the CHARACTER group plc

Annual Report and Accounts

For the year ended 31 August 2022

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www.thecharacter.com

www.character-online.com

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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, particularly in the USA and other parts of the EU. 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. In focusing on our quest to reduce the presence of plastics in our toy ranges, we have developed and produced a range of wooden toys, vehicles and accessories. More recently, we have developed ranges of "Eco Plush" toys (soft fabric and filled toy products manufactured from recycled materials).

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 in-house and third party) and to further increase our sales globally. We believe that this approach will enable the 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, though collaborative, sub-contract basis with closely vetted, reputable suppliers. The Group owns and operates from three freehold properties in the UK. Our head office is based in New Malden, Surrey and our principal distribution warehouses are located in a re-purposed Mill building (originally built in the 1880's) and a 1970's, purpose-built warehouse and distribution facility, both 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.

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 we believe offers something to all our target consumers.

Our top performing brands in 2022 and into 2023 include: *Goo Jit Zu, Jiggly Pets, Chill Factor, Peppa Pig, Shimmer 'n Sparkle,* Mouse *in the House, Weebles and Stretch Armstrong*.

CHAIRMAN'S STATEMENT

I am pleased to introduce the results of the Group for another year of profitable trading. There continued to be challenges for the business in the year under review, due to shipping and container shortages, high levels in freight rates and adverse movements in the Sterling to US Dollar exchange rate, which increased costs. Rising inflation and the cost of living crisis had the effect of dampening consumer demand. Despite this, the sell though of our ranges of products have remained high and record sales levels have been achieved to deliver turnover of £176.4m and a profit before tax and highlighted items of £11.3m, in line with market expectations.

These results demonstrate yet again how talented our teams around the globe are in ensuring the profitable operation of the Group's business, despite the disruptive market conditions. On behalf of all of our shareholders, I would like to thank all of our staff for their dedication and work ethic in achieving this landmark level of sales for the Group.

The Board is recommending a final dividend of 10.0p per share, which (together with the interim dividend of 7.0p per share paid in July 2022), brings the total dividend for the year to 17.0p per share.

I look forward to updating shareholders at our annual general meeting on 20 January 2023 and take the opportunity to wish all our staff, shareholders, customers and suppliers season's greetings a very happy New Year!

Richard King

Non-Executive Chairman
21 December 2022

EXECUTIVE REVIEW

KEY PERFORMANCE INDICATORS	**12 months ended 31 August 2022**	12 months ended 31 August 2021
Revenue	**£176.4m**	£140.0m
Operating profit before highlighted items *	**£11.4m**	£11.2m
Profit before tax before highlighted items *	**£11.3m**	£11.1m
Statutory profit before tax	**£11.4m**	£15.3m
EBITDA (earnings before interest, tax, depreciation, amortisation and gain on property), before highlighted items*	**£14.2m**	£14.0m
Basic earnings per share before highlighted items*	**45.73p**	40.92p
Diluted earnings per share before highlighted items*	**44.77p**	40.37p
Basic earnings per share after highlighted items	**46.37p**	56.86p
Diluted earnings per share after highlighted items	**45.39p**	56.09p
Dividends declared per share for the year	**17.0p**	15.0p
Net assets	**£38.9m**	£44.9m
Net cash	**£20.0m**	£35.9m

*Excludes:		
Mark to market profit adjustments on FX derivative positions	**£0.2m**	£2.1m
Profit on sale of property	**-**	£2.0m
		-

INTRODUCTION

The preliminary indications given in the trading update issued by the Company on 4 October 2022 have been confirmed in the final results for the year ended 31 August 2022, with the Group delivering a creditable profit before tax before highlighted items, of £11.3m. The turnover in the year improved significantly to £176.4m (FY 2021: £140.0m), driven primarily by increased sales of the Group's *Goo Jit Zu* product line in the USA. However, increases in costs of materials, production and freight throughout the year, resistance to price increases and, increasingly in the second half, the strengthening of the US Dollar have eroded margins and denied the Group a corresponding uplift in profitability.

The Group continued to be cash generative, delivering £4.2m of cash from operations in the year (2021: £27.3m), despite an increase in inventories of £15.3m due to a conscious decision to bring stock in early. We finished the year with a net cash balance of £20.0m (2021: £35.9m), after funding the £13.6m tender offer buyback of shares, which completed in February 2022.

OPERATIONAL PERFORMANCE

Group revenue in the year to 31 August 2022 was £176.4m, against a turnover of £140.0m in the comparable 2021 period. The gross profit margin was 23.5% (FY 2021: 28.9%) and, on an absolute basis, the gross profit was £41.3m compared to £40.4m for the previous year.

A significant proportion of the Group's purchases are made in US dollars; the Group is therefore exposed to foreign currency fluctuations and manages the associated risk through the purchase of forward exchange contracts and derivative financial instruments. Under International Financial Reporting Standards (IFRS), at the end of each reporting period the Group is required to make an adjustment in its financial statements to incorporate a "mark to market" valuation of such financial instruments. The "mark to market" adjustment for this financial period results in a notional profit of £0.2m. This compares to a corresponding notional profit of £2.1m reported in the year to 31 August 2021. 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 FX 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 under review after highlighted items, of £11.4m (FY 2021: £15.3m). Underlying earnings before interest, tax, depreciation and amortisation were £14.2m (FY 2021: £14.0m).

Underlying basic earnings per share before highlighted items amounted to 45.73p (FY 2021: 40.92p). Diluted earnings per share, on the same basis, were 44.77p (FY 2021: 40.37p).

Basic earnings per share after highlighted items were 46.37p (FY 2021: 56.86p). Diluted earnings per share, on the same basis, were 45.39p (FY 2021: 56.09p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's net assets at 31 August 2022 totalled £38.9m (FY 2021: £44.9m), the reduction reflecting the £13.6m buyback of approximately 10% of the Company's issued voting share capital pursuant to the tender offer by the Company in the financial period.

Inventories were c.£ 15.3m higher at the end of the financial period at £26.2m (FY 2021 £10.9m), reflecting the Group's policy this year of making our purchases early; this stock is largely current product and should sell.

During the period, the Group generated cash from operations of £4.2m (FY 2021: £27.3m), which was impacted by the substantially increased inventories held at the year-end. Net interest charges on short-term use of working capital facilities during the year amounted to £0.2m (FY 2021: £0.1m).

At the end of the financial year, the Group had a net cash position of £20.0m, compared to £35.9m at the end of the 2021 comparative period, despite financing the £13.6m tender offer buyback.

DIVIDEND

The Board remains committed to maintaining a progressive dividend policy. Accordingly, the Directors will be recommending to shareholders a final dividend of 10.0p (2021 H2: 9.0p per share). This, together with the interim dividend of 7.0p per share paid in July 2022, will bring the total dividend for the year to 17.0p per share (FY 2021: 15.0p), an increase of 13.3%. The total dividend for the year is covered approximately 2.7 times by underlying annual earnings (2021: 2.7 times).

Subject to approval by shareholders at the Annual General Meeting ("AGM") at 11am on Friday, 20 January 2023, the following timetable will apply for this dividend:

Event	Date
Ex-dividend date	12 January 2023
Record date	13 January 2023
Payment date	27 January 2023

OUR PRODUCT PORTFOLIO

The strength of our brands and products portfolio has enabled us to significantly increase sales at a time when margins have come under intense pressure. The notable performers during the year under review were *Goo Jit Zu* (our star product range which is being distributed in over 40 territories and continues to maintain a strong presence), *Chill Factor* (the brand acquired in 2021 which we have reinvigorated and which has significantly increased its domestic and international penetration), *Weebles* (the "wibbly wobbly fun" concept that has proved to have lasting consumer appeal and now features in our *Peppa Pig*, *Bluey*, *Cocomelon* and *My Little Pony* licensed product ranges), *Cra-Z-Art Shimmer 'n Sparkle* (the popular ranges of play makeup, nail bar, body art and beauty products and accessories) and *Peppa Pig* (our range of toys developed through our continued and valued collaboration with Hasbro).

Once again, in November 2022 we featured in the Toy Retailers Association's prestigious "DreamToys", which showcases the most sought-after toy categories in the UK for Christmas 2022. We were delighted that the 'Top 12 list' included two of our products, namely *Heroes of Goo Jit Zu* and *Jiggly Pets Gigi the Giraffe*.

A number of exciting new brand concepts, additions and extensions, including of our own brands, will be added to our offering and unveiled during the London Toy Fair in January 2023 and through to Spring next year.

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

PROXY

The Scandinavian markets have been subjected to very similar conditions to our domestic market in the UK and the strength of the US Dollar in particular resulted in a broadly comparable outcome for the Group's Scandinavian operations to that of the previous year. The integration of Proxy into the Group has continued with a large degree of alignment in the product listings, processes and procedures being achieved during the year under review.

It is encouraging to report that two of Proxy's hero products, the *Pokémon* toy products range from Jazwares and the extensive range of *Funko* collectable Pop! figurines, have sold well in the Scandinavian territories and continue to be solid brands.

SHARE BUY-BACK PROGRAMME

In the period under review, the Company acquired for cancellation a total of 2,142,572 ordinary shares in the Company at an aggregate cost of £13.5m (excluding associated costs) and a cost of £6.30 per ordinary share (FY 2021: nil). This buyback was made pursuant to a tender offer issued on behalf of the Company on 28 January 2022 and completed in February 2022. The Company currently has a remaining authority to buy-back up to a further 1,057,428 ordinary shares under the authority granted at the AGM in January 2022, which authority will expire at the 2023 AGM.

It remains part of the Group's overall strategy to continue to repurchase the Company's own shares, when considered appropriate. The Board believes that it is in the Company's and investors' interests to provide shareholders who wish to realise part or all of their investment in the Company with an opportunity to access liquidity that is not otherwise available in the market and to return excess capital to shareholders. Therefore, the Board will be seeking a new authority to buy back up to 2,890,000 ordinary shares (constituting approximately 15% of the total voting rights in the Company) at the 2023 AGM. This authority will also allow the Company to implement buybacks either by way of an announced buyback programme or by way of further tenders for its issued shares. In line with the Board's buyback strategy, the Company will continue to repurchase the Company's own shares as and when considered appropriate. Details of any intention to exercise this authority will be announced and any tender proposal(s) will be fully communicated to shareholders if and when the Board resolves to implement such arrangements.

TOTAL VOTING RIGHTS

As at today's date, the Company has 21,465,929 ordinary shares in issue, excluding shares held in treasury. The Company holds 2,149,477 ordinary shares in treasury, representing approximately 10.0 per cent. of the issued share capital, which do not carry voting or dividend rights. Therefore, the total number of voting rights in the Company is 19,316,452. This figure of 19,316,452 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

The Group employs approximately 216 permanent staff across its locations in the UK, Scandinavia and Asia (FY 2021: 209), supplemented by additional seasonal labour at its warehouses in Oldham during peak demand periods. The longevity of staff employment with the Group, many with over 15 years' service, demonstrates the bond and loyalty that many of them feel towards their colleagues and the Group as a whole.

On behalf of our shareholders, the Board pays tribute to and thanks all our personnel for their dedication and hard work in delivering the results for the year under review and for their continued support.

THE BOARD

The Board was delighted to announce the appointment of Jonathan Shearman as an additional independent, non-executive director in June 2022. Jonathan has been appointed to all of the Board's committees and to the Chair of the Board's Remuneration Committee and has already had a positive impact on the Company's governance.

David Harris, who joined us in 2004 and is the longest serving non-executive director, has notified the Board that he wishes to retire and therefore he will not be offering himself for re-election at our AGM in January 2023. On behalf of all shareholders and staff around the business, the Board thanks David for his valued service and wise counsel over the years; we wish him all the best for the future.

As announced in June 2022, Mike Hyde, the Managing Director of the Group's Far East operations, will be relinquishing his executive role from 31 December 2022 to pursue other challenges. He will, however, remain on the Board in a non-executive capacity from 1 January 2023. We have greatly appreciated Mike's contributions over the years. Since July this year, he has worked closely with the general manager appointed to replace him, to ensure an orderly transition of responsibilities.

THE 2023 ANNUAL GENERAL MEETING (AGM)

The Company's 2023 AGM will take place as an in-person meeting at 11:00 a.m. on Friday, 20 January 2023. The Meeting is to be held at the Group's head office in New Malden, Surrey and the formal notice of the meeting is set out on pages 76 - 79 of this document. Explanatory notes in relation to the resolutions to be proposed at the AGM are set out on pages 80 - 81 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.

The Company is providing facilities which will enable shareholders to:

- view the live meeting electronically. If you wish to attend in this fashion, please email info@charactergroup.plc.uk (stating "Character Group: 2023 AGM virtual attendance" in the subject line of the email) by 11:00 a.m. on Wednesday, 18 January 2023 to ensure the issue to you of a Microsoft Teams invitation. Invitations enabling remote attendance will be issued by 6:00 p.m. on 19 January 2023. 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 on pages 78 - 79 of this document, by no later than 11:00 a.m. on 18 January 2023. If the Chair of the AGM is appointed as proxy to a shareholder, he will vote in accordance with any instructions given to him. If the Chair of the meeting is given discretion as to how to vote, he will vote in favour of each of the resolutions to be proposed at the AGM; and

- submit written questions prior to 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: 2023 AGM Questions" in the subject line of the email) by 11:00 a.m. on 18 January 2023. The Board will seek to respond to questions which are put forward in this way either in advance of the AGM, during the AGM and/or by publishing written responses on the Company's website after the AGM, together with results of voting. Although it will be possible to take questions during the course of the meeting itself, time may not permit responses to all of the questions to be given at the meeting and, in those circumstances, written responses will be published on the Company's website after the meeting.

OUTLOOK

As we anticipated at the time of the update in October 2022, trading conditions have become more challenging and sales have slowed in the lead up to Christmas. Whilst this has been a trend in both our domestic markets and in our other major international markets, the effect has been particularly discernible in the USA. In addition, the weakening of sterling in September and October 2022 has continued to squeeze margins in our domestic markets. These factors will adversely affect the Group's performance in the first half of the current financial year. The slow-down in sales means the Group's stock levels remain unseasonably high but the Board expects these will sell through as it is largely current inventory.

The Group has a strong product offering for its markets going into 2023. The recent previews and presentations of our 2023 ranges and new additions to our retail and distribution customers have been very well received by customers. The new ranges and additions include:

- new products under our multi-territory *Stretch Armstrong* product range, including *Star Wars* and *Transformers*;
- a line of *Teenage Mutant Ninja Turtles* products from Playmates International for domestic distribution in the UK and Ireland, to coincide with a new Turtles movie to be released in the second half; and
- the distribution of exciting toy ranges from Bonkers Toys based on the *Aphmau* and *Lanky Box* brands established by two influencer concepts that have generated large followings on social media and created YouTube stars.

International sales, other than those to USA, are forecast to grow significantly in the second half of the current financial year. Although we expect domestic sales to be flat in the second half, the substantial reductions in freight rates, which have now returned to (if not reduced below) pre-pandemic levels, together with reduced costs of production from factories in China and strengthening of Sterling against the US Dollar from its recent low point, should improve our margins. This is greatly heartening and has given the Board considerable grounds for optimism for a second half rebound.

Character Group has a strong balance sheet and is debt-free, with cash and considerable unutilised working capital facilities. The business continues to trade satisfactorily and shall be profitable for the financial year as a whole. The Board is, accordingly, committed to maintaining its progressive dividend policy.

The Board looks forward to further updating shareholders at the time of its forthcoming AGM on the outcome of the 2022 Christmas trading period.

J J Diver
Joint Managing Director
21 December 2022

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:

COVID-19

The effects of the pandemic continue to have an impact on the supply chain from China, with localised lockdowns following detection of COVID infections. There has been increased vigilance in the workplace as COVID surges are reported in regions in the UK and this is likely be a feature of ordinary life for some time, though the potential effect on productivity is considered to be marginal. The Group manages this risk by continuing to apply Government guidance and facilitating testing.

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 standard 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. The Group manages this risk by using a wide range of suppliers and by operating through local offices in Hong Kong and China with teams that work closely with the factories and supply chain links.

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 of 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 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. The Group has been aware of this legislative change for some time and has planned and implemented its response and, to the extent that it can be achieved, the Group will endeavour, and will certainly move towards, reducing new plastics in packaging to below the tax threshold.

PRINCIPAL RISKS AND UNCERTAINTIES

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, our 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. An example of this is that OVG-Proxy A/S, the Company's Danish operating subsidiary, has been appointed as the Group's EU authorised representative for the purposes of compliance with the EU's Toy Safety Directive, which is required following Brexit and to ensure long-term access for the Group to EU markets for its products.

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. Our 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 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 over 16 years ago. This 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. 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.

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 modern slavery.

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 our licensors and customers). Internal and external ethical audits are routinely carried out and each supplier's compliance with our ethical policy requirements is monitored and reported on. The Group holds annual "vendor reviews" for each factory that we retain for our 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 our customers to coordinate product programs and maximise sales opportunities, including at domestic and international trade exhibitions and viewings at our UK and Scandinavian showrooms. We are also pleased to report we were able to resume showcasing our new additions to our brands and product ranges at the London Toy Fair in Feb 2022 and at the inaugural opening of our new Los Angeles showroom in California in October 2022.

In addition, the Group continues to make extensive use of online audio and web-based conferencing platforms to successfully showcase our products to our distributors and customers, making our 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 coherent environmental policy. The policy focuses on continuously improving and monitoring the Environmental impact on various aspects of our operations. Updates on our endeavours and outcomes during the year under review are given in the Environmental section of our ESG Report on pages 13 to 19 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 our Ethical Policy and Code of Conduct, which are applicable to all of our suppliers. Employees and managers receive regular briefings on these policies and our policies 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 (a number of the executive Directors with significant holdings) and 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 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. Regretfully, due to the UK Government's restrictions at this time in response to the COVID-19 pandemic, we were unable to extend this facility at the AGM in January 2021 and heightened concerns over escalating Omicron COVID-19 infection rates led us to discourage personal attendance at the AGM in January 2022. The 2023 AGM is to be held on 20 January 2023 and this will be a fully open meeting and the Directors look forward to engaging personally with shareholders then. The facilities to submit written questions to the Board in advance of the meeting and to attend virtually will be continued to enable the fullest participation.

ENVIROMENTAL, SOCIAL AND GOVERNANCE ("ESG) REPORT

INTRODUCTION

Welcome to the first 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 and safety and responsible sourcing. The Company 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 focussed. 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 the next generation will inherit.

This report covers the 12-month period from 1 September 2021 to 31 August 2022 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 are of increasing concern to the Group, its customers and consumers. In 2020, the Group formally adopted a coherent environmental policy. The policy focuses on continuously improving and monitoring the Environmental impact in the areas of:

- Transportation;
- Efficient use of water and energy;
- Minimising waste;
- Recyclability of packaging materials;
- Timber use from certified, managed sources;
- Procedures to minimise noise disturbance to neighbours.

Energy and Climate Change

As an international business we recognise the important contribution we can make towards mitigating climate change impacts of our operations and supply chain. We continue to invest in ways to conserve energy and reduce Greenhouse Gas (GHG) emissions. The following section outlines information regarding our UK operations.

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 were in need of substantial updating and adaption to the purposes of our operations. The planning and scoping of these works has given us the opportunity to look at environmentally friendlier and energy saving methods to heat, light and generally operate these premises. The initial phase of the project has been to make the existing warehouse facilities at the premises fully operational. The Group has invested in new thermally insulated roofing, fully air source heating technology, LED lighting throughout (supplemented by natural light roof windows to reduce energy consumption and lighting needs during normal working daylight hours) and the installation of a high bay racking system to maximise space utilisation. This became increasingly operational during the current reporting year and the phase 1 works were fully completed in October 2022.

Additionally, the Group has implemented a transition for the UK company car fleet to almost 90% electric cars.

Character Options Limited, the Group's principle UK trading subsidiary, appointed Comply Direct 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 2021 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 three reporting periods, namely the years to 31st August 2022 and 31st August 2021, as well as the year to 31st August 2020, for a fuller comparison. Operationally, we think it prudent to report these periods due to Covid-19 operational restrictions, investment in electric vehicles and electrified reach trucks, car charging facilities on one site and significant investment in air source heating installation at the Townley Street site. Having emerged from the Covid-19 restrictions period, we have operated in the past financial year at three sites, including 9 months of increasing warehouse space utilisation at the recently purchased Townley Street site.

Scope 1 and 2 Greenhouse Gas Emissions (2019-2022)

Scope	Activity	2019/2020	2020/21	2021/22
		Tonnes CO_2e	Tonnes CO_2e	Tonnes CO_2e
Scope 1 GHG emissions	Site gas	167	158	153
	Company car travel	35	15	13
Subtotal		**202**	**173**	**166**
Scope 2 GHG emissions	Purchased electricity	99	76	96
Total gross GHG emissions		**301**	**249**	**262**
Total energy consumption (kWh)		**1,443,758**	**1,300,444**	**1,414,642**
Gross total emissions Scope 1, Scope 2 (market base)		**295tCO_2e**	**198tCO_2e**	**166tCO_2e**
Intensity metric: Gross tonnes CO_2e per £m turnover (Scope 1, Scope 2)		**5**	**4**	**4**

Electricity purchased for all three UK sites is sourced from renewable energy suppliers. In addition, the Lees Brook Mill site is fitted with onsite solar generation and all electricity generated in this way is consumed on site. This solar generation facility produced 39,761 kWh of electricity, equating to approximately 12.5% of the electricity consumed on site at Lees Brook Mill. In the year under review, the Group's three UK sites saw an overall reduction in the gross total CO_2e emissions under scope 1 and 2 of approximately 16% on the previous year and approximately 44% on the year 2019/20. The Group is currently developing further carbon reduction plans for its UK sites and will continue the roll out of the electrification of its UK vehicle fleet.

Energy Efficiency Action

The Energy saving opportunity scheme (ESOS) phase 3 audits for all three UK sites will be undertaken in December 2022 and we will report on this in 2023. The ESOS report findings will inform our planning and identify energy saving opportunities for the new office design and layout at our Townley Street premises.

Product Stewardship

Eco Plush

Since 2020, we have developed and now distribute widely ranges of 'Eco Plush' toys (soft fabric and filled toy products manufactured from 100% recycled materials), presented in plastic free packaging (using FSC certified cardboard packaging). These products are designed to address heightening consumer awareness of the need to redirect purchasing choices to sustainable products. We intend to develop further initiatives in this eco-conscious space in the coming years. The Group are using sophisticated recycling processes which underpin an important tenant of the Circular Economy – utilising waste plastic from single use applications into desirable, durable cuddly toys. These environmentally friendly toys aim to bring super soft fun to kid's playtime aged 18 months+.

Forest Stewardship Council (FSC)

Character continues to take product related materiality seriously within the supply chain. Character's 'World of Wooden Toys' are made with durable and sustainable FSC Certified wood. With eye catching and colourful designs, our fun ranges aim to stimulate imaginative play across a number of key licensed properties.

We ensure that all wood used in the production of our growing wooden toy ranges and in the cardboard packaging and instruction booklets that we produce is sourced only from FSC managed suppliers.

Forest Stewardship Council (FSC) - continued

The FSC's forest management standards extend to the protection of water quality, prohibitions on the harvesting of rare old-growth forests, 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, 15 vendors are supplying FSC certified packaging and/or products and 26 FSC certified packaging printers and four FSC certified wooden toy factories are 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 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 address 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, reduce material usage. In 2021, Character Options joined the On Pack Recycling Label (OPRL) – 'Certified as Recyclable' Scheme. This provides simple, consistent and visual recycling labels on pack that are recognised and inspire confidence amongst consumers in the UK and this approach is acknowledged by the UN Environment Programme as international best practice.

United Nations Sustainable Development Goals

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. By using recycled PET (polyethylene) in our plush toy ranges, we are less reliant on virgin plastics. Through the installation of air sourced heat pump technology in our new Townley Street distribution centre, we have significantly mitigated our Greenhouse Gas (GHG) emissions through reduced energy consumption and avoiding consumption of non-renewable natural gas.

United Nations Sustainable Development Goals - continued

By investing in energy efficient air sourced heat pump technology, electric company cars, insulating the roof of our new warehouse and installing solar panels 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 FSC accredited wood and packaging materials, 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 216 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. The COVID-19 blighted years were a test of the Group’s commitment to this objective and we are delighted that the measures adopted and actions taken by the Group throughout this time were greatly appreciated by and benefitted our people.

Our 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.

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 lockdowns, logistical challenges and cost of living increases but has prevailed and seen the teams within the business assuredly navigate the Group through these 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 the 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. These relationships 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 our responsibility to work with any manufacturer who falls short of our requirements to educate them, resolve the issues and bring their operations into full compliance.

With licensors - many of our product lines are based on characters and/or brands owned by third parties (e.g. Disney, Warner Bros, Universal, Hasbro, etc.). Many of the larger brand owners lead the way in our industry in adopting measures, ahead of the introduction of legislative/regulatory requirements and, quite understandably, to enhance and protect their brands, to reduce the damage to the environment caused by, 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.

Suppliers - continued

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 when the products are launched and distributed and sold. Again, these relationships are based on a 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-productions 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 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, the only school for children with complex and severe learning needs, in Oldham;
- The Light Fund - the UK licensing industry's charity which supports the activities of a number of charities, including The Children's Trust, Orchid Trust, Kidscape, Teenage Cancer Trust Hospital, Multiple Sclerosis Resource Centre, Guide Dogs For The Blind, Institute of Cancer Research, Medical Detection Dogs, Parkinson's UK and Alzheimer's Society;
- The Royal Marsden Hospital Children's unit;
- 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;
- The Bone Cancer Research Trust.

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.

Charitable and local community engagement - continued

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.

The Group has retained the services of leading environmental consultancy Giraffe Innovation Limited to help inform the Group on environmental issues. The services of Giraffe Innovation to the Group include periodic presentations to the Board of Directors.

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.

Our shareholders

The Board enjoys engaging with our shareholders and are keen to understand their needs and expectations. Proactive investor presentations and interviews are provided from time to time. 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 Company' 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. Regretfully, due to the COVID-19 restrictions, the 2021 and 2022 AGM were conducted as closed or restricted meetings and the directors did not have the customary opportunity to engage directly with shareholders in this way. The 2023 AGM, scheduled for January next year, will be a fully open meeting and the Board looks forward to re-engaging in person 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, 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 generally 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 on 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 sets out the requirements for the implementation of the ICTI's 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 the year under review, we have conducted reviews of our suppliers to find out what they have in place to prevent modern slavery. 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. In particular, audits undertaken during the year under review have shown that a notable number of our suppliers have adopted anti-slavery and human trafficking policies and now provide training programmes and promotion initiatives relative to the principles of Modern Slavery to educate their staff in this important area.

Our 2022 modern slavery statement can be found at www.thecharacter.com.

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.

21 December 2022

DIRECTORS' BIOGRAPHIES

Executive Directors

Jonathan Diver (aged 58), 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 68), 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 70), 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 a period of 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.

Michael Hyde (aged 48), Non-Executive Director (from 1 January 2023)

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. He holds a Bachelor of Arts (BA) degree in Mandarin Chinese and a Master of Business Administration (MBA) degree. Mike will cease his executive role with the Group on 31 December 2022 to take up a full time role with Funko, LLC, the NASDAQ listed leading pop culture lifestyle brand, as a Senior Vice President and Managing Director.

This is a terrific opportunity for Mike and, whilst the Board is sad to see him go, he has agreed to remain in office and continue to provide his expertise and experience to the Group as a non-executive director of the Company from 1 January 2023.

Jeremiah Healy (aged 61), 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

Richard King (aged 77), Non-Executive Chairman

Richard King has extensive experience in the toy industry and has been involved in importing consumer products from the Far East since 1969. He established the original business of The Character Group plc jointly with Mr Kissane and Mr Shah in 1991 and was until February 2016 the Group's Executive Chairman.

Richard is responsible for ensuring the quality and sound approach to high standards of corporate governance and the effectiveness of the Board as a working group.

David Harris (aged 72), Senior Independent Non-Executive Director

David Harris was appointed to the Board in 2004; he has very broad financial experience, gained over a 40-year career in both executive and non-executive capacities. He is currently a Non-Executive Director and Audit Chairman of Bens Creek Group plc, an AIM listed company.

David is a member of each of the Audit, Remuneration and Nominations Committees.

Clive Crouch (aged 70), 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.

Carmel Warren (aged 58), Non-Executive Director

Carmel Warren was appointed to the Board in April 2021. 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. From 2015-2019, Carmel served as Chief Financial Officer of D4t4 Solutions Plc (D4t4), the AIM quoted specialist in data platforms. Between 2007-2015 she was Chief Financial Officer of Celebrus Technologies Ltd, a customer intelligence software company, which was subsequently acquired by D4t4 in 2015. Carmel most recently acted as interim Chief Financial Officer at Universe Group plc (AIM: UNG.L), a leading developer and supplier of retail management solutions, payment and loyalty systems. Prior to her PLC career, Carmel spent eleven years with ExxonMobil in key financial and operational roles within the organisation and, for five years, operated her own Consultancy. She qualified as an accountant with EY in 1990.

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

Jonathan Shearman (aged 52), 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 is currently a non-executive director and Chair of Trifast plc, which is a premium listed company on the London Stock Exchange's main market.

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

DIRECTORS' REPORT

The directors present their report together with the financial statements for the year ended 31 August 2022.

Dividend

The directors recommend a final dividend of 10.0 pence per share (2021: 9.00 pence) making a total dividend for the year of 17.0 pence per ordinary share (2021: 15.00 pence). If approved, the final dividend will be paid on 27 January 2023, to shareholders on the register on 13 January 2023.

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 2022, trade creditors of the Group represented an average of 41 (2021: 55) days credit in relation to total purchases for the year.

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)
Michael Spencer Hyde (Managing Director, Far East Operations)
Jeremiah Healy (Group Marketing Director)
Richard King (Non-Executive Chairman)
Clive William Crouch (Senior Independent Non-Executive Director)
David Harris (Non-Executive Director)
Carmel Elizabeth Warren (Non-Executive Director)
Jonathan Shearman (Non-Executive Director)*

(*appointed on 1 June 2022)

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 2022 and 21 December 2022 (being the date of this report) were as follows:

	As at 21 December 2022		**As at 31 August 2022**		As at 31 August 2021	
Directors	**Number of Ordinary Shares**	**Ordinary Shares Under option**	**Number of Ordinary Shares**	**Ordinary Shares under option**	Number of Ordinary Shares	Ordinary Shares under option
K P Shah	**1,914,376**	**-**	**1,914,376**	**-**	2,166,720	-
J J Diver	**1,256,356**	**-**	**1,256,356**	**-**	1,409,442	-
J J P Kissane	**456,324**	**-**	**456,324**	**-**	513,878	-
M S Hyde	**236,528**	**92,000**	**236,528**	**92,000**	309,681	92,000
J Healy	**64,817**	**66,000**	**64,817**	**66,000**	73,000	66,000
R King	**295,814**	**-**	**295,814**	**-**	336,286	-
D Harris	**56,071**	**-**	**56,071**	**-**	68,183	-
C Crouch	**14,378**	**-**	**14,378**	**-**	15,358	-
C Warren	**-**	**-**	**-**	**-**	-	-
J Shearman*	**-**	**-**	**-**	**-**	-	-

(*appointed 1 June 2022)

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 21 December 2022 and 31 August 2022 and 2,000,000 Ordinary Shares at 31 August 2021.

Included in the interests of J J Diver are his interests in Ordinary Shares held by Mr Diver's personal pension scheme being 485,449 Ordinary Shares at 21 December 2022 and 31 August 2022 and 551,867 Ordinary Shares at 31 August 2021.

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 21 December 2022, 31 August 2022 and 31 August 2021, and 45,742 Ordinary Shares held by his spouse, Mrs K Healy at 21 December 2022, 31 August 2022 and 52,000 Ordinary Shares at 31 August 2021.

Included in the interests of D Harris are his interests in Ordinary Shares held by Mr Harris's personal pension scheme being 39,291 Ordinary Shares at 21 December 2022, 31 August 2022 and 51,403 Ordinary Shares at 31 August 2021.

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 13 of this document.

Share option schemes

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

Auditors

Special Notice requiring that a resolution is proposed at the next General Meeting of the Company has been received by the Company. The resolution proposed by the Special Notice contemplates the reappointment of Lubbock Fine LLP as auditors of the Company (having been appointed by the directors to fill the casual vacancy caused by the cessation of office of MHA MacIntyre Hudson on 25 August 2022) and this resolution 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
21 December 2022

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. We identify whole-heartedly with the underlying philosophy and objectives of the QCA Code and our collaborative culture and engagement with our key stakeholders (i.e. shareholders, customers and suppliers) sees us very much aligned to core principles of the QCA Code.

I engage with the business, its directors, advisers and, where necessary, customers and suppliers and with the formulation, development and the review of the efficacy of the Group's strategy and its key procedures and processes.

As Chairman, 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 five executive directors and five non-executive directors, as detailed on pages 20 and 21. 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, Carmel Warren, Jonathan Shearman and David Harris is considered to be an independent non-executive director and free from any relationship that could materially interfere with the exercise of her/his independent judgement. David Harris was appointed as a non-executive director of the Company in May 2004. Although this duration of service requires the Board to consider his independence, the Board does not see duration of service as the sole determining factor in assessing independence and is satisfied that David Harris exercises independent judgement in all matters relating to the Company. Clive Crouch is the senior non-executive director.

During the year, 8 Board meetings were held. The directors attended as follows:

Director	Number of meetings attended
Richard King	8
Kiran Shah	8
Jonathan Diver	8
Joesph Kissane	8
Michael Hyde	8
Jerry Healy	8
David Harris	8
Clive Crouch	8
Carmel Warren	8
Jonathan Shearman*	1

(* appointed on 1 June 2022)

In accordance with the terms of her/his 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 by rotation.

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

- the Audit Committee – Carmel Warren (Chair);
- the Remuneration Committee – Jonathan Shearman (Chair) (see the Committee's report set out on page 31); and
- the Nominations Committee – Clive Crouch (Chair).

The terms of reference for each of the Committees have recently been reviewed and revised to ensure that they are in line with recommendations and best practice. The current terms of reference for these 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 and requires the Company to consider how each 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.

Before providing the disclosures required by the QCA Code, I provide the following update on developments that have impacted aspects of our Corporate Governance at the Company since my last report:

- Jonathan Shearman joined the Board in June this year and brings with his considerable skills and experience in financial and non-executive roles. Since his appointment to the Board, Jonathan has also assumed the Chair of the Company's Remuneration Committee and joined the other two Board Committees;

- the continuing effects of the COVID-19 pandemic impacted the Group but were closely managed and monitored in the early part of the year under review;

- the disruption to the Group's supply chain arising due to:
  - further production and operational stoppages/interruptions in China due to local COVID-19 lockdowns and outbreaks;
  - continued container shortages in, and significantly reduced shipping capacity from, China, though this position eased towards the latter part of the financial year;
  - continuing shortages of HGV drivers and casual labour in the UK,

  coupled with pressure on Sterling and inflation, particularly in the latter part of the financial year, impacted the Group's performance in the period under review and in the lead up to Christmas 2022. The adverse effects have been considerably mitigated by swift and focused action by the Group's management and teams and this resulted in a very pleasing result for the year under review. However, inflation, continued pressure on Sterling in exchange markets and reductions in consumer spending due to the current cost of living crisis are having a significant impact on trading in the current financial year;

- the working group established by the Board with objective of identifying where the Group should focus its efforts and resources in the formulation and implementation of the Group's ESG policy has led to the production of an ESG Report by the Company (see pages 13 to 19 of this document). This ESG Report is only a starting point in identifying and measuring the key areas of focus for the Company in its efforts to progressively reduce and/or balance the harmful impacts of its operations and supply chain on the environment and provides a framework for reporting the Group's progress in future years.

- David Harris (our longest serving non-executive director) has notified the Board that he will be retiring from his role on the Board at our AGM in January 2023 and will not be offering himself for re-election. Since joining the Board in May 2004, David has enlivened Board discussions with his keen eye for detail and acerbic wit. His business experience, good relations with "the City" and wealth of experience with publicly listed companies has added greatly to the resources available to the Board during his tenure. David's calm and authoritative manner and wisdom will be a sad loss to the Board and he will be greatly missed. On behalf of all shareholders, the Board thanks David for his unstinting and valued service and wishes him all the best for the future.

The QCA Principles - continued

- a revised Corporate Governance Statement has been published on the Company's website simultaneously with the publication of this report and is available to view at: http://www.thecharacter.com/corporate-governance/.

Review of each of the QCA Code principles

This Report is a summary of the position with 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 Strategic Report, in particular, 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 9 and 10 of this document.

During AGMs (save for the 2021 AGM, when an in-person meeting was not possible and the 2022 AGM when shareholders thankfully heeded the Boards request not to physically attend the meeting), 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:

- Announcements published via a Regulatory News Service ('RNS').
- Proactive Investor presentations and interviews.
- Conducting meetings with major shareholders to obtain a balanced understanding of their issues and concerns. COVID-19 lockdowns and restrictions lead to these meetings being conducted by audio-visual means or by telephone and, although (for shareholder convenience) this means of communication has been maintained, the directors will take the opportunity to arrange in-person encounters whenever possible.
- Active engagement with shareholders at the Company's AGMs. Regretfully, the closed format of the AGM in January 2021 and the restrictions that impacted the 2022 AGM did not allow for this much welcomed annual interaction with shareholders but the arrangements for the 2023 AGM currently contemplate a resumption of full physical meetings with shareholders for this important annual calendar event.
- 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 shareholders 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.

Principle 3 – continued:
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 13 to 19 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 13 to 19 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 control 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 issued by the Company have been: (i) the continuing effects of COVID-19 on the health and welfare of our personnel, (ii) the follow-on impact of the pandemic on the Group's supply chain (iii) the need to continue to strengthen the protections for data controlled and/or processed and the security of digital assets owned or managed by the Group and to combat the increasing menace posed by Cyber criminals; (iv) stock controls; and (v) 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.

The Board has reviewed the effectiveness of the system of internal controls. In particular, it has reviewed the Group's process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Key elements of the Group's system of internal controls are as follows:

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 the current 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 continual basis and may be associated with a variety of internal or external factors, including control breakdowns, disruption in information systems, natural catastrophe and regulatory requirements.

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."

Reference is made to the section of this Report above entitled "Board" (see page 25).

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 22 of this document and the skills of each member of the Board are set out in her/his biography on pages 20 and 21 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 is an important factor 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 on an annual basis, though this will be kept under regular review.

An evaluation of the performance of the Board, its Committees and directors 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. A report is then compiled 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 and November this year and has been instructive in highlighting some areas where the processes adopted by the Board and its committees may be enhanced.

Individual director performance evaluations were also undertaken during the year. Again, a questionnaire-based approach, designed to determine/question strengths and weaknesses in a range of areas, has been adopted. I undertook the evaluation for all of the directors apart from myself and the evaluation of my performance was undertaken by the independent non-executive directors, led by the senior non- executive director (Clive Crouch).

Following those performance evaluations, I am pleased to confirm that both I and the Board are satisfied that the performance of the executive and non-executive directors continues to be effective and demonstrates commitment to the roles, though adjustments and changes made in certain practices/processes will, it is believed, enhance performance still further.

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

I look on the corporate culture at Character with a sense of parental pride. The Group was founded on the basic principles of vibrant collaboration between our personnel and with our customers and suppliers and 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 toy industry and many adversities over the years and is 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 principle governance structures within the Company are the Board and its Committees, details of which have been given earlier in this Report (see page 25). There are dynamics to the development of good governance practices and decision-making that require the Company to be ever vigilant to market, regulatory, fashion and macro-economic ontogenesis, as well as emerging technology, impacting its sphere of activity. 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 31 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: http://www.thecharacter.com/corporate-governance/ and in the Company's ESG Report on pages 13 to 19 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 of developments in this area.

Richard King
Chairman
21 December 2022

DIRECTORS' REMUNERATION REPORT

The Board presents the Remuneration Report for the year ended 31 August 2022.

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

J Shearman (appointment on 1 June 2022 and Chair from 2 August 2022)
C Crouch (Chair until 2 August 2022)
C Warren
D Harris

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.

Each of the executive directors is eligible for a bonus in the event that specified performance targets are met or exceeded. These targets are based on certain profit levels being achieved in each financial year of the Group, 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.

The basic salaries referred to above are reviewed every year by the Remuneration Committee. Messers Diver, Shah and Kissane have not received a basic salary increase since September 2010. No director has a service contract incorporating a notice period of more than 12 months.

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 Chairman is entitled to fees of £100,000 per annum, plus expenses. The remaining non-executive directors are entitled to fees, currently at the rate of £40,000 per annum (2021: £40,000), plus expenses, without any right to compensation on early termination.

Details of the directors' remuneration are disclosed in note 4.

On behalf of the Board

J Shearman
Chairman, Remuneration Committee
21 December 2022

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") and its subsidiaries (the "Group") for the year ended 31 August 2022, 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 Statement, 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 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 2022 and the Group's profit for the year then ended;
- have been properly prepared in accordance with 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 ISA 600 (UK).
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, 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 £1,764,000 which was determined based on 1% 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 £1,147,000.

Company
- Materiality in respect of the Company was set at £785,000 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 £510,000.

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:

- A 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.
- A 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.
- An agreed 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 Company, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements of the 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 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 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 Company, 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's 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 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.

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 Auditors' 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.

Stephen Banks
(Senior Statutory Auditor)
for and on behalf of Lubbock Fine LLP, London, United Kingdom
Statutory Auditor
21 December 2022

GROUP INCOME STATEMENT

for the year ended 31 August 2022

	Note	12 months ended 31 August 2022 Result before highlighted items	12 months ended 31 August 2022 highlighted items	12 months ended 31 August 2022 Statutory Result	12 months ended 31 August 2021 Result before highlighted items	12 months ended 31 August 2021 highlighted items	12 months ended 31 August 2021 Statutory Result
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	**176,402**	**-**	**176,402**	139,997	-	139,997
Cost of sales		**(135,036)**	**-**	**(135,036)**	(99,553)	-	(99,553)
Gross profit		**41,366**	**-**	**41,366**	40,444	-	40,444
Other income		**502**	**-**	**502**	332	-	332
Selling and distribution expenses		**(8,260)**	**-**	**(8,260)**	(8,248)	-	(8,248)
Administrative expenses		**(22,173)**	**-**	**(22,173)**	(21,301)	-	(21,301)
Profit on sale of property		**-**	**-**	**-**	-	2,016	2,016
Operating profit	3	**11,435**	**-**	**11,435**	11,227	2,016	13,243
Finance income	5	**51**	**-**	**51**	36	-	36
Finance costs	5	**(207)**	**-**	**(207)**	(113)	-	(113)
Changes in fair value of financial instruments		**-**	**159**	**159**	-	2,128	2,128
Profit before tax		**11,279**	**159**	**11,438**	11,150	4,144	15,294
Income tax	6	**(2,018)**	**(30)**	**(2,048)**	(2,353)	(737)	(3,090)
Profit for the period		**9,261**	**129**	**9,390**	8,797	3,407	12,204
Attributable to:							
Owners of the parent				**9,390**			12,156
Non-controlling interest				**-**			48
Profit for the period				**9,390**			12,204
Earnings per share (pence)							
Basic earnings per share	8			**46.37p**			56.86p
Diluted earnings per share	8			**45.39p**			56.09p

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2022

	Note	**Total 2022 £000's**	Total 2021 £000's
Profit for the year after tax		**9,390**	12,204
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**1,070**	-
Income tax on exchange differences	6	**21**	7
Other comprehensive income/(expense) for the year, net of income tax		**1,091**	7
Total comprehensive income for the year		**10,481**	12,211
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**10,481**	12,163
Non-controlling interest		**-**	48
		10,481	12,211

GROUP BALANCE SHEET

as at 31 August 2022

	Note	2022 £000's	2021 £000's
Non – current assets			
Intangible assets	10	**1,963**	1,806
Investment property	11	**1,453**	1,519
Property, plant and equipment	12	**9,307**	8,230
Right of use assets	14	**1,216**	1,454
Deferred tax assets	7	**542**	243
		14,481	13,252
Current assets			
Inventories	15	**26,173**	10,893
Trade and other receivables	16	**24,728**	26,019
Current income tax receivable	17	**576**	766
Derivative financial instruments	18	**412**	75
Cash and cash equivalents	19	**26,646**	35,920
		78,535	73,673
Current liabilities			
Short-term borrowings	20	**(6,627)**	-
Trade and other payables	21	**(42,151)**	(38,390)
Lease Liabilities	14	**(577)**	(557)
Income tax	17	**(3,345)**	(1,610)
Derivative financial instruments	18	**(343)**	(165)
		(53,043)	(40,722)
Net current assets		**25,492**	32,951
Non-current liabilities			
Deferred tax	7	**(427)**	(405)
Lease liabilities	14	**(648)**	(946)
		(1,075)	(1,351)
Net assets		**38,898**	44,852
Equity			
Called up share capital	25	**1,074**	1,181
Shares held in treasury		**(1,813)**	(1,870)
Capital redemption reserve		**1,883**	1,776
Share-based payment reserve		**3,957**	3,749
Share premium account		**17,566**	17,324
Merger reserve		**651**	651
Translation reserve		**1,950**	767
Profit and loss account		**13,630**	21,274
Attributable to equity holders of the parent		**38,898**	44,852
Total equity		**38,898**	44,852

The financial statements on pages 37 to 75 were approved by the Board of Directors on 21 December 2022, 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 2022

	Note	**2022 £000's**	2021 £000's
Non – current assets			
Property, plant and equipment	12	**360**	298
Right of use asset	14	**220**	330
Investments in subsidiaries	13	**4,525**	4,347
Deferred tax assets	7	**237**	170
		5,342	5,145
Current assets			
Trade and other receivables	16	**34,272**	44,877
Cash and cash equivalents	19	**913**	677
		35,185	45,554
Current liabilities			
Trade and other payables	21	**(1,012)**	(1,009)
Lease liabilities	14	**(113)**	(110)
		(1,125)	(1,119)
Net current assets		**34,060**	44,435
Non-current liabilities			
Lease liabilities	14	**(118)**	(231)
		(118)	(231)
Net assets		**39,284**	49,349
Equity			
Called up share capital	25	**1,074**	1,181
Shares held in treasury		**(1,813)**	(1,870)
Capital redemption reserve		**1,883**	1,776
Share-based payment reserve		**3,957**	3,749
Share premium account		**17,566**	17,324
Profit and loss account		**16,617**	27,189
Total equity attributable to equity holders of the parent		**39,284**	49,349

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 £6,370,000 (2021: £4,110,000).

The financial statements on pages 37 to 75 were approved by the Board of Directors on 21 December 2022, 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 2022

	Note	Group 2022 £000's	Group 2021 £000's	Company 2022 £000's	Company 2021 £000's
Cash flow from operating activities					
Profit before taxation for the year after highlighted items		**11,438**	15,294	**6,283**	4,093
Adjustments for:					
Depreciation of property, plant and equipment	12	**556**	567	**86**	61
Depreciation of investment property	11	**66**	65	**-**	-
Depreciation of right of use assets	14	**632**	556	**110**	110
Amortisation of intangible assets	10	**1,509**	1,621	**-**	-
Write off plant and equipment	12	**-**	132	**-**	-
(Profit) on disposal of property, plant and equipment		**(3)**	(2,028)	**(2)**	-
Net interest expense	5	**156**	77	**96**	21
Financial instruments fair value adjustments	18	**(159)**	(2,128)	**-**	-
Share-based payments	26	**208**	380	**28**	47
(Increase)/decrease in inventories		**(15,280)**	3,853	**-**	-
Decrease / (increase) in trade and other receivables		**1,291**	(3,006)	**10,605**	(6,914)
Increase in trade and other creditors		**3,761**	11,957	**3**	807
Cash generated/(utilised) from operations		**4,175**	27,340	**17,209**	(1,775)
Finance income	5	**51**	36	**-**	-
Finance expense	5	**(207)**	(113)	**(96)**	(21)
Income tax paid		**(401)**	(1,788)	**-**	(68)
Net cash inflow/(outflow) from operating activities		**3,618**	25,475	**17,113**	(1,864)
Cash flows from investing activities					
Purchase of business	10	**-**	(945)	**-**	-
Payments for intangible assets	10	**(1,666)**	(1,615)	**-**	-
Payments for property, plant and equipment	12	**(1,845)**	(7,128)	**(371)**	(73)
Proceeds from disposal of property, plant and equipment		**225**	3,458	**225**	-
Net cash outflow from investing activities		**(3,286)**	(6,230)	**(146)**	(73)
Cash flows from financing activities					
Payment of lease liabilities		**(538)**	(606)	**(110)**	(106)
Proceeds from issue of share capital		**299**	-	**299**	-
Purchase of own shares for cancellation		**(13,640)**	-	**(13,640)**	-
Dividends paid	9	**(3,280)**	(1,924)	**(3,280)**	(1,924)
Net cash used in financing activities		**(17,159)**	(2,530)	**(16,731)**	(2,030)
Net (decrease)/increase in cash and cash equivalents		**(16,827)**	16,715	**236**	(3,967)
Cash, cash equivalents and borrowings at the beginning of the year		**35,920**	19,124	**677**	4,644
Effects of exchange rate movements		**926**	81	**-**	-
Cash, cash equivalents and borrowings at the end of the year		**20,019**	35,920	**913**	677

Cash, cash equivalents and borrowings consist of:

	Note	Group 2022 £000's	Group 2021 £000's	Company 2022 £000's	Company 2021 £000's
Cash and cash equivalents	19	**26,646**	35,920	**913**	677
Total borrowings	20	**(6,627)**	-	**-**	-
Cash, cash equivalents and borrowings at the end of the year		**20,019**	35,920	**913**	677

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2022

	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	Non-controlling interest £000's	Total £000's
The Group											
At 1 September 2020		**1,181**	**(1,870)**	**1,776**	**17,324**	**651**	**3,369**	**727**	**11,231**	**(343)**	**34,046**
Profit for the year after tax									12,156	48	12,204
Other comprehensive income/(expense)											
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	40	(28)	(5)	7
Total other comprehensive expense								**40**	**(28)**	**(5)**	**7**
Total comprehensive income for the year								**40**	**12,128**	**43**	**12,211**
Transactions with owners, recorded directly in equity											
Change in non controlling interest	10	-	-	-	-	-	-	-	(300)	300	-
Share-based payment	26	-	-	-	-	-	380	-	-	-	380
Deferred tax debit relating to share options	7	-	-	-	-	-	-	-	139	-	139
Dividends	9	-	-	-	-	-	-	-	(1,924)	-	(1,924)
At 31 August 2021		**1,181**	**(1,870)**	**1,776**	**17,324**	**651**	**3,749**	**767**	**21,274**	**-**	**44,852**
Profit for the year after tax									9,390		9,390
Other comprehensive income/(expense)											
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	1,183	(92)	-	1,091
Total other comprehensive expense								**1,183**	**(92)**	**-**	**1,091**
Total comprehensive income for the year								**1,183**	**9,298**	**-**	**10,481**
Transactions with owners, recorded directly in equity											
Share-based payment	26	-	-	-	-	-	208	-	-	-	208
Current tax credit relating to exercised share options	6	-	-	-	-	-	-	-	18	-	18
Deferred tax debit relating to share options	7	-	-	-	-	-	-	-	(40)	-	(40)
Dividends	9	-	-	-	-	-	-	-	(3,280)	-	(3,280)
Shares Issued	25	-	57	-	242	-	-	-	-	-	299
Tender offer fees	25	-	-	-	-	-	-	-	(142)	-	(142)
Shares cancelled on tender offer	25	(107)	-	107	-	-	-	-	(13,498)	-	(13,498)
At 31 August 2022		**1,074**	**(1,813)**	**1,883**	**17,566**	**651**	**3,957**	**1,950**	**13,630**	**-**	**38,898**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2022

	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 2020		**1,181**	**(1,870)**	**1,776**	**17,324**	**3,369**	**24,864**	**46,644**
Profit for the year		-	-	-	-	-	4,110	4,110
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**4,110**	**4,110**
Transactions with owners, recorded directly in equity								
Share-based payment – Company	26	-	-	-	-	47	-	47
Share-based payment – Subsidiary undertaking	26	-	-	-	-	333	-	333
Deferred tax on share options	7	-	-	-	-	-	139	139
Dividend paid	9	-	-	-	-	-	(1,924)	(1,924)
At 31 August 2021		**1,181**	**(1,870)**	**1,776**	**17,324**	**3,749**	**27,189**	**49,349**
Profit for the year		-	-	-	-	-	6,370	6,370
Total comprehensive income for the year							**6,370**	**6,370**
Transactions with owners, recorded directly in equity								
Share-based payment – Company	26	-	-	-	-	29	-	29
Share-based payment – Subsidiary undertaking	26	-	-	-	-	179	-	179
Current tax credit on share options exercised	6	-	-	-	-	-	18	18
Deferred tax on share options	7	-	-	-	-	-	(40)	(40)
Dividend paid	9	-	-	-	-	-	(3,280)	(3,280)
Shares issued	25	-	57	-	242	-	-	299
Tender offer fees	25	-	-	-	-	-	(142)	(142)
Shares cancelled on tender offer	25	(107)	-	107	-	-	(13,498)	(13,498)
At 31 August 2022		**1,074**	**(1,813)**	**1,883**	**17,566**	**3,957**	**16,617**	**39,284**

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:
IFRS 4 (amendment) Deferral of application of IFRS 9	- 1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2	- 1 January 2021
IFRS 16 (amendment – Covid-19 related rent concessions beyond 30 June 2021	- 1 April 2021

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 2021.

	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
IFRS 3 IAS 16 and IAS 37 (amendments)	- 1 January 2022
Annual improvements to IFRS standards 2018-2020	- 1 January 2022

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.

SIGNIFICANT 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.

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

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 retains continuing involvement nor effective control over the goods as the performance obligations have been satisfied.
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.

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.

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. Two 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

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.

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.

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.

Stock obsolescence

The Group reviews the net realisable value of and demand for its inventory on an ongoing basis to ensure 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 recognised in the financial statements can be found in note 3.

Revenue recognition

Revenue is only recognised when control of goods passes to customers. This involves judgement to assess the point at which control of the goods has passed.

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 established on management's best estimate of the amounts necessary to meet claims by the Group's customers.

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.

Share-based payments

The Company has used a binomial valuation model to estimate the fair value of share-based payments. The model makes various assumptions on factors outside the Company's control, such as share price volatility and risk-free interest rates. Details of the options and assumptions used in deriving the share-based payments are disclosed in note 26.

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 2022	UK £000's	Far East £000's	Scandinavia £000's	Unallocated £000's	Total £000's
Revenue - external (by origin)	65,838	93,593	16.971	-	176,402
Segment adjusted operating profit/(loss)	(792)	16,008	(1,768)	(316)	13,132
Amortisation of product development	-	-	-	-	(1,489)
Financial instruments fair value adjustments	-	-	-	-	159
Profit on sale of property	-	-	-	-	-
Share-based payments	-	-	-	-	(208)
Operating profit after significant items & exceptional items	-	-	-	-	11,594
Interest on right of use assets	-	(20)	(22)	-	(42)
Finance costs	-	-	-	-	(165)
Finance income	-	-	-	-	51
Profit before tax	-	-	-	-	11,438
Taxation	-	-	-	-	(2,048)
Profit for the year after tax	-	-	-	-	9,390
Segment assets	51,398	20,202	17,986	3,430	93,016
Segment liabilities	(9,716)	(39,210)	(3,850)	(1,342)	(54,118)
Other segment information					
Capital additions	1,415	39	20	371	1,845
Capital disposals	(5)	-	-	(233)	(238)
Depreciation of property, plant and equipment	(359)	(56)	(56)	(85)	(556)
Depreciation of investment property	-	(66)	-	-	(66)

Analysis of unallocated assets and liabilities:

Assets	Total £000's	Liabilities	Total £000's
Corporate assets	360	Corporate creditors & accruals	(999)
Derivative financial instruments	412	Derivative financial instruments	(343)
Deferred tax asset	237		
Corporate cash at bank and in hand	913		
Intangible assets – product development	1,064		
Corporate debtors & prepayments	444		
Unallocated assets	**3,430**	**Unallocated liabilities**	**(1,342)**

Unallocated expenses comprise corporate expenses incurred by the parent company.

2 SEGMENT REPORT - GROUP

Year ended 31 August 2021	UK £000's	Far East £000's	Scandinavia £000's	Unallocated £000's	Total £000's
Revenue - external (by origin)	62,346	65,196	12,455	-	139,997
Segment adjusted operating profit/(loss)	4,224	10,528	(1,016)	(510)	13,226
Amortisation of product development	-	-	-	-	(1,619)
Financial instruments fair value adjustments	-	-	-	-	2,128
Profit on sale of property	-	-	-	-	2,016
Share-based payments	-	-	-	-	(380)
Operating profit after significant items & exceptional items	-	-	-	-	15,371
Interest on right of use assets	-	(31)	(29)	-	(60)
Finance costs	-	-	-	-	(53)
Finance income	-	-	-	-	36
Profit before tax	-	-	-	-	15,294
Taxation	-	-	-	-	(3,090)
Profit for the year after tax	-	-	-	-	12,204
Segment assets	51,822	26,450	6,255	2,398	86,925
Segment liabilities	(10,375)	(27,737)	(2,800)	(1,161)	(42,073)
Other segment information					
Non-current assets	8,162	2,962	756	1,372	13,252
Capital additions	7,027	10	18	73	7,128
Assets written off	-	-	(310)	-	(310)
Capital disposals	(1,846)	-	-	-	(1,846)
Depreciation of property, plant and equipment	(418)	(49)	(39)	(61)	(567)
Depreciation of investment property	-	(65)	-	-	(65)

Analysis of unallocated assets and liabilities:

Assets	Total £000's	Liabilities	Total £000's
Corporate assets	297	Corporate creditors & accruals	(996)
Derivative financial instruments	75	Derivative financial instruments	(165)
Deferred tax asset	188		
Corporate cash at bank and in hand	677		
Intangible assets – product development	887		
Corporate debtors & prepayments	274		
Unallocated assets	**2,398**	**Unallocated liabilities**	**(1,161)**

Unallocated expenses comprise corporate expenses incurred by the parent company.

GEOGRAPHICAL DESTINATION OF REVENUE

	31 August 2022 £000's	31 August 2021 £000's
United Kingdom	**84,605**	79,509
Rest of the world	**91,797**	60,488
Total Group	**176,402**	139,997

Revenues of approximately £69,471,000 (2021: £36,991,000) were derived from 2 (2021: 2) external customers individually representing 10% or more of revenue.

3 EXPENSES BY NATURE - GROUP

	Note	**12 months to 31 August 2022 £000's**	12 months to 31 August 2021 £000's
Operating profit is stated after charging/(crediting):			
Cost of inventories recognised as an expense (included in cost of sales)		**117,586**	88,729
Product development costs incurred		**1,957**	1,736
Product development costs capitalised		**(1,666)**	(1,615)
Amortisation of capitalised product development costs		**1,489**	1,619
Product development costs expensed to cost of sales		**1,780**	1,740
(Credit)/debit financial instruments fair value adjustments		**(159)**	(2,218)
Inventories debit / (credit)		**634**	(1,022)
Exchange losses		**2,406**	130
Staff costs	4	**15,171**	13,958
Depreciation of tangible fixed assets			
- owned assets	12	**556**	567
Depreciation of investment property	11	**66**	65
(Profit)/loss on disposal of property, plant and equipment		**(3)**	(2,028)
Depreciation – right of use assets		**632**	556
Auditor's remuneration		**160**	141

ANALYSIS OF AUDITOR'S REMUNERATION

		12 months to 31 August 2022 £000's	12 months to 31 August 2021 £000's
Group Auditor's remuneration	— Statutory audit services current year	**51**	51
	— Interim review and other assurance services	**6**	9
Other Auditors' remuneration	— Statutory audit of the Group's subsidiaries	**96**	75
	— Taxation compliance	**7**	6
Total fees payable to Auditors		**160**	141

4 DIRECTORS AND EMPLOYEES REMUNERATION STAFF COSTS - GROUP

	Group		Company	
	12 months to 31 August 2022 £000's	12 months to 31 August 2021 £000's	**12 months to 31 August 2022 £000's**	12 months to 31 August 2021 £000's
Staff costs including directors' emoluments				
Wages and salaries	**13,393**	12,068	**1,557**	1,505
Social security costs	**953**	1,029	**182**	223
Pension costs	**617**	481	**38**	37
Share-based payments	**208**	380	**29**	47
	15,171	13,958	**1,806**	1,812
The average number of employees during the year was:	**Number**	Number	**Number**	Number
Management and administration	**81**	83	**11**	11
Selling and distribution	**135**	126	**-**	-
	216	209	**11**	11

Of the total average number of employees, 123 (2021: 122) were based in the UK, 28 in Scandinavia (2021: 23) and 65 (2021: 64) in Hong Kong and mainland China.

The amount payable to pension schemes as at the balance sheet date was £nil (2021: £14,000).

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 2022 £000's	12 months to 31 August 2021 £000's
Salaries, short-term benefits and pension contribution	**3,489**	3,377
Share-based payments	**42**	69
	3,531	3,446

ANALYSIS OF DIRECTORS' REMUNERATION

The following table shows a breakdown of the remuneration of the directors for the year ended 31 August 2022 and the year ended 31 August 2021.

Year ended 31 August 2022

	Salary/fees £	**Performance bonus £**	**Benefits in kind £**	**Pension contribution £**	**Total £**
R King (non-executive)	100,000	-	18,702	-	118,702
J J Diver	245,916	757,433	8,498	-	1,011,847
K P Shah	245,916	532,433	12,121	-	790,470
J J P Kissane	215,592	381,990	18,074	-	615,656
M S Hyde	255,772	255,772	7,108	23,610	542,262
J Healy	130,000	130,000	6,245	14,196	280,441
D Harris (non-executive)	40,000	-	-	-	40,000
C Crouch (non-executive)	40,000	-	-	-	40,000
C Warren (non-executive)	40,000	-	-	-	40,000
J Shearman (non-executive)*	10,000	-	-	-	10,000
	1,323,196	2,057,628	70,748	37,806	3,489,378

Year ended 31 August 2021

	Salary/fees £	Performance bonus £	Benefits in kind £	Pension contribution £	Total £
R King (non-executive)	100,000	-	18,829	-	118,829
J J Diver	245,916	740,601	8,182	-	994,699
K P Shah	245,916	520,601	11,760	-	778,277
J J P Kissane	215,592	373,501	7,805	-	596,898
M S Hyde	245,875	245,875	1,138	22,696	515,584
J Healy	130,000	130,000	4,929	13,000	277,929
D Harris (non-executive)	40,000	-	-	-	40,000
C Crouch (non-executive)	40,000	-	-	-	40,000
C Warren (non-executive)	14,848	-	-	-	14,848
	1,278,147	2,010,578	52,643	35,696	3,377,064

In the year ended 31 August 2022, certain of the directors received remuneration (which is included in the amounts above) through payments by the Group to third parties as follows: £75,000 was paid to Bali Hai Consultancies for part of the services of R King (2021: £75,000); £40,000 was paid to Clive Crouch Media Insight Limited for the services of C Crouch (2021: £40,000); £40,000 was paid to Inva Trust Consultancy Limited for the services of D Harris (2021: £40,000).

*appointed 1 June 2022

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. Exercise of such options is conditional on the satisfaction of a predetermined, profit related performance target and, if satisfied, will become exercisable three years following the date of grant and will remain exercisable until the tenth anniversary of the date of grant.

At 31 August 2022, the mid-market price of an issued Ordinary Share in The Character Group plc was 500 pence. During the year the mid-market price ranged from 465 pence to 692 pence.

5 NET FINANCE COSTS - GROUP

	12 months to 31 August 2022 £000's	12 months to 31 August 2021 £000's
Finance costs:		
Interest payable on bank overdraft and similar charges	**(137)**	(46)
Factor and invoice discounting advances	**(28)**	(7)
Interest on right of use assets	**(42)**	(60)
	(207)	(113)
Finance income:		
Interest earned on cash and cash equivalents	**51**	36
Net finance costs	**(156)**	(77)

6 TAXATION - GROUP

	Note	12 months to 31 August 2022 £000's	12 months to 31 August 2021 £000's
UK Corporation Tax			
Tax on (loss)/profit for the period		**(71)**	369
Adjustments to tax charge in respect of previous periods		**(7)**	-
Total UK corporation tax		**(78)**	369
Foreign Tax			
Tax on profit for the period		**2,441**	1,739
Adjustments to tax charge in respect of previous periods		**2**	(2)
Total foreign tax		**2,443**	1,737
Total current tax		**2,365**	2,106
Deferred Tax			
Origination and reversal of timing differences	7	**(317)**	984
Total deferred tax		**(317)**	984
Tax on profit on ordinary activities		**2,048**	3,090
Factors affecting tax charge for the period			
Profit before highlighted items and taxation		**11,279**	11,150
Profit on highlighted items before taxation		**159**	4,144
Profit before taxation after highlighted items		**11,438**	15,294
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)		**2,173**	2,906
Effects of:			
(Income)/expenses (not chargeable)/deductible for tax purposes		**(2)**	(40)
Capital allowances less than depreciation		**4**	35
Intangible asset relief		**(7)**	-
Lower tax rate on overseas earnings		**(432)**	(179)
Unrecognised losses utilised		**(1)**	-
Tax losses not recognised for deferred tax		**355**	307
Unrecognised timing differences		**(3)**	-
Effect of change of tax rate		**(34)**	65
Effect of exchange differences		**-**	(2)
Adjustments to tax charge in respect of previous periods		**(5)**	(2)
Tax charge reported in the income statement		**2,048**	3,090

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

Income tax credit on exchange losses on intra Group balances	**(21)**	(7)
Income tax credit on exercise of employee share options	**(18)**	-
Deferred tax on share options	**40**	(139)
Net tax debit/(credit) to equity	**1**	(146)

An increase in the UK corporation tax rate from 19% to 25% (effective 1st April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. Deferred taxes as at 31 August 2022 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 19% or 25% (2021: 19% or 25%) for UK differences and local rates for overseas differences.

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

	2022 £000's	2021 £000's
As at 1 September	**(162)**	683
Credit / (charge) to the income statement	**317**	(984)
(Charge) / credit to equity	**(40)**	139
As at 31 August	**115**	(162)

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	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Intangibles	**-**	-	**-**	(1)
Property, plant and equipment	**-**	-	**(399)**	(421)
Employee share scheme charges	**177**	181	**-**	-
Derivative financial instruments	**-**	17	**(15)**	-
Inventories	**254**	70	**-**	-
Short-term timing differences	**-**	-	**(13)**	(8)
Tax losses	**111**	-	**-**	-
Tax assets/(liabilities)	**542**	268	**(427)**	(430)
Net tax (liability)/asset	**115**	-	**-**	(162)

Movement in recognised deferred tax during the year:

	1 September 2021 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2022 £000's
Intangibles	(1)	1	-	**-**
Property, plant and equipment	(421)	22	-	**(399)**
Derivative financial instruments	17	(32)	-	**(15)**
Inventories	70	184	-	**254**
Employee share scheme charges	181	36	(40)	**177**
Short-term timing differences	(8)	(5)	-	**(13)**
Tax losses	-	111	-	**111**
	(162)	317	(40)	**115**

Movement in recognised deferred tax during the prior year:

	1 September 2020 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2021 £000's
Intangibles	-	(1)	-	(1)
Property, plant and equipment	(15)	(406)	-	(421)
Derivative financial instruments	421	(404)	-	17
Inventories	165	(95)	-	70
Employee share scheme charges	13	29	139	181
Short-term timing differences	(6)	(2)	-	(8)
Loss acquired	105	(105)	-	-
	683	(984)	139	(162)

Deferred tax assets amounting to £706,000 (2021: £2,077,000) 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	
	2022	2021	**2022**	2021
	£000's	£000's	**£000's**	£000's
Employee share scheme charges	**177**	181	**-**	-
Property, plant and equipment	**-**	-	**(2)**	(11)
Tax losses	**62**	-	**-**	-
Tax assets	**239**	181	**(2)**	(11)
Net tax asset	**237**	170	**-**	-

Movement in recognised deferred tax during the year:

	1 September 2021 £000's	**Recognised in income £000's**	**Recognised in equity £000's**	**31 August 2022 £000's**
Employee share scheme charges	181	36	(40)	**177**
Property, plant and equipment	(11)	9	-	**(2)**
Tax losses	-	62	-	**62**
	170	107	(40)	**237**

Movement in recognised deferred tax during the prior year:

	1 September 2020 £000's	Recognised in income £000's	Recognised in equity £000's	31 August 2021 £000's
Employee share scheme charges	13	29	139	181
Property, plant and equipment	1	(12)	-	(11)
	14	17	139	170

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 2022 Profit after taxation £	Year ended 31 August 2021 Profit after taxation £
Profit attributable to equity shareholders of the parent	**9,390,000**	12,156,000
Financial instruments fair value adjustments net of tax	**(129,000)**	(1,724,000)
Profit on sale of property net of tax	**-**	(1,683,000)
Profit for adjusted earnings per share	**9,261,000**	8,749,000
Weighted average number of ordinary shares in issue during the year – basic	**20,251,532**	21,379,781
Weighted average number of dilutive potential ordinary shares	**436,409**	291,974
Weighted average number of ordinary shares for diluted earnings per share	**20,687,941**	21,671,755
Earnings per share before highlighted items		
Basic earnings per share (pence)	**45.73p**	40.92p
Diluted earnings per share (pence)	**44.77p**	40.37p
Earnings per share after highlighted items		
Basic earnings per share (pence)	**46.37p**	56.86p
Diluted earnings per share (pence)	**45.39p**	56.09p

9 DIVIDEND - GROUP

	12 months to 31 August 2022 £000's	12 months to 31 August 2021 £000's
On equity shares:		
Final dividend paid for the year ended 31 August 2021		
9.0 pence (2020: 3.0 pence) per share	**1,929**	642
Interim dividend paid for the year ended 31 August 2022		
7.0 pence (2021: 6.0 pence) per share	**1,351**	1,282
16.0 pence (2021: 9.0 pence) per share	**3,280**	1,924

The directors recommend a final dividend of 10.0 pence per share (2021: 9.00 pence) amounting to £1,930,745(2021: £1,924,000). If approved by shareholders, the final dividend will be paid on 27 January 2023 to shareholders on the register on 13 January 2023.

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 2020	3,132	3,453	-	6,585
Acquisitions	722	-	199	921
Additions	-	1,615	-	1,615
Write off fully amortised assets	-	(1,682)	-	(1,682)
31 August 2021	**3,854**	**3,386**	**199**	**7,439**
Acquisitions	-	-	-	-
Additions	-	1,666	-	1,666
Write off fully amortised assets	-	(1,771)	-	(1,771)
31 August 2022	**3,854**	**3,281**	**199**	**7,334**
Amortisation & Impairment				
1 September 2020	**3,132**	**2,562**	**-**	**5,694**
Charge for the year	-	1,619	2	1,621
Write off fully amortised assets	-	(1,682)	-	(1,682)
31 August 2021	**3,132**	**2,499**	**2**	**5,633**
Charge for the year	-	1,489	20	1,509
Write off fully amortised assets	-	(1,771)	-	(1,771)
31 August 2022	**3,132**	**2,217**	**22**	**5,371**
Net book value				
31 August 2022	**722**	**1,064**	**177**	**1,963**
31 August 2021	722	887	197	1,806

On the 21 July 2021, the Group acquired from Toys "R" US ANZ Limited, the business and assets of the Chill Factor branded range of drink chilling bottles and slushy makers. The Group obtained control of the business through the acquisition of extensive international patents, design rights, trademarks and related intellectual property, production moulds and tooling. The Group also acquired the ability to continue using the same manufacturer and suppliers of the products. The Group has been involved with the range since 2013 and is its exclusive distributor in the UK and Scandinavia.

The acquisition was made to enhance the Group's existing range of products, utilise the Group's design capabilities and develop collaborations with licensors.

10 INTANGIBLE FIXED ASSETS - GROUP CONTINUED

The details of the cash outflow under "purchase of business" of £945,000 on the face of the Consolidated Group Cash Flow Statement in the year to 31 August 2021 is as follows:

	£000's
Total consideration	
Cash consideration excluding acquisition costs	**945**
The acquisition had the following effect on the Group's assets and liabilities:	
Acquisition fair value	
Fixed assets	14
Stock	10
Patents, trademarks and design rights	199
Issued share capital of Chill Factor Global Pry Ltd, nominal amount of US $1	-
Net identifiable assets	**223**
Goodwill	722
Total assets	945

The acquisition was settled in cash amounting to US $1.31 million. No further consideration is payable.
Goodwill is primarily growth expectations, expected future profitability, product range synergies and opportunities, relationships with suppliers, customers and brand reputation. Forecasts are prepared for up to ten years based on the management's experience with revenue growth rates of between 0% and 25% discounted at the Group's pretax cost of capital of 7.03%. Operating profits forecasted are based on historical experience adjusted for product cost savings. Goodwill has been allocated to the UK segment.
There were no acquisition costs. The acquisition was made towards the end of the previous financial year and did not contribute to Group revenue. Administrative costs of £6,000 were incurred by the previous year end.

On 17 October 2018, the Group acquired 55% of the equity shareholding of OVG-PROXY A/S ("Proxy"), a Scandinavian toy distributer based in Copenhagen. On 31 May 2019, the Group acquired a further 20% of the issued share capital of Proxy for a nominal consideration of one Danish Krone. On 10 June 2020, the Group acquired a further 10% of the issued share capital for a nominal consideration of one Danish Krone. On 17 October 2020, the Group acquired 15% of the issued share capital (constituting the remaining issued shares of Proxy not held by the Group) for a nominal consideration of one Danish Krone.

11 INVESTMENT PROPERTY – GROUP

Cost	Total £000's
1 September 2020, 1 September 2021 and 31 August 2022	**2,194**
Depreciation	
1 September 2020	**610**
Charge for the year	65
31 August 2021	**675**
Charge for the year	66
31 August 2022	**741**
Net book value	
31 August 2022	**1,453**
31 August 2021	1,519

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 £236,000 (2021: £203,000).

Expenses incurred in respect of occupied premises were £6,724 (2021: £12,000). Expenses in respect of unoccupied premises were £20,000 (2021: £20,000).

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 2020	**3,904**	**-**	**277**	**3,566**	**299**	**8,046**
Acquisitions	-	-	-	14	-	14
Additions	5,389	1,079	8	145	507	7,128
Assets written off	-	-	(40)	(270)	-	(310)
Disposals	(1,782)	-	-	(8)	(56)	(1,846)
Translation differences	-	-	(9)	(23)	-	(32)
31 August 2021	**7,511**	**1,079**	**236**	**3,424**	**750**	**13,000**
Additions	8	1,108	8	299	422	1,845
Disposals	-	-	-	(5)	(233)	(238)
Translation differences	-		32	58	5	95
31 August 2022	**7,519**	**2,187**	**276**	**3,776**	**944**	**14,702**
Depreciation						
1 September 2020	**1,505**	**-**	**219**	**2,857**	**239**	**4,820**
Charge for the year	135	-	18	272	142	567
Assets written off	-	-	(23)	(155)	-	(178)
Disposals	(352)	-	-	(8)	(56)	(416)
Translation differences	-	-	(7)	(16)	-	(23)
31 August 2021	**1,288**	**-**	**207**	**2,950**	**325**	**4,770**
Charge for the year	67	-	20	294	175	556
Disposals	-	-	-	(5)	(10)	(15)
Translation differences	-	-	32	47	5	84
31 August 2022	**1,355**	**-**	**259**	**3,286**	**495**	**5,395**
Net book value						
31 August 2022	**6,164**	**2,187**	**17**	**490**	**449**	**9,307**
31 August 2021	6,223	1,079	29	474	425	8,230

TANGIBLE FIXED ASSETS – COMPANY

Cost	Freehold land and buildings £000's	Fixtures, fittings and equipment £000's	Motor vehicles £000's	Total £000's
1 September 2020	1,182	262	-	1,444
Additions	-	7	66	73
31 August 2021	**1,182**	**269**	**66**	**1,517**
Additions	-	3	368	371
Disposals	-	-	(233)	(233)
31 August 2022	**1,182**	**272**	**201**	**1,655**
Depreciation				
1 September 2020	903	255	-	1,158
Charge for the year	39	5	17	61
31 August 2021	**942**	**260**	**17**	**1,219**
Charge for the year	40	5	41	86
Disposals	-	-	(10)	(10)
31 August 2022	**982**	**265**	**48**	**1,295**
Net book value				
31 August 2022	**200**	**7**	**153**	**360**
31 August 2021	240	9	49	298

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 2020	3,200	2,709	5,909
Share-based payment	-	333	333
At 31 August 2021	**3,200**	**3,042**	**6,242**
Share-based payment	-	179	179
At 31 August 2022	**3,200**	**3,221**	**6,421**
Amortisation and provisions			
1 September 2021 and 31 August 2022	1,896	-	1,896
Charge for the year	-	-	-
At 31 August 2022	**1,896**	**-**	**1,896**
Net book value			
31 August 2022	**1,304**	**3,221**	**4,525**
31 August 2021	1,304	3,042	4,346

The following is summarised financial information for Proxy prepared in accordance with IFRS. The information is stated before the elimination of inter-company transactions and balances that arise on consolidation.

	12 months to 31 August 2021 £000's
Revenue	12,455
Loss after tax	(1,158)
Profit /(loss) attributable to Non-controlling interest ("NCI")	**48**
Other comprehensive income	114
Total comprehensive loss	(1,044)
Total comprehensive profit/(loss) attributable to NCI	**43**
Current assets	5,097
Non-current assets	755
Current liabilities	(8,657)
Non-current liabilities	(520)
Net liabilities	**(3,325)**
Net liabilities attributable to NCI	**-**
Cash flows from operating activites	2,334
Cash flows from investing activities	(19)
Cash flows from financing activities	(241)
Net decrease in borrowings	**2,074**

Proxy has been fully consolidated throughout the current year.

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[8]	Ordinary	100	-	Distribution of toys
Character Denmark ApS	Denmark[5]	Ordinary	100	100	Distribution of toys
Online Supply ApS	Denmark[8]	Ordinary	100	-	Non-trading
Character Poland sp. z.o.o	Poland[9]	Ordinary	100	-	Non-trading
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[6]	Ordinary	100	-	Distribution of toys
Proxy Norway AS	Norway[7]	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] Bredgade 3, 1260 København K, Denmark
[6] Brunnsvägen 1 686 95, Västra Ämtervik, Värmland Sweden
[7] Sandakerveien 76F, 0484 Oslo, Norge
[8] Gothersgade 14, 3rd, 1123 København K, Denmark
[9] Przyokopowa 33, 01-208 Warszawa, Poland

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 2020	2,378	97	2,475
Additions	-	12	12
Translation differences	(82)	(3)	(85)
31 August 2021	**2,296**	**106**	**2,402**
Effect of lease modification	(16)	-	(16)
Additions	164	130	294
Disposals	-	(42)	(42)
Translation differences	229	1	230
31 August 2022	**2,673**	**195**	**2,868**
Depreciation			
1 September 2020	387	19	406
Charge for the year	523	33	556
Translation differences	(13)	(1)	(14)
31 August 2021	**897**	**51**	**948**
Charge for year	584	48	632
Disposals	-	(24)	(24)
Translation differences	96	-	96
31 August 2022	**1,577**	**75**	**1,652**
Net book value			
31 August 2022	**1,096**	**120**	**1,216**
31 August 2021	1,399	55	1,454

RIGHT OF USE ASSETS - COMPANY

Cost	Land & Buildings £000's
1 September 2020, 31 August 2021 & 31 August 2022	**550**
Depreciation	
1 September 2020	**110**
Charge for year	110
31 August 2021	**220**
1 September 2021	**220**
Charge for the year	110
31 August 2022	330
Net book value	
31 August 2022	**220**
31 August 2021	330

14 LEASES CONTINUED

Lease liabilities:

	Group		Company	
	31 August 2022 £000's	31 August 2021 £000's	**31 August 2022 £000's**	31 August 2021 £000's
Current	**577**	557	**113**	110
Non current – 2 to 5 years	**648**	946	**118**	231
	1,225	1,503	**231**	341

Maturity of contracted undiscounted lease liabilities:

	Group		Company	
	31 August 2022 £000's	31 August 2021 £000's	**31 August 2022 £000's**	31 August 2021 £000's
Lease liability less than one year	**619**	598	**119**	119
Lease liability greater than one year and less than five years	**669**	978	**119**	239
Finance charges included above	**(63)**	(73)	**(7)**	(17)
	1,225	1,503	**231**	341

Amounts recognised in comprehensive income:

	Group		Company	
	31 August 2022 £000's	31 August 2021 £000's	**31 August 2022 £000's**	31 August 2021 £000's
Interest on lease liabilities	**42**	60	**9**	13

Amounts recognised in the cash flow statement:

	Group		Company	
	31 August 2022 £000's	31 August 2021 £000's	**31 August 2022 £000's**	31 August 2021 £000's
Total cash outflow for lease rentals	**538**	606	**110**	106

15 INVENTORIES - GROUP

	2022 £000's	2021 £000's
Finished goods for resale	**26,173**	10,893

There is a floating charge over the UK inventories to secure bank borrowings by the Group.

16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2022 £000's	2021 £000's	**2022 £000's**	2021 £000's
Current:				
Trade receivables	**20,053**	22,223	**-**	-
Less provision for impairment	**-**	-	**-**	-
Trade receivables – net	**20,053**	22,223	**-**	-
Due from subsidiary undertakings	**-**	-	**33,828**	44,603
Other receivables	**1,312**	1,952	**114**	11
	21,365	24,175	**33,942**	44,614
Prepayments	**3,363**	1,844	**330**	263
	24,728	26,019	**34,272**	44,877

Finance advances received against gross trade receivables (shown in note 20 below) under the recourse facility amounting to £nil (2021: £nil) are shown within current liabilities. All the risks and rewards of the trade receivables lie with the Group.

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY CONTINUED

Trade receivables can be analysed as follows:

	2022 £000's	2021 £000's
Fully performing	**19,938**	22,151
Past due	**115**	72
Trade receivables	**20,053**	22,223

Ageing of past due, not impaired, receivables:

	2022 £000's	2021 £000's
1 – 90 days	**115**	72

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:

	2022 £000's	2021 £000's
Pounds Sterling	**5,147**	6,066
US Dollars	**10,924**	14,422
Euros	**515**	212
Danish Kroner	**1,757**	1,094
Others	**1,710**	429
	20,053	22,223

17 INCOME TAX RECOVERABLE/ (PAYABLE) - GROUP

	2022		2021	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
UK income tax	**576**	**-**	766	-
Overseas income tax	**-**	**(3,345)**	-	(1,610)
	576	**(3,345)**	766	(1,610)

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.

	2022		2021	
	Assets £000's	Liabilities £000's	Assets £000's	Liabilities £000's
Forward foreign exchange contracts and options	**412**	**(343)**	75	(165)

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	
	2022 £000's	2021 £000's	**2022 £000's**	2021 £000's
Cash and cash equivalents	**26,646**	35,920	**913**	677

Cash and cash equivalents are denominated in the following currencies:

Currency – floating rate financial assets	**2022 £000's**	2021 £000's	**2022 £000's**	2021 £000's
Sterling	**18,171**	23,053	**1,044**	675
US$	**4,456**	11,204	**(108)**	3
Euro	**1,192**	159	**(23)**	(1)
HKS$	**703**	625	**-**	-
Danish Kroner	**1,874**	570	**-**	-
Others	**250**	309	**-**	-
Total	**26,646**	35,920	**913**	677

Bank overdrafts and short-term borrowings are aggregated with cash and cash equivalents where there is a right of set-off. At 31 August 2022, the balances attracted interest at rates of between 0.1% and 1.38%.

20 BORROWINGS – GROUP

	31 August 2022			31 August 2021		
	Total £000's	**Current £000's**	**Non-current £000's**	Total £000's	Current £000's	Non-current £000's
Finance Advances	**2,351**	**2,351**	**-**	-	-	-
Import Loans	**4,276**	**4,276**	**-**	-	-	-
Total	**6,627**	**6,627**	**-**	-	-	-

Finance advances are advances against trade receivables.

Analysis of borrowings by currency

	2022 £000's	2021 £000's
US$	**6,627**	**-**
Total	**6,627**	**-**

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 LIBOR or 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 £18.4 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 £1.4m (2021: £1.2 million), which has been included in cash and cash equivalents.

21 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Group 2022 £000's	2021 £000's	Company 2022 £000's	2021 £000's
Trade creditors	**26,454**	24,728	**-**	-
Due to subsidiary undertakings	**-**	-	**13**	13
Other taxation and social security	**1,813**	2,418	**79**	130
Accruals and deferred income	**13,884**	11,244	**920**	866
	42,151	38,390	**1,012**	1,009

22 FINANCIAL INSTRUMENTS - GROUP

Financial assets Current financial assets	Note	**31 August 2022** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2021 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other receivables	**16**	**21,365**	**-**	**21,365**	24,175	-	24,175
Derivative financial instruments	**18**	**412**	**412**	-	75	75	-
Cash and cash equivalents	**19**	**26,646**	**-**	**26,646**	35,920	-	35,920
		48,423	**412**	**48,011**	60,170	75	60,095

Financial liabilities Current & non-current financial liabilities	Note	**31 August 2022** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2021 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other payables	**21**	**26,454**	**-**	**26,454**	24,728	-	24,728
Accurals	**21**	**13,884**	**-**	**13,884**	11,244	-	11,244
Derivative financial instruments	**18**	**343**	**343**	**-**	165	165	-
Borrowings	**20**	**6,627**	-	**6,627**	-	-	-
		47,308	**343**	**46,965**	36,137	165	35,972

22 FINANCIAL INSTRUMENTS - COMPANY

Financial assets Current financial assets	Note	**31 August 2022** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2021 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other receivables	**16**	**33,942**	**-**	**33,942**	44,614	-	44,614
Cash and cash equivalents	**19**	**913**	**-**	**913**	677	-	677
		34,855	-	**34,855**	45,291	-	45,921

Financial liabilities Current financial liabilities	Note	**31 August 2022** **Total £000's**	**At fair value to Income Statement £000's**	**At amortised cost £000's**	31 August 2021 Total £000's	At fair value to Income Statement £000's	At amortised cost £000's
Trade and other payables	**21**	**13**	**-**	**13**	13	-	13
Accurals	**21**	**920**	**-**	**920**	866	-	866
		933	**-**	**933**	879	-	879

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:

Foreign exchange risk

The Group is exposed to foreign exchange risks against Sterling and Danish Kroner, 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 (i.e. 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 and Danish Kroner.
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**	
2022	**Total Equity £000's**	**Profit or (Loss) £000's**	**Total Equity £000's**	**Profit or (Loss) £000's**
Euro	**(125)**	**(125)**	**125**	**125**
US$	**(1,371)**	**(1,371)**	**521**	**521**
HK$	**(63)**	**(63)**	**63**	**63**
Danish Krone	**(242)**	**(242)**	**55**	**55**
	(1,801)	**(1,801)**	**764**	**764**

	Functional currencies strengthening		Functional currencies weakening	
2021	Total Equity £000's	Profit or (Loss) £000's	Total Equity £000's	Profit or (Loss) £000's
Euro	(5)	(5)	5	5
US$	(1,990)	(1,990)	409	409
HK$	(39)	(39)	39	39
Danish Krone	(134)	(134)	134	134
	(2,168)	(2,168)	587	587

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	**2022 £000's**	2021 £000's	**2022 £000's**	2021 £000's
Trade receivables	**20,053**	22,223	**-**	-
Due from subsidiary undertakings	**-**	-	**33,828**	44,603
Other receivables	**1,312**	1,952	**114**	11
Current tax assets	**576**	766	**-**	-
Cash	**26,646**	35,920	**913**	677
	48,587	60,861	**34,855**	45,291

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 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 £9,148,000 (2021: £9,764,000). 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:

	2022		2021	
	Current £000's	**Non-current within five years £000's**	Current £000's	Non-current within five years £000's
Finance advances	**2,351**	-	-	-
Import loans	**4,276**	-	-	-
Trade and other payables	**43,100**	-	38,390	-
Current tax liabilities	**3,345**	-	1,610	-
Derivative financial instruments	**343**	-	165	-
Lease liabilities	**577**	**648**	557	946
	53,992	**648**	40,722	946

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)

	2022 £000's	2021 £000's
Authorised		
110,000,000 (2021: 110,000,000) ordinary shares of 5 pence each	**5,550**	5,550
Allotted, called up and fully paid		
21,465,929* (2021: 23,608,501) ordinary shares of 5 pence each	**1,074**	1,181

* Including 2,160,877 Ordinary Shares held in treasury (2021: 2,228,720).

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

On 5 January 2022, 33,443 Ordinary Shares were transferred from treasury to three of the executive directors in satisfaction of their bonus entitlement for the accounts year ended 31 August 2021.

34,400 (2021: nil) Ordinary Shares were transferred from treasury during the year to employees exercising their share options.

	Number of new Ordinary Shares transferred from treasury at exercise price	
Date	**213.0p**	**325.5p**
13 September 2021	2,500	-
11 January 2022	-	10,000
23 February 2022	-	3,200
25 February 2022	3,000	-
23 March 2022	11,000	-
6 June 2022	-	2,500
7 June 2022	-	936
9 June 2022	-	1,264

During the year, the Company repurchased for cancellation 2,142,572 (2021: nil) Ordinary Shares as follows:

Date	Number of shares	Price	% of the issued share capital immediately prior to cancellation (excluding shares held in Treasury)
14 February 2022	2,142,572	630.00p	10%

Movement in issued capital is as follows:

Ordinary Shares of 5 pence each	2022	2021
In issue at the beginning of the financial year	**23,608,501**	23,608,501
Cancellations	**(2,142,572)**	-
In issue at the end of the financial year – fully paid	**21,465,929**	23,608,501

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 required 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 5 June 2018, options over a total of 861,650 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 520.00 pence per share.
Options under this grant were surrendered by agreement with the Company and cancelled on 2 October 2020.

On 24 December 2018, an option over a total of 10,000 Ordinary Shares held by the Company in treasury was granted under the 2017 Plan to a Group employee at an exercise price of 540.00 pence per share.
This option was surrendered by agreement with the Company and cancelled on 2 October 2020.

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.

25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

Share options continued

At 31 August 2022, rights to options over 1,043,530 Ordinary Shares of the Company held in treasury (treated as outstanding) were as follows:

	At 1 September 2021	Granted	Exercised/ surrendered	At 31 August 2022	Exercise Price	Exercise Period
2006 Scheme	151,000	-	(18,500)	132,500	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	964,480	-	(53,450)	911,030	325.50p	2 October 2023 to 1 October 2030
	1,115,480	**-**	**(71,950)**	**1,043,530**		

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

	At 1 September 2020	Granted	Exercised/ lapsed	At 31 August 2021	Exercise Price	Exercise Period
2006 Scheme	151,000	-	-	151,000	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	826,900	-	(826,900)	-	520.00p	5 June 2021 to 4 June 2028
2017 Scheme	10,000	-	(10,000)	-	540.00p	24 December 2021 to 23 December 2028
2017 Scheme	-	974,180	(9,700)	964,480	325.50p	2 October 2023 to 1 October 2030
	987,900	974,180	(846,600)	1,115,480		

No options were outstanding in respect of unissued Ordinary Shares of the Company as at 31 August 2022 and at 31 August 2021.

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:

	2022 Number	2022 Weighted average exercise price	2021 Number	2021 Weighted average exercise price
Outstanding at 1 September	**1,115,480**	**310.27p**	987,900	473.28p
Granted	**-**	**-**	974,180	325.50p
Exercised	**(34,400)**	**265.00p**	-	-
Surrendered	**(37,550)**	**325.50p**	(846,600)	518.01p
Outstanding at 31 August	**1,043,530**	**311.22p**	1,115,480	310.27p
Weighted average remaining contractual life in years		**7.3**		8.3

At 31 August 2022, options over 132,500 Ordinary Shares were exercisable (2021: 151,000).

26 SHARE-BASED PAYMENT

	12 months ended 31 August 2022 £000's	12 months ended 31 August 2021 £000's
Charge for share-based payment	**208**	380

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
Grant Date	**25 September 2014**	**2 October 2020**
Options outstanding 1 September 2021	151,000	964,480
Granted	-	-
Exercised	(18,500)	(15,900)
Lapsed	-	(37,550)
Options outstanding 31 August 2022	132,500	911,030
Contract term year(s)	10	10
Expected life of option	8	8
Exercise & share price at grant	213.0p	325.50p
Expected volatility	25% – 35%	31%
Annual risk-free rate	2.502%	0.2877%
Annual expected dividend	3.65% – 4%	1.44%
Fair value per share under option	46p	72p

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 issued or 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:

	2022 £000's	2021 £000's
Within one year	**1,081**	441
Between one and two years	**863**	104
	1,944	545

At the financial year end of 31 August 2022, the Group had capital expenture commitments of £351,000 (2021: £566,000).

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:

	2022 £000's	2021 £000's
Within one year	**221**	198
Between one and two years	**484**	626
	705	824

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.

	2022 £000's	2021 £000's
Dividends received	**6,694**	4,678
Management fees received	**1,800**	1,800
Property rental income	**201**	201
Property rentals paid	**(119)**	(119)
Amounts due from subsidiary undertakings	**33,942**	44,603
Amounts owed to subsidiary undertakings	**(13)**	(13)

29 CONTINGENT LIABILITIES

The contingent liability for letters of credit raised in the normal course of business at 31 August 2022 amounted to £3,058,931 (2021: £7,788,000).

30 EVENTS OCCURING AFTER THE BALANCE SHEET DATE

In September and October 2022, 11,400 Ordinary Shares of 5 pence each held as Treasury shares were transferred from Treasury following the exercise of share options by two employees.

Notice of Meeting

The Character Group plc

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

NOTICE IS HEREBY GIVEN THAT the 2023 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 20 January 2023 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 2022 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 2022 of 10.0 pence per ordinary share.

3. To consider an ordinary resolution of the Company that Mr. R. King, who retires in accordance with the terms of his 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. C. Crouch, 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 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.

6. To consider an ordinary resolution of the Company that Mr. J. Shearman, who was appointed subsequent to the 2022 Annual General Meeting and who retires in accordance with the terms of his letter of appointment and the Articles of Association of the Company, be and is hereby elected and re-appointed as a director of the Company.

7. To consider an ordinary resolution of the Company that Mr. M. Hyde, who ceases to be an Executive Director on 31 December 2022 but who will continue in office as a non-executive director and who retires in accordance with the terms of his letter of engagement and the Articles of Association of the Company, be and is hereby re-elected as a director of the Company.

8. To consider an ordinary resolution of the Company in respect of which Special Notice has been given under sections 312 and 515(2) of the Companies Act 2006 that Lubbock Fine LLP be and are hereby re-appointed as auditors of the Company (having previously been appointed by the directors to fill the casual vacancy caused by the cessation of office of MHA MacIntyre Hudson on 25 August 2022) to hold office with immediate effect and 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

9. 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 £320,000, 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

10. 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 2,890,000;

(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 share is contracted to be purchased; 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 contracted; 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

11. 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 £48,000;

(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 22 December 2022	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 18 January 2023, 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 18 January 2023 (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 21 December 2022 (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 19,316,452 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 21 December 2022 was 19,316,452.

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 & Ireland 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 18 January 2023. 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 & Ireland 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 18 January 2023, 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 2023 ANNUAL GENERAL MEETING

It is proposed that the following resolutions will be proposed as special business at the Company's 2023 Annual General Meeting (the "**AGM**"):

Resolution 9 – 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 9 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 £320,000, which represents 6,400,000 Ordinary Shares (approximately 33.3 per cent. of the issued share capital of the Company, excluding shares held in treasury, as at 21 December 2022 (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.

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

The authority proposed by resolution 9 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 10 – 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 10 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 2022 AGM of the Company and that authority expires at the conclusion of the 2023 AGM.

The maximum number of shares that may be acquired through exercise of this proposed authority is 2,890,000 Ordinary Shares, representing approximately 15 per cent. of the issued share capital of the Company (excluding shares held in treasury) as at 21 December 2022 (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 10 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 11 – Disapplication of pre-emption rights

Where shares are allotted pursuant to a general authority, as provided in resolution 9, 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 11, 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 £48,000, representing 960,000 Ordinary Shares (equivalent to approximately 5 per cent. of the issued share capital of the Company, excluding shares held in treasury, as at 21 December 2022, being the last business day prior to the publication of this Notice).

The disapplication proposed by resolution 11 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.

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