 June 2024	1,725	298.00p	0.01%

Movement in issued capital is as follows:

Ordinary Shares of 5 pence each	**2024**	2023
In issue at the beginning of the financial year	**21,465,929**	21,465,929
Cancellations	**(708,472)**	-
In issue at the end of the financial year – fully paid	**20,757,457**	21,465,929

Share options

On 25 September 2014, options over a total of 1,070,800 Ordinary Shares held by the Company in treasury were granted under the Company's 2006 Share Option Plan (the "2006 Plan") to Group employees, including certain of the executive Directors, at an exercise price of 213.00 pence per share.

The 2006 Plan expired on 21 February 2016 (being ten years following its adoption), though such expiry had no effect upon the validity of options granted under the 2006 Plan prior to its expiry. On 24 November 2017, the board adopted the rules of the Company's 2017 Share Option Plan (the "2017 Plan"). The 2017 Plan is substantially similar in structure, operation and administration to the 2006 Plan and is administered under the direction of the remuneration committee of the Board.

25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

Share options continued

Under the 2017 Plan, all qualifying employees of the Group are eligible to receive conditional awards of share options depending on their performance, seniority and length of service. The option enables an eligible employee to purchase up to a stated number of Ordinary Shares at market value at the date of grant. The options typically only vest after three years, subject to the achievement of the applicable vesting conditions. Vesting conditions require that the employee remains in employment at the time of exercise of the option and that performance conditions determined by the Remuneration Committee at the time of grant of the option are met or exceeded. Typically, the performance conditions require targets for profit before tax and interest for the relevant employee's employing company within the Group (adjusted to eliminate certain intra-group charges) or targets for the consolidated profit before tax and interest for the Group as a whole are met or exceeded.

The maximum term for options is ten years from the date of grant. There are no cash settlement alternatives. The 2017 Plan utilises HMRC–approved options to the extent possible.

On 2 October 2020, options over a total of 974,180 Ordinary Shares held by the Company in treasury were granted under the 2017 Plan to Group employees, including certain of the executive Directors, at an exercise price of 325.50 pence per share.

On 4 October 2023, options over a total of 30,000 Ordinary Shares held by the Company in treasury were granted under the 2017 Plan to a Group employee at an exercise price of 270.00 pence per share.

On 18 December 2023, options over a total of 155,000 Ordinary shares held by the Company in treasury were granted under the 2017 Plan to Group employees at an exercise price of 288.00 pence per share.

25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

Share options continued

At 31 August 2024, rights to options over 1,189,580 Ordinary Shares of the Company held in treasury (treated as outstanding) were as follows:

	At 1 September 2023	Granted	Exercised/ surrendered	At 31 August 2024	Exercise Price	Exercise Period
2006 Scheme	121,100	-	(8,000)	113,100	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	904,730	-	(13,250)	891,480	325.50p	2 October 2023 to 1 October 2030
2017 Scheme	-	30,000	-	30,000	270.00p	4 October 2023 to 3 October 2033
2017 Scheme	-	155,000	-	155,000	288.00p	18 December 2023 to 17 December 2033
	1,025,830	**185,000**	**(21,250)**	**1,189,580**		

Movements in share options in the previous year were as follows:

	At 1 September 2022	Granted	Exercised/ lapsed	At 31 August 2023	Exercise Price	Exercise Period
2006 Scheme	132,500	-	(11,400)	121,100	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	911,030	-	(6,300)	904,730	325.50p	2 October 2023 to 1 October 2030
	1,043,530	-	(17,700)	1,025,830		

No options were outstanding in respect of unissued Ordinary Shares of the Company as at 31 August 2024 and at 31 August 2023.

No amount is payable by any grantee of an option at the time of grant under any of the Company's share option schemes particularised above.

Movements in the weighted average values are as follows:

	2024		2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 September	**1,025,830**	**312.22p**	1,043,530	311.22p
Granted	**185,000**	**285.08p**	-	-
Exercised	**(8,000)**	**213.00p**	(11,400)	213.00p
Lapsed	**(13,250)**	**325.50p**	(6,300)	325.50p
Outstanding at 31 August	**1,189,580**	**308.52p**	1,025,830	312.22p
Weighted average remaining contractual life in years		**6.0**		6.3

At 31 August 2024, options over 1,004,580 Ordinary Shares were exercisable (2023: 121,100).

26 SHARE-BASED PAYMENT

	12 months ended 31 August 2024 £000's	12 months ended 31 August 2023 £000's
Charge for share-based payment	**70**	204

The fair value of equity settled awards has been estimated at the date of grant using a binomial valuation model for which the inputs are summarised below:

	2006 Scheme	2017 Scheme	2017 Scheme	2017 Scheme
Grant Date	**25 September 2014**	**2 October 2020**	**4 October 2023**	**18 December 2023**
Options outstanding 1 September 2023	121,100	904,730	-	-
Granted	-	-	30,000	155,000
Exercised	(8,000)	-	-	-
Lapsed	-	(13,250)	-	-
Options outstanding 31 August 2024	113,100	891,480	30,000	155,000
Contract term year(s)	10	10	10	10
Expected life of option	8	8	8	8
Exercise & share price at grant	213.0p	325.50p	270.00p	288.00p
Expected volatility	25% – 35%	31%	38%	38%
Annual risk-free rate	2.502%	0.2877%	4.5812%	3.7167%
Annual expected dividend	3.65% – 4%	1.44%	7.2%	7.2%
Fair value per share under option	46p	72p	53p	54p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Option valuations are based upon the assumption that the dividend remains at this level in the future.

The Ordinary Shares transferred out of treasury, upon valid exercise of share options, shall have the same dividend and voting rights as the ordinary issued share capital.

27 COMMITMENTS

The Group has entered into contracts for minimum royalties in the amounts set out below which are contracted to be paid to licensors irrespective of sales. These royalties are not provided for in the financial statements as the Directors believe that the required level of future sales will be achieved:

	2024 £000's	2023 £000's
Within one year	**809**	2,146
Between one and two years	**100**	416
	909	2,562

At the financial year end of 31 August 2024, the Group had capital expenture commitments of £351,000 (2023: £905,000).

THE GROUP AS LESSOR

The Group has future aggregate minimum lease receipts under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2024 £000's	2023 £000's
Within one year	**169**	248
Between one and two years	**164**	357
	333	605

28 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption available under IAS 24 related party disclosures not to disclose transactions and balances between Group entities that have been eliminated on consolidation. There were no contracts with the Company or any of its subsidiaries existing at the end of the financial year in which a Director of the Company was materially interested.

The principal subsidiary undertakings of the Company are shown in note 13.
Transactions between the Company and its subsidiaries are shown below; all such transactions were carried out in the normal course of business and all amounts outstanding are unsecured interest-free and receivable on demand of cash.

	2024 £000's	2023 £000's
Dividends received	**7,482**	7,565
Management fees received	**1,800**	1,800
Property rental income	**201**	201
Property rentals paid	**(118)**	(119)
Amounts due from subsidiary undertakings	**39,641**	38,060
Amounts owed to subsidiary undertakings	**(57)**	(13)

29 CONTINGENT LIABILITIES

The contingent liability for letters of credit raised in the normal course of business at 31 August 2024 amounted to £3,736,000 (2023: £5,879,674).

30 EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Subsequent to the year ended 31 August 2024 and to the date of this annual report, the Company repurchased for cancellation 66,757 Ordinary Shares at an aggregate cost of £182,156, before dealing costs. Also during the same period, 109,100 Ordinary Shares of 5 pence each held as Treasury shares were transferred from Treasury following the exercise of share options by eleven employees.

Notice of Meeting

The Character Group plc

(*incorporated and registered in England with registered no. 3033333*)

NOTICE IS HEREBY GIVEN THAT the 2025 Annual General Meeting of The Character Group plc will be held at 1st floor, 86 – 88 Coombe Road, New Malden, Surrey, KT3 4QS on Friday 17 January 2025 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the directors' report and the accounts of the Company for the year ended 31 August 2024 and the report of the auditors thereon (the "Accounts").

2. Subject to the adoption of the Accounts in accordance with Resolution 1 above, to declare a final dividend on the ordinary shares in the capital of the Company (other than ordinary shares held by the Company in treasury) for the year ended 31 August 2024 of 11.0 pence per ordinary share.

3. To consider an ordinary resolution of the Company that Mrs. C. Warren, who retires in accordance with the terms of her letter of appointment, be and is hereby re-elected as a director of the Company.

4. To consider an ordinary resolution of the Company that Mr. J. Shearman, who retires in accordance with the terms of his letter of appointment, be and is hereby re-elected as a director of the Company.

5. To consider an ordinary resolution of the Company that Lubbock Fine LLP be and are hereby re-appointed as auditors of the Company to hold office until the conclusion of the accounts meeting next following their appointment, on terms as to remuneration to be determined by the directors.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of the Company:

Ordinary Resolution

6. That, in accordance with section 551 of the Companies Act (the "**Act**"), the directors be and are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £310,000, such authority to expire on the earlier of fifteen months following the date upon which this resolution was passed and the conclusion of the Annual General Meeting of the Company next following the date upon which this resolution was passed, unless renewed, varied or revoked by the Company in general meeting provided that the Company may at any time before the expiry, variation or revocation of such authority make offers or agreements which will or might require shares in the Company to be allotted or Rights to be granted and the directors may allot shares or grant Rights after the expiry, variation or revocation of such authority as if such authority had not expired or been varied or revoked. This authority shall replace all existing authorities conferred on the directors in respect of the allotment of shares in the Company or grant of Rights under section 551 of the Act to the extent that the same have not previously been utilised.

Ordinary Resolution

7. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ("**Ordinary Shares**") on such terms as the Directors think fit provided that:

   (A) the maximum number of Ordinary Shares hereby authorised to be acquired is 2,815,000;

   (B) the minimum price (exclusive of all expenses) which may be paid for Ordinary Shares is 5p per share; and

   (C) where such acquisition is to be effected:

      (i) pursuant to tenders made in relation to any tender offer effected by (or on behalf of) the Company, the maximum price (exclusive of expenses) which shall be paid for an Ordinary Share pursuant to this authority shall be no more than 150 per cent. of the average of the middle market quotations as as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which a circular is posted to Shareholders notifying Shareholders of the terms and conditions of the tender offer; or

      (ii) otherwise than pursuant to tenders made in relation to any tender offer effected by (or on behalf of) the Company, the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is, in respect of a share contracted to be purchased on any day, is an amount equal to the higher of:

         (A) 105 per cent of the average closing middle market quotations of ordinary shares of 5p in the Company as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the day on which such purchase is carried out; and

         (B) the value of an Ordinary Share calculated on the basis of the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the relevant purchase is carried out; and

   (D) the authority hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting following the date upon which this resolution was passed or 15 months following the date upon which this resolution was passed; and

   (E) the Company may contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuant of any such contract; and

   (F) all Ordinary Shares so purchased in pursuance of this authority shall be cancelled or held as treasury shares immediately upon completion of the purchase and the amount of the Company's issued share capital shall be reduced by the nominal amount of the shares so purchased.

Special Resolution

8. That:

   (A) in accordance with section 570 of the Companies Act 2006 (the "Act"), the directors be and are hereby given the general power to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred on them for the purposes of section 551 of the Act by an ordinary resolution of the Company of even date herewith and/or to sell equity securities held as treasury shares (within the meaning of section 724 of the Act) for cash in each case as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited:

      (i) to the allotment and/or sale of equity securities in connection with any offer by way of rights to holders of ordinary shares in the capital of the Company (other than to the holder(s) of treasury shares) notwithstanding that, by reason of such exclusions or other arrangements as the directors may deem necessary or desirable to deal with legal or other problems arising in any overseas territory, in connection with fractional entitlements, record dates or otherwise howsoever, the equity securities to be allotted are not offered to all such holders in proportion to the respective number of ordinary shares held by them;

(ii) the allotment of equity securities and/or the sale of equity securities held as treasury shares (otherwise than pursuant to paragraph (i) above) up to an aggregate nominal value of £46,500;

(B) the power hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting following the date on which this resolution was passed or fifteen months following the date upon which this resolution was passed;

(C) the power hereby conferred shall enable the Company to make an offer or agreement that would or might require equity securities to be allotted and/or sale after such power expires and the directors may allot and/or sell equity securities in pursuance of any such offer or agreement made within the limits prescribed in paragraph (A) above as if the power hereby conferred had not expired; and

(D) this power shall replace all existing powers granted to the directors to allot and/or sell equity securities as if the said section 561(1) of the Act did not apply to the extent that the same have not been previously utilised.

By order of the Board,

R B Smyth Secretary 18 December 2024	Registered Office: Citypoint, 16th Floor, One Ropemaker Street, London, EC2Y 9AW

Notes:

1. The register of directors' interests and copies of the directors' service agreements or (as appropriate) their letters of appointment or memoranda summarising the terms thereof and the Articles of Association of the company will be available for inspection at the registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and on that day will be available for inspection at the place of the meeting from 10:00 a.m. until the conclusion of the meeting.

2. A member entitled to attend and vote at the Annual General Meeting convened by the Notice above is entitled to appoint a proxy or proxies to attend, speak and vote in his/her place. A member may only appoint more than one proxy if each proxy is appointed to exercise the voting rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to the same shares.

3. To be valid, forms of proxy must be lodged with Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD no later than 11:00 a.m. on 15 January 2025, or, in the event of an adjournment of the meeting, not less than 48 hours before the adjourned meeting. A form of proxy is enclosed with this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Neville Registrars Limited. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

4. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in Notes 2 and 3 above and notes 8 – 12 below) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the company's articles of association and the relevant provision of the Companies Act 2006.

5. Completion of a form of proxy or any CREST Proxy Instruction (as described in note 9 below) will not prevent a member from attending and voting at the Annual General Meeting should he or she so wish, but the Board is strongly encouraging shareholders to vote via proxy as opposed to in person.

6. For the purposes of Regulation 41 of the Uncertificated Securities Regulations 2001, the members entitled to attend, speak and/or vote at the Annual General Meeting shall be those entered on the company's register of members at 6:00 p.m. on 15 January 2025 (or if the meeting is adjourned, on the day which is two business days before the time fixed for the adjourned

meeting). Changes to entries on the register of members after that time (including as to the number of votes they may cast) will be disregarded in determining the rights of any person to attend and/or vote at the meeting.

7. As at 17 December 2024 (being the last business day prior to the publication of this Notice) the company's issued share capital (excluding shares held in treasury) consisted of 18,707,641 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 17 December 2024 was 18,707,641.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 11:00 a.m. on 15 January 2025. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. As an alternative to returning a hard copy Form of Proxy, you may submit your Proxy electronically at www.sharegateway.co.uk by using your Personal Proxy Registration Code as shown on the Form of Proxy. For an electronic proxy appointment to be valid, the appointment must be received by Neville Registrars Limited no later than 11:00 a.m. on 15 January 2025, or, in the event of an adjournment of the meeting, not less than 48 hours before the adjourned meeting.

SUMMARY OF THE SPECIAL BUSINESS TO BE CONSIDERED AT THE 2024 ANNUAL GENERAL MEETING

It is proposed that the following resolutions will be proposed as special business at the Company's 2025 Annual General Meeting (the "**AGM**"):

Resolution 6 – Authority to allot unissued shares

Pursuant to section 551 of the Companies Act 2006 (the "**Act**"), the directors of a company may be authorised by its shareholders to allot shares in the company or grant rights ("Rights") to subscribe for or to convert any security into shares in the company.

Resolution 6 is an ordinary resolution that seeks approval from shareholders to renew the Directors' authority to allot unissued ordinary shares of 5 pence each in the capital of the Company ("**Ordinary Shares**") and/or to grant Rights up to an aggregate nominal amount of £310,000, which represents 6,200,000 Ordinary Shares (approximately 33.0 per cent. of the issued share capital of the Company, excluding shares held in treasury, as at 17 December 2024 (being the last business day prior to the publication of this Notice). A corresponding authority was given to the Directors at the last annual general meeting and that authority expires at the conclusion of the AGM.

The Company will consider the allotment of unissued Ordinary Shares and/or Rights to finance business opportunities, to reduce gearing and/or to raise further working capital for the Group if/as appropriate. The Directors will use their discretion to exercise this authority in a manner calculated to manage the Company's capital base as effectively as possible and generally in a manner most likely to promote the success of the Company for the benefit of shareholders.

The authority proposed by resolution 6 will expire at the conclusion of the next annual general meeting to be held after the passing of this resolution or (if sooner) on the date being 15 months following the passing of the resolution.

There are no present plans to allot unissued Ordinary Shares pursuant to this authority.

Resolution 7 – Authority to make market purchases of own shares

Where it is proposed that a company is to be authorised to make market purchases of its own shares, the exercise of that authority is subject to that authority being granted in accordance with the requirements of section 701 of the Act.

Resolution 7 is an ordinary resolution that seeks approval from shareholders of the grant of an authority for the Company to make market purchases of Ordinary Shares pursuant to tender offers or otherwise, either for cancellation or into treasury, if and when the Directors consider that it would be in the best interests of the Company and shareholders generally to do so. An authority was given to the Directors in this fashion at the 2024 AGM of the Company and that authority expires at the conclusion of the 2025 AGM.

The maximum number of shares that may be acquired through exercise of this proposed authority is 2,815,000 Ordinary Shares, representing approximately 15 per cent. of the issued share capital of the Company (excluding shares held in treasury) as at 17 December 2024 (being the last business day prior to the publication of this Notice). The resolution specifies the minimum and maximum prices which may be paid for any Ordinary Shares purchased under this authority, which reflect current best practice and the applicable requirements of the Market Abuse Regulation.

The authority proposed by resolution 7 will expire at the conclusion of the next annual general meeting to be held after the passing of this resolution or (if sooner) on the date being 15 months following the passing of the resolution.

Resolution 8 – Disapplication of pre-emption rights

Where shares are allotted pursuant to a general authority, as provided in resolution 6, and they are to be subscribed for in cash, that allotment must be made subject to the provisions of section 570 of the Act, where applicable. This section requires that any new shares to be allotted or treasury shares to be sold are offered on a pre-emptive basis to existing shareholders, i.e. in proportion to their existing holdings prior to being allotted or sold in any other fashion. There may, however, be circumstances where the Directors wish to allot or sell shares for cash other than to shareholders strictly pro-rata to their holdings but this may not be done unless shareholders have first waived their pre-emption rights. A disapplication of these provisions was granted at the last annual general meeting and that disapplication expires at the conclusion of the AGM.

Resolution 8, which will be proposed as a Special Resolution of the Company, seeks approval from shareholders to a renewal of the disapplication of the statutory pre-emption rights to allow the Directors to allot equity securities (which includes Ordinary Shares) or sell Ordinary Shares held in treasury for cash, as if section 561(1) of the Act did not apply to such allotment. The authority will allow the Directors to allot equity securities or sell Ordinary Shares held in treasury for cash other than in accordance with section 570 of the Act in connection with rights issues and other offers of shares pro-rata to existing holdings (but allowing for certain adjustments to shareholder entitlements to be made for practical purposes to deal with fractional entitlements and overseas restrictions on offers of shares in UK companies) and further limited disapplications of those preemption rights in relation to the allotment of Ordinary Shares and/or the sale of Ordinary Shares held in treasury for cash of up to an aggregate nominal amount of £46,500, representing 930,000 Ordinary Shares (equivalent to approximately 5 per cent. of the issued share capital of the Company, excluding shares held in treasury, as at 17 December 2024, being the last business day prior to the publication of this Notice).

The disapplication proposed by resolution 8 will expire at the conclusion of the next annual general meeting to be held after the passing of this resolution or (if sooner) on the date being 15 months following the passing of the resolution.

There is no present intention on the part of the Directors to exercise this authority, either in respect of unissued shares in the Company or shares held in treasury.

The Character Group plc
2nd Floor, 86-88 Coombe Road,
New Malden, Surrey. KT3 4QS

T: +44 (0)20 8329 3377
F: +44 (0)20 8336 2585
E: info@charactergroup.plc.uk