designers, developers and international distributors of toys, games and giftware

Date: Thursday 26 April 2012

The Character Group plc

("Character" or "the Group")

Half-Year Results for the six months ended 29 February 2012

"The Group's focus remains on developing brands and new license introductions that meet both market and consumer demand"

- Solid performance from own-developed brands despite challenges in the marketplace
- Revenue £44.25 million (2011: £58.10m)
- Profit before tax £5.57 million (2011: £6.64m)
- Earnings per share 19.34p (2011: 20.28p)
- Dividend increased 10% to 3.3p (2011: 3.00p)
- A number of exciting new lines being released for the autumn selling period

"Around 60% of Group sales derive from own-developed and branded products and this has helped Character to maintain its position as one of the UK's leading toy companies.

"The Group's key brands have generally held up well when compared to the market as a whole, with the first of this season's introductions "Deadly 60" getting off to a flying start at retail.

"We are very proud of and excited by our new product introductions for this calendar year.

"There is no disguising the fact that the retail trade is, with few exceptions, finding it difficult to work its way through the current trading climate.

"Character's sales for this financial year will be more dependent than ever before on the timing of the order intake from our major customers in July and August. We believe, however, that our sales for the calendar year as a whole will benefit from the exciting new range introductions and, together with the continued solid sales of our existing brands should provide the Group with a very satisfactory result both for this Christmas and the next financial year."

Richard King, Executive Chairman

Full Statement attached

Ticker: AIM: CCT.L

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Introduction

As I indicated in the January update, management took the decision, in so far as it was possible, to minimise the effects of the generally difficult trading conditions by taking early action to reduce stock risk and to manage and reduce costs.

Despite the tough trading, I am pleased to report that the Group's key brands, with the exception of *"Zhu Zhu Pets"*, have generally held up well when compared to the market as a whole, with the first of this season's introductions *"Deadly 60"* getting off to a flying start at retail. Further planned new product launches will provide a good opportunity for growth during this calendar year.

Financials

Revenue in the period was £44.25 million against £58.10 million in the comparable 2011 period. At first glance, this appears to be disappointing but, if we examine the position more closely, we can attribute this reduction both to the changing trading environment at retail and sales of the phenomenally successful *"Zhu Zhu Pets"* returning to a more stable and sustainable level in the half year being reported.

Although sales were reduced, working capital has throughout the period has been effectively managed, with the cost base and inventory levels operated under tight control. As a result, profit before tax in the period was £5.57 million against £6.64 million in the comparable period in 2011. Stocks were reduced from £8.37 million at the half-year point in 2011 to £6.61 million at the 2012 half-year point being reported. This is also significantly lower than the August 2011 year-end position, (£11.56 million). At this stage of the year, we do not anticipate any exceptional stock write-down provisions during the second half.

Basic earnings per share were 19.34 pence, compared to 20.28 pence for the previous half-year period and 28.47 pence for the year ended August 2011.

Share buy-backs

During the period, the Company continued its share buy-back programme and re-purchased approximately 1,438,620 million ordinary shares of 5 pence each ("Ordinary Shares") at a cost of approximately £2.33 million (2011: £4.91 million), excluding stamp duty and dealing costs. As at today's date, the Company's issued share capital is 22,426,381 Ordinary Shares (excluding 4,019,456 Ordinary Shares held in treasury).

The Company has an unutilised capacity to buy-back up to a further 5,428,800 Ordinary Shares under the authority granted to it at the Annual General Meeting on 18 January 2012. As previously indicated, the Directors could be prepared to participate in any future share buy-back programme the Company proposes.

Dividend

Despite the reduced level of revenue and profitability in the first half, the Board is very optimistic that the business continues to generate exciting and innovative ranges which will help to underpin the Group's future performance and, accordingly, we are increasing the interim dividend by 10% to 3.3 pence per share (2011: 3.00 pence). This will be paid on 27 July 2012 to shareholders on the Register as at the close of business on 6 July 2012.

People

I would like to take this opportunity to acknowledge the hard work and commitment of all of our employees, both in the Far East and the UK, who despite the market forces continue to work together to enhance the Group's reputation with both our suppliers and customers.

New Range introductions for 2012

At Character, our strategy remains unchanged, that is, to seek out and develop exciting products which meet domestic and international market demand. These products will come from either our own portfolio which has been developed in-house or those produced in partnership under license or sourced through distribution agreements.

Around 60% of Group sales derive from own-developed and branded products and this has helped Character to maintain its position as one of the UK's leading toy companies.

We are very proud of and excited by our new product introductions for this calendar year.

We recently introduced toys associated with the *"Deadly 60"* programme and this range is trading above our original expectations and we fully expect the introductions detailed below to repeat that success.

- ***Mike the Knight***

Our position as the number one supplier of Pre-School licensed toys is further cemented with the addition of a hot new property, *"Mike the Knight".* This is added to our already impressive Pre-School portfolio which includes, *"Peppa Pig", "Fireman Sam", "Bob the Builder", "Postman Pat", "Barney"* and *"Rastamouse".*

The newly launched *"Mike the Knight"* TV series has topped the TV ratings and has generated excellent listing support from our key retailers for our new toy collection. Launching in May, and supported with a heavyweight advertising and PR campaign, the range includes figures, play-sets and accessories, plush and role-plays; all depicting the world that Mike and his friends live in.

- ***AppGear***

With mobile application games becoming increasingly popular, App Toys has become one of the hottest new categories within the toy industry. *"AppGear"* is being developed by WowWee, famous for its highly successful Robosapien robotics range, which was distributed by Character Options. The range combines toys with mobile app technology and augmented reality to create the ultimate virtual gaming experience, bringing toys to life like never before.

"AppGear" received huge coverage at The International Toy Fair, London in January, winning a 'best Tech Toy Award' and was named as one the Gadget Show Lives' Top 5 tech toys. The *"AppGear"* range will see seven titles launch in 2012 including an exciting *"Doctor Who"* virtual game.

The first two titles, *"Foam Fighters"* and *"ZombieBurbz"* will hit the shelves in May.

WowWee has invested in the latest game engines which support both iOS and Android devices to give full 3-D environments with high quality gameplay at affordable prices. The range is being supported by all major toy retailers; we have also had support from dedicated game software retailers, opening up new retail channels to the Company. With TV support and a comprehensive marketing plan in place, we are set to make a significant impact at retail and amongst the growing gaming community.

Scan this QR code using a smart device to see AppGear in action

- ***Character Building***

Launched in 2011, the Character Building range of construction toys has experienced considerable success and the new introductions in 2012 will see this brand become the biggest in the Character portfolio.

- Spring saw the launch of the Character Building *"Deadly 60"* range of animals and play-sets, and was a first for the construction market, bringing animals to a whole new play environment involving realism and imagination. Initial sales have exceeded expectation and some retailers soon sold out and are awaiting replacement stock. The range will continue to be expanded through 2012 with new play-sets and new animals.

- In May, Character Options will launch, in partnership with Topps, the world's leading publisher of sports collectibles, a brand new range of micro-figures featuring key players from the England football team.

  'Topps Minis', which go on sale on 31 May, at all good newsagents and toy retailers, allows football fans and collectors alike to build an exciting collection of England characters, which can be enjoyed as part of a game of table-top football. There are 14 players to collect in the constructible figure collection, including England goalkeeper Joe Hart, who features alongside fellow teammates such as Theo Walcott, Ashley Cole and Glen Johnson.

  Collectors can make their table-top game play more exciting with a 'Pitch and Play Set', which contains three *"Topps Minis"* figures and sections to build into a full pitch. In addition, to this, you can create a 30cm high scale replica of the FA Cup. To make the collection extra special, fans can build a scale replica of Wembley Stadium, complete with the iconic Wembley Arch. With over 1,000 bricks, this is the ultimate stadium in which to store the *"Topps Minis"* micro-figure collection.

- June will see the launch of the much anticipated range of *"Ben 10"* collectable construction micro-figures and play-sets. Developed in conjunction with Cartoon Network, the range will target the many thousands of *"Ben 10"* fans.

- Finally, in August, we will follow the *"Topps Minis"* range with the launch of the highly anticipated *"CB Sports Stars"* brand, a fully licensed football range depicting the world's best players from a number of the English Premier Leagues' most successful teams. The range will include articulated micro-figures and constructible, fully functional pitch play-sets enabling mini match play through table-top football and a stadium construction set that will allow collectors to build one of six different well known Premier League Stadiums.

- ***Bin Weevil's***

www.BinWeevils.com is billed as "a highly immersive entertainment platform that children aged 6-11 years old just can't get enough of". Unique visitors have rapidly expanded to an impressive 2.2 million; an upward trend that could see BinWeevils.com reaching the top status for children's gaming platforms in the very near future.

Character Options is the master toy licensee for *"Bin Weevils"*. A full range of toys will be launched in late autumn including collectable figurines, plush and a major play-set. The range will be supported by all major high street retailers and online retailers and represents a major opportunity for the Company.

Outlook & Current Trading

There is no disguising the fact that the retail trade is, with few exceptions, finding it difficult to work its way through the current trading climate. Whilst we are all having to face up to these conditions, the position is not helped by several important factors, which could make the impact of timing of our sales more significant than previously as many retailers are changing their pattern of trading and promotional activity this year; in addition to this, we together with the trade cannot gauge accurately the likely effects of the Queen's Jubilee, UEFA's 2012 European Championship or the Olympics.

Due to these factors, we believe that Character's sales for this financial year will be more dependent than ever before on the timing of the order intake from our major customers in July and August. We believe, however, that our sales for the calendar year as a whole will benefit from the exciting new range introductions noted above together with the continued solid sales of our existing brands which should provide the Group with a very satisfactory result both for this Christmas and the next financial year.

Richard King

Chairman

25 April 2012

CONSOLIDATED INCOME STATEMENT

	Notes	6 months to 29 February 2012 (unaudited) £'000	6 months to 28 February 2011 (unaudited) £'000	12 months to 31 August 2011 (audited) £'000
Continuing operations				
Revenue		44,254	58,102	94,947
Cost of sales		(27,767)	(38,403)	(62,355)
Gross profit		16,487	19,699	32,592
Net operating expenses				
Selling and distribution costs		(3,444)	(4,925)	(8,285)
Administration expenses		(7,569)	(8,040)	(15,318)
Other operating income		322	56	308
Operating profit		5,796	6,790	9,297
Finance income		1	41	70
Finance costs		(228)	(195)	(322)
Profit before taxation		5,569	6,636	9,045
Taxation		(1,176)	(1,679)	(2,210)
Profit for the year attributable to equity holders of the parent		4,393	4,957	6,835
Earnings per share (pence)				
Basic	4	19.34p	20.28p	28.47p
Fully diluted	4	17.37p	18.16p	25.45p
Dividend per share (pence)	3	3.00p	2.00p	5.00p
EBITDA (earnings before interest, tax, depreciation and amortisation)		8,032	9,146	12,531

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months to 29 February 2012 (unaudited) £'000	6 months to 28 February 2011 (unaudited) £'000	12 months to 31 August 2011 (audited) £'000
Profit for the period after tax		4,393	4,957	6,835
Net exchange differences on translation of foreign operations recognised in equity		(74)	107	72
Net effective change in value of cash flow hedges		–	(167)	(167)
Total comprehensive income for the period attributable to equity holders of the parent		4,319	4,897	6,740

CONSOLIDATED BALANCE SHEET

	Note	at 29 February 2012 (unaudited) £'000	at 28 February 2011 (unaudited) £'000	at 31 August 2011 (audited) £'000
Non – current assets				
Intangible assets – product development		1,159	561	1,630
Investment property		2,139	–	2,172
Property, plant and equipment		3,939	1,169	3,845
Deferred tax assets		29	68	658
		7,266	1,798	8,305
Current assets				
Inventories		6,614	8,367	11,563
Current tax assets		–	274	–
Trade and other receivables		7,726	10,006	17,106
Derivative financial instruments		156	190	355
Cash and cash equivalents		4,270	10,330	10,859
		18,766	29,167	39,883
Current liabilities				
Short term borrowings		(7,272)	(9,673)	(15,727)
Trade and other payables		(8,131)	(11,335)	(20,529)
Income tax payable		(1,085)	(2,429)	(2,282)
Derivative financial instruments		(236)	(1,217)	(1,598)
		(16,724)	(24,654)	(40,136)
Net current assets/(liabilities)		2,042	4,513	(253)
Non Current Liabilities				
Deferred tax		(114)	–	(486)
Net assets		9,194	6,311	7,566
Equity				
Share capital		1,323	1,395	1,390
Shares held in treasury		(3,373)	(3,373)	(3,373)
Investment in own shares		(908)	(908)	(908)
Capital redemption reserve		1,452	1,373	1,380
Share based payment reserve		1,627	1,055	1,350
Share premium account		13,218	13,143	13,163
Merger reserve		651	651	651
Translation reserve		1,901	1,904	1,934
Profit and loss account		(6,697)	(8,929)	(8,021)
Total equity		9,194	6,311	7,566

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	6 months to 29 February 2012 (unaudited) £'000	6 months to 28 February 2011 (unaudited) £'000	12 months to 31 August 2011 (audited) £'000
Cash flow from operating activities				
Profit before taxation for the period		5,569	6,636	9,045
Adjustments for:				
Depreciation of property, plant and equipment		199	154	314
Depreciation of investment property		33	–	22
Amortisation of intangible assets		2,004	2,202	2,898
Gain on disposal of subsidiary		–	–	(3)
Interest expense		227	154	252
Financial instruments fair value adjustments		(1,163)	726	942
Share based payments		277	164	459
Decrease/(increase) in inventories		4,949	956	(2,240)
Decrease/(increase) in trade and other receivables		9,380	5,780	(1,320)
(Decrease)/increase in trade and other creditors		(12,398)	(8,569)	626
Cash generated from operations		9,077	8,203	10,995
Interest paid		(227)	(154)	(252)
Income tax paid		(2,102)	(121)	(709)
Net cash inflow from operating activities		6,748	7,928	10,034
Cash flows from investing activities				
Payments for intangible assets		(1,532)	(1,640)	(3,405)
Payment for investment property		–	–	(2,194)
Payments for property, plant and equipment		(291)	(90)	(3,893)
Proceeds from disposal of subsidiary		–	–	970
Net cash outflow from investing activities		(1,823)	(1,730)	(8,522)
Cash flows from financing activities				
Proceeds from issue of share capital		60	233	255
Purchase of own shares for cancellation		(2,349)	(4,951)	(5,147)
Dividends paid		(679)	(488)	(1,197)
Net cash used in financing activities		(2,968)	(5,206)	(6,089)
Net increase/(decrease) in cash and cash equivalents		1,957	992	(4,577)
Cash, cash equivalents at the beginning of the period		(4,868)	(452)	(452)
Effects of exchange rate movements		(91)	117	161
Cash, cash equivalents and borrowing at the end of the period		(3,002)	657	(4,868)

Cash, cash equivalents and borrowings consist of:

Cash and cash equivalents	4,270	10,330	10,859
Short term borrowings	(7,272)	(9,673)	(15,727)
	(3,002)	657	(4,868)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital £000's	Investment in own shares £000's	Treasury Shares £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share Based Payment £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
Balance as at 1 September 2010 (unaudited)	**1,521**	**(908)**	**(3,373)**	**1,229**	**12,928**	**651**	**891**	**2,075**	**(8,558)**	**6,456**
Profit for the period	–	–	–	–	–	–	–	–	4,957	4,957
Translation reserve movement	–	–	–	–	–	–	–	(171)	278	107
Net loss on cash flow hedged forward contract	–	–	–	–	–	–	–	–	(167)	(167)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	–	(171)	5,068	4,897
Transactions with owners										
Dividend paid	–	–	–	–	–	–	–	–	(488)	(488)
Share based payment	–	–	–	–	–	–	164	–	–	164
Shares issued	18	–	–	–	215	–	–	–	–	233
Shares cancelled	(144)	–	–	144	–	–	–	–	(4,951)	(4,951)
Six months ended 28 February 2011	**1,395**	**(908)**	**(3,373)**	**1,373**	**13,143**	**651**	**1,055**	**1,904**	**(8,929)**	**6,311**

	Called up share capital £000's	Investment in own shares £000's	Treasury Shares £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share Based Payment £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
Balance as at 1 September 2010 (audited)	**1,521**	**(908)**	**(3,573)**	**1,229**	**12,928**	**651**	**891**	**2,075**	**(8,558)**	**6,456**
Profit for the year after tax	–	–	–	–	–	–	–	–	6,835	6,835
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	(141)	213	72
Net loss on cash flow hedged contract	–	–	–	–	–	–	–	–	(167)	(167)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	–	(141)	6,881	6,740
Transactions with owners										
Share based payment	–	–	–	–	–	–	459	–	–	459
Dividend paid	–	–	–	–	–	–	–	–	(1,197)	(1,197)
Shares issued	20	–	–	–	235	–	–	–	–	255
Shares cancelled	(151)	–	–	151	–	–	–	–	(5,147)	(5,147)
Year ended 31 August 2011	**1,390**	**(908)**	**(3,373)**	**1,380**	**13,163**	**651**	**1,350**	**1,934**	**(8,021)**	**7,566**

	Called up share capital £000's	Investment in own shares £000's	Treasury Shares £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share Based Payment £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
Balance as at 1 September 2011 (unaudited)	**1,390**	**(908)**	**(3,373)**	**1,380**	**13,163**	**651**	**1,350**	**1,934**	**(8,021)**	**7,566**
Profit for the period	–	–	–	–	–	–	–	–	4,393	4,393
Translation reserve movement	–	–	–	–	–	–	–	(33)	(41)	(74)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	–	(33)	4,352	4,319
Transactions with owners										
Dividend paid	–	–	–	–	–	–	–	–	(679)	(679)
Share based payment	–	–	–	–	–	–	277	–	–	277
Shares issued	5	–	–	–	55	–	–	–	–	60
Shares cancelled	(72)	–	–	72	–	–	–	–	(2,349)	(2,349)
Six months ended 29 February 2012	**1,323**	**(908)**	**(3,373)**	**1,452**	**13,218**	**651**	**1,627**	**1,901**	**(6,697)**	**9,194**

1 BASIS OF PREPARATION

The financial information set out in this interim statement has been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the accounting policies which will be adopted in presenting the Group's annual report and financial statements for the year ending 31 August 2012. These are consistent with the accounting policies used in the financial statements for the year ended 31 August 2011 as described in those annual financial statements.

As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 'Interim Financial Reporting'.

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and share based payments at fair value.

These interim financial statements and the financial information for the six months ended 28 February 2011 do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. These unaudited interim financial statements were approved by the Board of Directors on 25 April 2012.

The information for the year ended 31 August 2011 is based on the consolidated financial statements for that year on which the Group's auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 GOING CONCERN

The Directors consider that the Group has adequate resources to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

3 DIVIDENDS

	For the six months ended 29 February 2012 (unaudited) £000's	For the six months ended 28 February 2011 (unaudited) £000's	For the year ended 31 August 2011 (audited) £000's
Final dividend for year ended 31 August 2011 – 3.0 pence per share	**679**	488	488
Interim	**–**	–	709
	679	488	1,197

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, being share options granted where the exercise price is less than average price of the company's ordinary shares during this period.

The calculations are based on the following:

	For the six months ended 29 February 2012 (unaudited) £000's	For the six months ended 28 February 2011 (unaudited) £000's	For the year ended 31 August 2011 (audited) £000's
Profit attributable to equity shareholders of the parent	**4,393**	4,957	6,835
Weighted average number of shares			
In issue during the year – basic	**22,719,993**	24,444,388	24,006,854
Dilutive potential ordinary shares	**2,563,476**	2,851,146	2,849,795
Weighted average number of ordinary shares for diluted earnings per share	**25,283,469**	27,295,534	26,856,649

Basic earnings per share (pence)	**19.34**	20.28	28.47
Diluted earnings per share (pence)	**17.37**	18.16	25.45

5 Copies can be obtained from the Company's head office: 2nd Floor, 86-88 Coombe Road, New Malden, Surrey KT3 4QS and are available to download from the Company's website www.thecharacter.com.

INDEPENDENT REVIEW REPORT TO THE CHARACTER GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2012, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flow, the consolidated statement of changes in equity and related notes 1 to 4. We have read the other information contained in the half-yearly financial report which comprises only the Chairman's letter and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules of the London Stock Exchange which requires that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the AIM rules of the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 29 February 2012 are not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

MHA MacIntyre Hudson
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25 April 2012