



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

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

Preliminary results for the year ended 31 August 2015

"Character continues to reinforce its position as one of the UK's leading toy companies"

Key highlights:

- Iconic and stable ranges continue to sell-through well and more importantly are adored by the consumer
- Cornerstone brands in the portfolio include: *Peppa Pig, Minecraft, Fireman Sam, Teksta, Little Live Pets, Scooby Doo, Doctor Who*, and our *Activity ranges*
- These will be joined in 2016 by *Teletubbies*

Key financials:

	Year ended 31 August		% change
	2015	2014	
➤ Group revenue	£99.05m	£97.89m	+1.2%
➤ Group profit before income tax	£12.27m	£7.11m	+72.6%
➤ EBITDA	£13.93m	£9.78m	+42.4%
➤ Basic earnings per share	48.56p	27.66p	+75.6%
➤ Proposed dividend			
- proposed final	6.00p	3.95p	+51.9%
- total for the year	11.00p	7.25p	+51.7%
➤ Cash generated from operations	£18.25m	£8.46m	+115.7%
➤ Net cash	£4.53m	£(4.51)m	

"The profit before tax in 2015 is ahead of results previously anticipated and we are pleased to report that current trading remains encouraging and in line with management expectations."

"Our new ranges coming to market over the next calendar year are very exciting and already receiving great reviews from both our customers and the trade media. On this basis, we are confident that the cornerstone brands and the new season's ranges will deliver in terms of demand and sales at consumer level across both our UK and international markets. At this stage we believe that our underlying performance should be able to deliver another year of solid progress."

"Our strong balance sheet and cash flow help us maintain our ability to continue leveraging our broad and, for the most part, proven product portfolio, which will enable us to remain one of the UK's leading toy companies."

Richard King, Executive Chairman

Full statement attached

FTSE sector: leisure:

FTSE AIM All-share: symbol: CCT.L:

Market cap: £108m

Copies of this statement can be viewed at www.thecharacter.com.

Product ranges can be viewed at www.character-online.co.uk.

Product names in this financial report shown in *italics* represent copyright or registered trademarks.

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The Character Group plc

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

Preliminary results for the year ended 31 August 2015

INTRODUCTION

It is exceptionally pleasing to be able to report a record profit before tax of £12.27 million, up 73%, compared to £7.11m for the previous year on revenues of £99.05 million (2014: £97.89m). Our domestic market has traded ahead of expectations whilst international sales were hampered by currency and the generally difficult economic climate. Going forward with a strengthened offering, we expect our international trade to return to its recent pattern of growth. Our strong balance sheet and cash flow help us maintain our ability to continue leveraging our broad and, for the most part, proven product portfolio, which will enable us to remain one of the UK's leading toy companies.

OUR BRANDS AND NEW ADDITIONS

Our product line-up includes well established and longstanding ranges which are refreshed each year and enhanced by the introduction of new and innovative products as they become available. Our most important brands during the year included *Peppa Pig, Minecraft, Fireman Sam, Teksta, Little Live Pets, Scooby Doo, Doctor Who* and our *Activity ranges*.

As previously stated, Character Options Limited ('Character Options'), our UK trading subsidiary, has been appointed the global master toy partner for *Teletubbies*, a former firm favourite with children and parents alike. Our new line of toy products featuring these characters will be launched and marketed in early 2016. The launch of the new Teletubbies TV series on CBBC last month has generated great interest to date in the UK which is expected to continue to grow. We are also especially excited by the reaction from overseas customers and the potential growth opportunities that this licence, together with our other evergreen product line-up, affords us.

KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 31 AUGUST 2015

As stated above, net profit before tax on continuing operations was £12.27 million (2014: £7.11m). Group revenue in the year was £99.05 million compared to £97.89m for the last financial year.

Gross profit increased from £29.14m in 2014 to £36.66 million in the 2015 financial year, with gross profit margins increasing to 37% (2014: 29.8%).

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. This has resulted in a related credit to the income statement of £2.05 million (2014: charge of £1.93 m). The profit before tax of £12.27 million is stated after crediting £2.05 million in relation to this 'mark to market' valuation and is a contributory factor behind the increase in gross profit margin in the current financial year. This credit is a non-cash item in these financial statements.

Inventories remained broadly constant at £8.97 million compared to £8.85m at the end of the previous financial year. Cash and cash equivalents at 31 August 2015 were £25.78 million (2014: £17.70m). At the same date, short-term borrowings were reduced to £21.25 million (2014: £22.22m). The Company has no long term borrowings. Net current assets increased to £8.05 million (2014: £3.58m). The Group maintains substantial headroom within its working capital facilities.

Basic earnings per share for the year under review were 48.56 pence compared to 27.66p in the year ended 31 August 2014.

DIVIDEND

Following on from the very good result for the year, the Board is recommending an increased final dividend of 6.00 pence per share. Payment of the final dividend is subject to approval by shareholders at the Annual General Meeting (“AGM”) on 22 January 2016.

This, together with the interim dividend of 5.00 pence per share paid on 26 June 2015, would make a total of 11.00 pence per share, an increase of 51.72%. This is covered 4.4 times by annual earnings.

The final dividend will be paid on 29 January 2016 to shareholders on the Register as at the close of business on 8 January 2016; the shares will be marked ex-dividend on 7 January 2016.

SHARE BUY-BACK PROGRAMME

It remains part of the Group’s overall strategy to continue to repurchase the Company’s own shares when appropriate. As previously indicated, the Directors could also be prepared to participate in any future share buy-back programme the Company proposes.

It is recognised however that the conditions of the authority granted at the last AGM do not follow current ‘Best Practice’. As a consequence, the Board has decided that the proposal regarding the renewal to be put forward this year will follow best practice for smaller companies in that the total authority will be for a maximum of 15% of the issued capital and the price at which purchases may be made will be limited to a maximum of 10% above market price. The Directors would apply this best practice on pricing should they decide to make any share buy-backs prior to the 2016 AGM.

In the period under review, the Company acquired a total of 2,336,330 ordinary shares in the Company at an aggregate cost of £6.07 million (excluding stamp duty and dealing costs), with the average cost being £2.60 per ordinary share (2014: 2,148,002 ordinary shares at an aggregate cost of £3,928,336 and an average cost of £1.83 per ordinary share).

As at today’s date, the Company has 21,608,490 ordinary shares in issue (excluding shares held in treasury). The Company holds 3,269,456 ordinary shares in treasury, representing approximately 15.14% of the issued voting share capital; these treasury shares do not carry voting or dividend rights.

PEOPLE

The Board takes this opportunity to thank colleagues around the business for their continuous hard work, dedication and loyalty, which underpins both the high level customer relationships and the Group’s overall performance.

It was with great sadness that, in July 2015 we announced the untimely passing of our longstanding Non-Executive Director, Lord (Mark) Birdwood. He joined us in 1995 and he was regarded a friend and a respected and valuable member of the Character Board. Over the last 20 years we have been able to access his knowledge and commercial skills which assisted in Character’s overall development.

AWARDS

It is highly gratifying for everyone at Character to once again be recognised by those we respect and also compete within our market sector. We also acknowledge that a considerable part of our success is down to the partnerships which the Character team have forged with our suppliers over many years.

Character Options, was recognised by the industry and its peers, scooping the coveted “*Toy Supplier of the Year*” at the Toy Industry Awards last January. Added to this was a triple celebration as it also received product awards for ranges in three categories: *Gaming Toy* – **Minecraft** developed by Jazzwares: *Interactive Toy* – **Little Live Pets** developed by Moose Enterprise and a joint winner in the “*Craze of the Year*” category for the **Cra-Z-loom Bracelet Maker**, (loom bands) developed by CRA-Z-ART (from the **Shimmer ‘n Sparkle** collection). Additionally, we received prestigious supplier serviceability awards from both Argos and Tesco – all memorable achievements.

CURRENT TRADING & OUTLOOK

Our strategic focus remains unchanged, that is “*to seek out and develop exciting products which meet domestic and international market demand*”. Our portfolio will continue to be derived from both our own-developed in-house ranges, including those produced ‘under licence’, and others sourced through exclusive distribution agreements.

The Character Group is very fortunate at this time to have both strength and depth across its brands. Our diverse product portfolio which we market at “*great price points*” and “*value for money*” is expected to continue providing a solid platform for ongoing growth. Our management teams remain optimistic about the prospects of the Group as a whole and we are looking forward to unveiling our ranges for the new season at the London Toy Fair at Olympia in January 2016.

The profit before tax in 2015 is ahead of results previously anticipated and we are pleased to report that current trading remains encouraging and in line with management expectations.

Our new ranges coming to market over the next calendar year are very exciting and already receiving great reviews from both our customers and the trade media. On this basis, we are confident that the cornerstone brands and the new season’s ranges will deliver in terms of demand and sales at consumer level across both our UK and international markets.

At this stage we believe that our underlying performance should be able to deliver another year of solid progress. We look forward to updating shareholders further on our progress at the time of our AGM in January.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2015

	<i>Note</i>	Total 2015 £000's	Total 2014 £000's
Continuing operations			
Revenue		99,054	97,889
Cost of sales		(62,399)	(68,752)
Gross profit		36,655	29,137
Net operating expenses			
Selling and distribution costs		(7,310)	(7,389)
Administration expenses		(17,753)	(15,273)
Other operating income		892	984
Operating profit	1	12,484	7,459
Finance income		14	8
Finance costs		(230)	(360)
Profit before income tax		12,268	7,107
Taxation		(2,029)	(1,162)
Profit for the year attributable to equity holders of the parent		10,239	5,945
Earnings per share			
Basic	3	48.56p	27.66p
Fully diluted	3	45.73p	25.18p
Dividend per share (pence)	2	8.95p	6.60p
EBITDA (earnings before interest, tax, depreciation and amortisation)		13,934	9,784

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2015

	Total 2015 £000's	Total 2014 £000's
Profit for the year after tax	10,239	5,945
Items that will not be reclassified subsequently to profit and loss		
Income tax relating to items that will not be reclassified subsequently to profit and loss	1,256	-
	1,256	-
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	(251)	(80)
Income tax on exchange differences	24	17
	(227)	(63)
Total comprehensive income for the year attributable to the equity holders of the parent	11,268	5,882

CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2015

	2015	2014
	£000's	£000's
Non – current assets		
Intangible assets – product development	837	238
Investment property	1,911	1,976
Property, plant and equipment	3,551	3,623
Deferred tax assets	1,058	571
	7,357	6,408
Current assets		
Inventories	8,965	8,854
Trade and other receivables	15,535	23,417
Current income tax receivable	22	16
Derivative financial instruments	234	144
Cash and cash equivalents	25,781	17,702
	50,537	50,133
Current liabilities		
Short term borrowings	(21,246)	(22,217)
Trade and other payables	(19,015)	(20,545)
Income tax	(1,862)	(1,463)
Derivative financial instruments	(363)	(2,324)
	(42,486)	(46,549)
Net current assets	8,051	3,584
Non-current liabilities		
Deferred tax	(167)	(48)
Net assets	15,241	9,944
Equity		
Called up share capital	1,244	1,266
Shares held in treasury	(3,373)	(3,373)
Investment in own shares	-	(908)
Capital redemption reserve	1,704	1,587
Share-based payment reserve	2,631	2,487
Share premium account	14,642	13,808
Merger reserve	651	651
Translation reserve	1,374	1,508
Profit and loss account	(3,632)	(7,082)
Total equity attributable to equity holders of the parent	15,241	9,944

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2015

	12 months ended 31 August 2015 £000's	12 months ended 31 August 2014 £000's
Cash flow from operating activities		
Profit before taxation for the year	12,268	7,107
Adjustments for:		
Depreciation of property, plant and equipment	425	413
Depreciation of investment property	65	66
Amortisation of intangible assets	960	1,846
(Profit) on disposal of property, plant and equipment	(14)	(16)
Interest expense	216	352
Financial instruments fair value adjustments	(2,051)	1,932
Share-based payments	144	126
(Increase) in inventories	(111)	(2,676)
Decrease / (Increase) in trade and other receivables	7,882	(4,695)
(Decrease) / Increase in trade and other creditors	(1,530)	4,004
Cash generated from operations	18,254	8,459
Interest paid	(216)	(352)
Income tax (paid)/received	(725)	185
Net cash inflow from operating activities	17,313	8,292
Cash flows from investing activities		
Payments for intangible assets	(1,559)	(1,336)
Payments for property, plant and equipment	(349)	(361)
Proceeds from disposal of property, plant and equipment	14	17
Net cash outflow from investing activities	(1,894)	(1,680)
Cash flows from financing activities		
Proceeds from disposal of investment in own shares	908	-
Proceeds from the issue of share capital	929	153
Purchase of own shares for cancellation	(6,088)	(3,955)
Dividends paid	(1,864)	(1,392)
Net cash used in financing activities	(6,115)	(5,194)
Net increase in cash and cash equivalents	9,304	1,418
Cash, cash equivalents and borrowings at the beginning of the year	(4,515)	(6,018)
Effects of exchange rate movements	(254)	85
Cash, cash equivalents and borrowings at the end of the year	4,535	(4,515)

Cash, cash equivalents and borrowings consist of:

Cash and cash equivalents	25,781	17,702
Short term borrowings	(21,246)	(22,217)
Cash, cash equivalents and borrowings at the end of the year	4,535	(4,515)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2015

	Called up share capital £000's	Investment in own shares £000's	Shares held in treasury £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share based payment reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
The Group										
At 1 September 2013	1,353	(908)	(3,373)	1,480	13,675	651	2,361	1,346	(7,617)	8,968
Profit for the year after tax	-	-	-	-	-	-	-	-	5,945	5,945
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	-	162	(63)	99
Total comprehensive income for the year	-	-	-	-	-	-	-	162	5,882	6,044
Share-based payment	-	-	-	-	-	-	126	-	-	126
Dividends	-	-	-	-	-	-	-	-	(1,392)	(1,392)
Shares issued	20	-	-	-	133	-	-	-	-	153
Shares cancelled	(107)	-	-	107	-	-	-	-	(3,955)	(3,955)
At 1 September 2014	1,266	(908)	(3,373)	1,587	13,808	651	2,487	1,508	(7,082)	9,944
Profit for the year after tax	-	-	-	-	-	-	-	-	10,239	10,239
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(134)	(93)	(227)
Income tax relating to items that will not be reclassified subsequently to profit and loss	-	-	-	-	-	-	-	-	1,256	1,256
Total comprehensive income for the year	-	-	-	-	-	-	-	(134)	11,402	11,268
Disposal of Investment in own shares	-	908	-	-	-	-	-	-	-	908
Share-based payment	-	-	-	-	-	-	144	-	-	144
Dividends	-	-	-	-	-	-	-	-	(1,864)	(1,864)
Shares issued	95	-	-	-	834	-	-	-	-	929
Shares cancelled	(117)	-	-	117	-	-	-	-	(6,088)	(6,088)
At 31 August 2015	1,244	-	(3,373)	1,704	14,642	651	2,631	1,374	(3,632)	15,241

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

THE CHARACTER GROUP PLC
NOTES TO THE PRELIMINARY RESULTS

1. EXPENSES BY NATURE

	12 months ended 31 August 2015 £000's	12 months ended 31 August 2014 £000's
Operating profit is stated after charging/(crediting):		
Cost of sales		
Changes in inventories of finished goods and works in progress	58,666	59,824
Amortisation of capitalised product development costs	960	1,846
(Credit)/charge financial instruments fair value adjustments	(2,051)	1,932
Inventories write down charge/(credit)	449	(273)
Net operating expenses		
Exchange losses	77	41
Staff costs	11,208	8,716
Depreciation of tangible fixed assets		
— owned assets	425	413
Depreciation of investment property	65	66
(Profit) on disposal of property, plant and equipment	(14)	(16)
Operating leases — land and buildings	272	253
Auditor remuneration	74	78

2. DIVIDEND

	12 months ended 31 August 2015 £000's	12 months ended 31 August 2014 £000's
On equity shares:		
Final dividend paid for the year ended 31 August 2014		
— 3.95 pence (2013: 3.3 pence) per share	838	693
Interim dividend paid for the year ended 31 August 2015		
— 5.00 pence (2014: 3.3 pence) per share	1,026	699
	1,864	1,392

The Directors recommend a final dividend of 6.00 pence per share (2014: 3.95 pence) amounting to £1,297,000 (2014: £838,000).

If approved by shareholders, the final dividend will be paid on 29 January 2016 to shareholders on the Register on 8 January 2016.

3 EARNINGS PER SHARE

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

	Year ended 31 August 2015 Profit after taxation £	Year ended 31 August 2014 Profit after taxation £
Profit for the year used in the calculation of basic and diluted earnings per share	10,239,000	5,945,000

The weighted average number of ordinary shares used for the calculation of basic and diluted earnings per share are as follows:

	Year ended 31 August 2015	Year ended 31 August 2014
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,085,023	21,492,265
Weighted average number of share options	1,305,141	2,116,022
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	22,390,164	23,608,287

4. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Duane Morris LLP, 2nd Floor, 10 Chiswell Street, London EC1Y 4UQ on Friday, 22 January 2016 at 11.00 am.

5. ANNUAL REPORT AND ACCOUNTS

The Preliminary announcement does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Annual Report and accounts for the year ended 31 August 2015 and the comparatives under IFRS have yet to be reported on by the auditors and have not yet been filed with the Registrar of Companies.

6. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 August 2015, together with the Notice convening the Company's 2016 Annual General Meeting, will be available for viewing and download on the Group's website, www.character.com by 18 December 2015.