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**Annual Report and Accounts**

**For the year ended 31 August 2025**

## CONTENTS

### DIRECTORS AND ADVISERS

	Page
<b>Strategic Report</b>	
Overview	2
Chair's Statement	3
Executive Review	4
Principal Risks and Uncertainties	9
Section S172 Statement	11
Environmental, Social and Governance (ESG) Report	13
<b>Governance</b>	
Directors' Biographies	20
Directors' Report	22
Corporate Governance Report	25
Directors' Remuneration Report	31
Directors' Responsibility Statement	32
Independent Auditor's Report	33
<b>Financial Statements</b>	
Group Income Statement	39
Group Statement of Comprehensive Income	40
Group Balance Sheet	41
Company Balance Sheet	42
Group and Company Cash Flow Statement	43
Group Statement of Changes in Equity	44
Company Statement of Changes in Equity	45
Notes to the Financial Statements	46
AGM notice	80

[www.thecharacter.com](http://www.thecharacter.com)

[www.character-online.com](http://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 a key area of focus for growth. 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.

The Directors see the Group's purpose as producing well-made, stimulating, physical toy products, playthings and games that facilitate and support the development of children.

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

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

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

Our top performing brands in 2025 and into 2026 include: *Goo Jit Zu, Peppa Pig and Sticki Rolls*.

## CHAIR'S STATEMENT

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

The Character Group plc and its subsidiaries have experienced a difficult year. The challenges presented to the business included the effects of the imposition of tariffs on our exports from China to the USA and the resulting uncertainty and “ripple” effect in other territories throughout the world and the lingering consumer concerns over cost-of-living increases generally. In addition, the effective closure of the Suez Canal has both lengthened the journey time by sea from China to Europe for the import of goods and effectively resulted in reduced freight capacity. Due to the imposition by the USA administration of tariffs on goods imported from China, in April 2025 the Group withdrew its profit guidance for the year to 31 August 2025.

Despite these challenges, the Company remained profitable (before highlighted items), with £100.5m in revenue for the full year. These results demonstrate yet again how effective our teams around the globe are in ensuring the profitable operation of the Group's business in the most hostile conditions. I would like to thank them all for their hard work and achievements in these extremely difficult times.

Reflecting the Board's confidence for the medium-term fortunes of the Group, a final dividend of 3.0p per share is recommended, which (together with the interim dividend of 3.0p per share paid in July 2025), brings the total dividend for the year to 6.0p per share.

Carmel Warren

Non-Executive Chair  
16 December 2025

## EXECUTIVE REVIEW

KEY PERFORMANCE INDICATORS	12 months ended 31 August 2025	12 months ended 31 August 2024
Revenue	£100.5m	£123.4m
Operating profit before highlighted items *	£1.1m	£6.5m
Profit before tax and highlighted items *	£1.2m	£6.6m
Statutory (loss)/profit before tax after highlighted items*	£(1.8)m	£5.7m
EBITDA (earnings before interest, tax, depreciation and amortisation), before highlighted items*	£3.9m	£10.1m
Basic earnings per share before highlighted items*	5.59p	29.76p
Diluted earnings per share before highlighted items*	5.59p	29.72p
Basic (loss)/earnings per share after highlighted items	(6.74p)	25.96p
Diluted (loss)/earnings per share after highlighted items	(6.74p)	25.92p
Dividends declared per share for the year	6.0p	19.0p
Net assets	£33.1m	£38.6m
Net cash	£12.6m	£13.2m

*Excludes:		
Fair value loss adjustments on FX derivative positions	£(3.0m)	£(1.0m)

Statutory (loss)/Profit before tax after highlighted items	£(1.8)m	£5.7m
Depreciation	£1.4m	£1.4m
Amortisation	£1.5m	£2.1m
Financial Instruments fair value adjustments	£3.0m	£1.0m
Net interest (income)/interest	£(0.2)m	£(0.1)m
Adjusted EBITDA	£3.9m	£10.1m

### INTRODUCTION

This has been a difficult year for the Group. As we announced earlier in the year, the imposition of tariffs on imports to the USA severely impacted the Group's second half performance. The US accounted for approximately 20% of the Group's turnover in the prior financial year and, with most of the Group's production sourced from China, our sales to the USA immediately stalled and remained weak for the rest of the financial year. In addition, lingering economic uncertainty and political instability in many regions has also had a dampening effect in all our markets and has left the industry subdued globally.

Despite these conditions and the impact on sales, the Group has delivered a profit before highlighted items and continued to generate cash from operations, ending the year with a strong cash balance at £12.6m, even after spending £1.96m in executing its share buyback programme. There is no doubt that the strength and breadth of our product portfolio and the determination and ingenuity of our personnel were the main contributors to this result.

### OPERATIONAL PERFORMANCE

Group revenue in the year ended 31 August 2025 was £100.5m, against £123.4m in the comparable 2024 period.

The gross profit margin was 26.2% (FY 2024: 26.5%). On an absolute basis, gross profit reported is £26.4 million compared to £32.8m for the previous year. The profit before tax and highlighted items was £1.2m (FY 2024: £6.6m).

## EXECUTIVE REVIEW CONTINUED

A significant proportion of the Group's purchases are made in US dollars; therefore, the business is exposed to foreign currency fluctuations. The Group 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 "fair value" valuation of such financial instruments. The "fair value" adjustment for this financial period results in a notional loss of £3.0m. This compares to a corresponding notional loss of £0.97m reported in the year to 31 August 2024. These "fair value" 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 "fair value" profit adjustments on FX derivative positions are excluded, although shown separately as "highlighted items" to demonstrate the "underlying" position.

The Group is reporting a statutory loss before tax in the period, after highlighted items, of £1.8m (FY 2024: a profit of £5.7m). Underlying earnings before interest, tax, depreciation and amortisation were £3.9m (FY 2024: £10.1m).

Underlying basic earnings per share before highlighted items amounted to 5.59p (FY 2024: 29.76p). Diluted earnings per share, on the same basis, were 5.59p (FY 2024: 29.72p).

Basic loss per share after highlighted items was 6.74p (FY 2024: earnings 25.96p). Diluted loss per share, on the same basis, was 6.74p (FY 2024: earnings 25.92p).

### FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's net assets at 31 August 2025 totalled £33.1m (31 August 2024: £38.6m), after completing share buybacks in the year of £1.96m and paying dividends totalling £2.6m.

Inventories were c.£3.8m lower at the end of the financial period at £16.3m (31 August 2024: £20.1m).

During the period, the Group generated cash from operations of £7.0m (FY 2024: £14.9m). Net interest received during the year amounted to £0.16m (FY 2024: £0.1m).

At the end of the financial year, the Group had a net cash position of £12.6m, compared to £13.2m at the end of the 2024.

### DIVIDEND

The Directors will be recommending to shareholders a final dividend of 3.0p (H2 2024: 11.0p per share). This, together with the interim dividend of 3.0p per share paid in July 2025, will bring the total dividend for the year to 6.0p per share (FY 2024: 19.0p). The total dividend is covered approximately 0.9 times by underlying annual earnings (2024: 1.56 times).

Subject to approval by shareholders at the Annual General Meeting ("AGM") which is scheduled to be held at 11am on Friday, 16 January 2026, the following distribution timetable will apply:

Event	Date
Ex-dividend date	15 January 2026
Record date	16 January 2026
Payment date	30 January 2026

### OUR PRODUCT PORTFOLIO

Character continues to have a strong innovative portfolio of brands and products. We are encouraged also by additions to our basket that will be marketed over the coming 2026 season.

A summary of the key ranges is below:

- **Goo Jit Zu** is our leading brand. We will unveil a range of new **Goo Jit Zu** branded products at the forthcoming London Toy Fair in January 2026, including new figurines based on Minecraft, Marvel and Sonic the Hedgehog.
- **Sticki Rolls**, our popular girls' range, delivered strong growth during the year and was one of the Group's fastest-growing brands. Performance was supported by innovative social media marketing initiatives and the range was again recognised in the Toy Retailers Association's Dream Toys list for 2025. Further growth is anticipated in 2026, with the planned launch of licensed extensions based on **Minecraft** and **Squishmallows**.

## EXECUTIVE REVIEW CONTINUED

- The evergreen *Peppa Pig* range continued to deliver steady performance, reflecting the enduring strength of the brand. Sales were further supported by significant media exposure generated by extensive coverage surrounding the birth of Baby Evie Pig, which drove increased consumer awareness. The newly launched *Peppa Pig Whizz Around* line also performed well, achieving strong sell-through across both domestic and international markets.
- *Mighty Morphin Power Rangers* returned to the market, supported by the relaunch of the original animated series on the Netflix streaming platform. Sales for the coming Christmas season are encouraging. Additional momentum is expected from the release of a second animation series later in 2026.
- During the financial year, we commenced distribution of a range of games from US-based company *Relatable Games*, an award-winning, market-leading publisher targeting Gen Z and Millennial consumers. This has broadened our portfolio and strengthened our presence in the adult and family games category. New to the range in 2026 will be the best-selling murder mystery game series *Hunt A Killer*, further enhancing the offer and supporting continued growth in this segment.

The Group's current portfolio of products and brands can be viewed at [www.character-online.com](http://www.character-online.com).

### SHARE BUY-BACK PROGRAMME

The Company announced a share buyback programme on 29 October 2024 to purchase ordinary shares with a maximum aggregate consideration (including associated dealing costs) of two million pounds (£2.0m) and a longstop expiry date of 30 May 2025 (the "Share Buyback Programme"). On 30 May 2025, the Company announced that it had extended the longstop expiry date for the Share Buyback Programme to 15 January 2026 and increased maximum aggregate consideration to £3.0m. During the financial year to 31 August 2025, the Company acquired for cancellation a total of 757,499 ordinary shares in the Company at an aggregate cost of approximately £1.96m (including associated dealing costs), with the average cost being approximately £2.58 per ordinary share (FY 2024: £2.82). In the period following the year end to the date of this report, the Company has, under the Share Buyback Programme, acquired for cancellation a further 301,900 ordinary shares in the Company at an aggregate cost of approximately £843,000 (excluding associated costs) with the average cost being approximately £2.79 per ordinary share.

The Company currently has an unutilised authority to buy-back up to a further 1,879,308 ordinary shares. It remains part of our overall strategy to continue to repurchase the Company's own shares when appropriate. The Board believes that it is in the Company's and investors' interests to provide shareholders who wish to realise part or all of their investment in the Company with an opportunity to access liquidity which may not otherwise be 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 2,650,000 ordinary shares (representing approximately 15% of the total voting rights in the Company) at the 2026 AGM. This authority will also allow the Company to implement buybacks either by way of an announced share buyback programme or by way of tenders for its issued shares.

### TOTAL VOTING RIGHTS

As at today's date, the Company has 19,698,058 ordinary shares in issue, including shares held in treasury. The Company holds 1,983,059 ordinary shares in treasury, representing approximately 10 per cent. of the issued share capital. These treasury shares do not carry voting or dividend rights. Therefore, the total number of voting rights in the Company is 17,714,999. This figure of 17,714,999 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 Character teams in all our offices have learned over the years to adapt in an ever-changing and dynamic environment. The US tariffs introduced in February 2025 created an immense challenge (which still continues) for the Group but our team has adeptly managed the market volatility and achieved what the Board considers to be a commendable result.

We continue to be blessed with a loyal, dedicated and hard-working team and, on behalf of all our shareholders, we would like to thank them all for their valiant efforts and in achieving the outcome for the year reported in these accounts.

### THE BOARD

The year has witnessed several changes to the composition of the Company's Board:

- Two of our non-executive directors, Mike Hyde and Clive Crouch, retired from the Board. We are greatly appreciative of the considerable contributions these two men made to the Group over the years and wish them well for the future.

## EXECUTIVE REVIEW CONTINUED

- Hamun Shah, who joined the Group in March 2024 as the Group's Chief Financial Officer, was appointed to the Board as the Group Finance Director on 1 February 2025 in succession to Kiran Shah (not a relative). Hamun has had an immediate impact on the Board with his mixture of natural enthusiasm and his sound commercial skills and financial abilities.
- Kiran Shah had for many years very skillfully combined the roles of Group Finance Director and Joint Managing Director. Since relinquishing the primary Board Finance role, he has been able to focus on the Group's corporate strategy and commercial affairs.
- The Board's search for a new independent non-executive director, following the retirements from the Board in the year, was successful and resulted in the appointment of Kevin Wall on 1 October 2025. Kevin is a welcome addition to the Board and his calm and measured approach has quickly won the respect and support of his fellow directors.

The newly constituted Board looks forward to meeting the opportunities and challenges that lie ahead and reporting its progress to shareholders over the coming years.

### THE 2026 ANNUAL GENERAL MEETING (THE MEETING OR AGM)

The Company's 2026 AGM will take place as an in-person meeting at 11:00 a.m. on Friday, 16 January 2026. The Meeting is to be held at the Group's head office in New Malden, Surrey. Attendance can be in person, by proxy or, in the case of a company or organisation, by appointment of a corporate representative.

The formal Notice of the Meeting and an associated explanatory summary of the special business to be transacted at the meeting are set out on pages 80 - 84 of this document.

Shareholders who wish to join the Meeting remotely should register for access by no later than 11:00am. on Wednesday, 14 January 2026. This can be done by emailing [info@charactergroup.plc.uk](mailto:info@charactergroup.plc.uk) (stating in the subject line of the email "Character Group: 2026 AGM virtual attendance"). Invitations enabling remote attendance will be issued by 5:00 pm on Thursday, 15 January 2026.

Please note, however, that joining remotely will not constitute attendance at the Meeting for the purposes of being counted in the quorum for the AGM and that virtual attendees will not be able to vote at the AGM. Shareholders wishing to attend the meeting virtually in this fashion are, therefore, requested to exercise their votes by submitting their forms of proxy appointing the Chair of the AGM as their proxy, in accordance with the instructions set out in the notes to the Notice of Meeting, by no later than Wednesday, 11.00 am on 14 January 2026. If the Chair of the AGM is appointed as proxy to a shareholder, he/she will vote in accordance with any instructions given to him/her. If the Chair of the meeting is given discretion as to how to vote, he/she will vote in favour of each of the resolutions to be proposed at the AGM.

Any shareholder that wishes to put questions to the Board is invited to submit those questions in writing in advance of the Meeting by sending them to [info@charactergroup.plc.uk](mailto:info@charactergroup.plc.uk) (stating "Character Group: 2026 AGM Questions" in the subject line of the email) by no later than Wednesday, 11.00 am on 14 January 2026. The Board will seek to respond to questions asked in person or submitted online either during the AGM and/or by written responses post the event.

### OUTLOOK

Sales in the lead up to Christmas 2025 have been slow and have declined from the comparable period in 2024. The landscape in all the Group's markets is still looking unsettled, and we expect that conditions are likely to remain challenging for the rest of the first half of this financial year. Whilst these predictions for the current financial year may seem somewhat downbeat, the launch of new product ranges together with enhancements to the ongoing ones should support an improvement in the Group's performance in the second half of the year. Although revenue derived from USA is likely to decline further, we expect increases in other territories to balance this. However, whilst the overall annual turnover is likely to remain flat for the current financial year, the Board expects the Group's FY26 profit (before tax and highlighted items) to more than double.

The Group emerges from this difficult year with a strong balance sheet, cash reserves and substantial unutilised finance facilities. As an expression of that confidence in the Group's prospects for the year ahead, the Board has made its recommendation regarding the final dividend for the year under review and confirms its commitment to continue with a new share buyback programme if the authority is granted at the forthcoming AGM.



## EXECUTIVE REVIEW CONTINUED

The Board looks forward to welcoming shareholders to the Company's Annual General Meeting in January 2026 and updating shareholders at that time.

J J Diver  
Joint Managing Director  
16 December 2025

## PRINCIPAL RISKS AND UNCERTAINTIES

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

### Cyber crime

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

### Information technology

The management of the Group's business is dependent on network and information systems, the internet and other technologies. Shutdowns or service disruptions could adversely affect the Group. The Group's IT systems are backed up regularly and there are processes in place to restore critical services. The Group's 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 and procedures for supply chain management and product development are in place to mitigate such risks.

### Changes in legislation and regulation

The sensitivity to the health and safety of children, our ultimate target consumers, is (quite rightly) an area of close regulation and control in all jurisdictions where we distribute and sell our products. We are closely involved with representative bodies in the Toy Industry in the UK and are often involved in (and always aware of) early consultations on proposed legislative or regulatory changes and make submissions and/or otherwise adapt our production/processes in compliance with and often in anticipation of those changes before they become law. As many of the products that we produce are distributed in the territories outside the UK (and with some ranges globally), all of our products are produced to the highest standards applied in the territories where we sell or distribute them. In addition, the Group maintains substantial product liability and product recall insurance.

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

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

### Foreign currency

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

### Financial risks

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

### Environmental/sustainable products

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

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

## SECTION S172 STATEMENT

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

### **S172(1)(a) of the Act - “Likely consequences of any decision in the long term”**

The Directors have a responsibility to consider the likely long-term consequences of decisions that they make. The Directors understand the dynamic environment under which the business operates and the consequences of each of their decisions are carefully assessed.

### **S172(1) (b) of the Act - “The interests of the Group’s employees”**

Ensuring the welfare of, and a safe working environment for, all Group employees is a duty that the Directors have continued to focus on. The Group’s staff, at all levels of the business, are focused, loyal, motivated and well-trained and are supported and enabled by a clear structure and framework, which has been instrumental in the success of the Group. Qualifying employees participate in the Group’s share option scheme, which is designed to motivate and reward their contributions to Group performance. Details of the share option scheme can be found in note 25 to the financial statements.

### **S172(1) (c) “The need to foster the company’s business relationships with suppliers, customers and others”**

The Group was established on the principle of placing customer and supplier relations and experience at its core. The need to foster and maintain strong and positive relations with customers and suppliers and, indeed, all other stakeholders in the business, has been a central part of the Group’s approach to doing and developing its business since its inception and one of the key reasons for its success. To support this principle, an integrated management structure was adopted by the Group (“GIMS”) over 19 years ago. The GIMS structure facilitates and supports carefully considered, medium to long term decision making in all aspects of the business, including regulatory, commercial and other internal and external factors that influence future policy making, operational decisions, employee welfare, effects on the supply chain and, more recently, the environment and artificial intelligence. Regular senior management meetings are held, in addition to at least 5 main Board meetings each year, to address these issues as they affect the business, with focused team sessions being an ongoing process to inform the management decision making process and, when made, to implement decisions effectively. A continuous review of all Group policies and practices is undertaken with a view to making adjustments and/or amendments to those policies and practices where deficiencies are detected or best practice has developed from the state of the art when any such policy or practice was first promulgated or last updated.

The Group has adopted an Ethical Policy and Code of Conduct applicable to staff and suppliers and this is regularly reviewed and updated, most recently to take account of developments in practices of remediation & designed to eliminate modern slavery and human trafficking in all its forms from the Group’s supply chain. The Group’s supply chain is key to the strategic success of the business. From concept, through early development stages to production and shipment, each approved supplier is fully engaged with to ensure its compliance with all our safety, regulatory and ethical policies and other requirements, including those of other stakeholders (most notably the Group’s licensors and customers). Internal and external ethical audits are routinely carried out and each supplier’s compliance with the Group’s ethical policy requirements is monitored and reported on. The Group holds annual “vendor reviews” for each factory that it retains for the Group’s manufacturing requirements and this review scrutinises compliance with all the Groups (and its stakeholders’) regulatory, ethical, quality, safety and more recently environmental requirements. Dedicated marketing and sales teams collaboratively engage with the Group’s customers to coordinate product programs and maximise sales opportunities, including at domestic and international trade exhibitions and viewings at the Group’s UK, Scandinavian and Los Angeles showrooms. In addition, the Group makes extensive use of online audio and web-based conferencing platforms to showcase its products to its distributors and customers, making the Group’s catalogue accessible globally.

### **S172(1)(d) of the Act - “The impact of the company’s operations on the community and the environment”**

The impact of everyday work practices and product design on the environment are of increasing concern to the Group, its customers and consumers. In 2020, the Group formally adopted a focused, standalone environmental policy. The policy focuses on continuously improving and monitoring the Environmental impact in the areas of various aspects of the Group’s operations. Updates on the Group’s endeavours and outcomes during the year under review are given in the Environmental section of the Group’s ESG Report on pages 13 to 19 of this document.

## SECTION S172 STATEMENT CONTINUED

### **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 policies and processes that the Group has implemented, including the Group’s Ethical Policy and Code of Conduct, which are applicable to all of the Group’s suppliers. Employees and managers receive regular briefings on these policies and they are reviewed and updated, as necessary, in line with best practice.

### **S172(1)(f) of the Act - “The need to act fairly as between members of the company”**

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT

## INTRODUCTION

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

This report covers the 12-month period from 1 September 2024 to 31 August 2025 and our continued efforts to understand and mitigate our environmental footprint.

## ENVIRONMENT

The impact of our product design and development and of our everyday work practices on the environment constitutes the main purview for our attention at this time. In 2020, the Group formally adopted a focused, standalone environmental policy. Whilst the Board will review this policy regularly to ensure that this remains fit for purpose, it is believed that this policy's focus on risk assessments in the following areas will ensure that all adopted measures are effectively targeted at mitigating the adverse environmental impact of the Group operations:

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

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

### Estate management

As announced in the Company's 2024 ESG Report, the Board resolved last year not to relocate its principal UK operations to the warehouse premises at Infinity House in Middleton, Lancashire and, instead, to continue to retain its home base at Lees Brook Mill and to seek to sell or rent the Infinity House premises.

Character Options Limited, the Group's principal UK trading subsidiary, engaged Beyondly Global Limited to independently assess our Greenhouse gas (GHG) emissions. These emissions have been reported with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting standard (GHG Protocol). The 2025 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) have been used to convert energy use in our operations to emissions of CO<sub>2</sub>e.

The Group's three UK sites are included in the assessment. The data below summarises these sites' GHG emissions for two reporting periods, namely the years to 31st August 2025 and 31st August 2024.

### Streamline Energy Carbon Reporting (SECR)

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

The 2025 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<sub>2</sub>e. Carbon emission factors for purchased electricity calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and internal systems. We purchase 100% renewable electricity for our sites and have included an additional net emissions figure calculated using market-based factors to account for this in our report above. For transport data, where actual usage data (e.g. litres) was unavailable, conversions were made using average fuel consumption factors to estimate the usage.

Intensity Ratio - one intensity ratio has been used for this reporting period – tCO<sub>2</sub>e per £1.0m of turnover, this amounts to 5.7 tCO<sub>2</sub>e for each million pound of turnover.

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

### CONTINUED

#### Scope 1 and 2 Greenhouse Gas Emissions (2024-2025)

##### In Summary

For the reporting period 1 September 2024 – 31 August 2025, Character Options' gross carbon footprint equated to 227.5 tCO<sub>2</sub>e. Gas is the biggest contributor to its carbon emissions at 55.8% (126.1 tCO<sub>2</sub>e), followed by electricity at 38.1% (86.2 tCO<sub>2</sub>e). LPG, company car emissions and electricity for electric vehicles (EVs) contribute more minimally at 1.1 % (2.6 tCO<sub>2</sub>e), 2.2% (5.1 tCO<sub>2</sub>e) and 2.6% (5.9 tCO<sub>2</sub>e) respectively.

As Character Options purchases 100% renewable electricity, under the market-based methodology, the associated emissions can be reported as zero. With this considered, the overall net emissions are 146 tCO<sub>2</sub>e. Natural gas usage has increased by 3% and remains the main contributor at 54.2% of total emissions. It should be noted that, as EVs are also charged offsite, there are emissions associated with the charging which are not captured in these reported results as only onsite charging has been accounted for.

Scope	Activity	2023/24*	2024/25
		Tonnes CO <sub>2</sub> e	Tonnes CO <sub>2</sub> e
Scope 1 GHG emissions	Site gas	125.2	126.1
	Company vehicles	6.5	4.3
<b>Subtotal</b>		<b>131.7</b>	<b>130.4</b>
Scope 2 GHG emissions	Purchased electricity	110.7	86.2
	Electricity for EVs	8.9	5.9
Scope 3 Grey Vehicles		5.5	5.1
<b>Total gross GHG emissions</b>		<b>256.8</b>	<b>227.6</b>
<b>Total energy consumption (kWh)</b>		<b>1,320,851</b>	<b>1,306,027</b>
<b>Emissions avoided by purchasing renewable electricity (tCO<sub>2</sub>e)</b>		<b>110.7</b>	<b>81.4</b>
<b>Net total annual emissions</b>		<b>146 tCO<sub>2</sub>e</b>	<b>146 tCO<sub>2</sub>e</b>
<b>Intensity metric: Gross tonnes CO<sub>2</sub>e per £m turnover</b>		<b>5.6</b>	<b>5.7</b>

\* Grey Fleet business travel (i.e. travel in employee-owned vehicles) emissions data was not previously included in the 2023/24 figures, due to data unavailability. This data is now included and the figures for 2023/24 have been adjusted (notably in relation to the figures for gross and net emissions and the intensity metric) to reflect this and allow meaningful comparisons to be made. This data will be included in future reports.

##### Electricity

During this reporting period, electricity consumption has decreased by 9% from 534,566 kWh (110.7 tCO<sub>2</sub>e) in the year to 31 August 2024 to 486,916 kWh (86.2 tCO<sub>2</sub>e) for the year to 31 August 2025. Lees Brook Mill consumes 58% of the total electricity consumed at premises under the Group's operational control in the UK with Infinity House accounting for a further 37%. Despite this, Character Options purchases 100% renewable electricity for all sites and generates its own renewable electricity from solar power at the Lees Brook Mill site. In this reporting period, 42,398 kWh of electricity was generated from solar power, an increase of 14% on the previous reporting period, meaning that Lees Brook produced 8% of the overall electricity consumed.

##### Gas

A total of 674,817 kWh of natural gas was consumed in Year end 25, producing 123.5 tCO<sub>2</sub>e. The Lees Brook Mill Site consumed the most natural gas in the FYE25 at 583,061 kWh, this accounts for 107 tCO<sub>2</sub>e (86%) of the total gas emissions. There was a 3% increase in natural gas consumption since the previous year. The monthly gas consumption displayed a clear seasonal pattern, highlighting that natural gas is managed well for heating the sites.

##### LPG

Overall, emissions from LPG have decreased by 46% to 2.6 tCO<sub>2</sub>e for FY 31 Aug 2025. This is attributable to the increased use of battery-operated fork trucks within the UK operations.

##### Company Vehicles

In total, company vehicle business mileage accounted for 4.5 % of Character Options' total carbon footprint (10.2 tCO<sub>2</sub>e) for the reporting period 1 September 2024 – 31 August 2025. This is broken down by 4.3 tCO<sub>2</sub>e (42%) being from fuel-based vehicles and the other 5.9 tCO<sub>2</sub>e (58%) being from charging of EVs. In the FY 31 August 2025 a decrease of 33% in the associated emissions was accounted for. Emissions associated from EV's decreased by 3.0 tCO<sub>2</sub>e and emissions from fuel-based vehicles decreased by 2.0 tCO<sub>2</sub>e.

#### Energy Saving Opportunity Scheme (ESOS) phase 3

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

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

## CONTINUED

### Forestry Stewardship

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

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

Within the Group's supply chain, we have 3 vendors supplying FSC certified packaging and/or products, 45 FSC certified packaging printers supplying our labelling requirements and 1 FSC certified wooden toy factory supplying our wooden products. Character will continue to work with licensors and suppliers to ensure the maintenance of the highest forest management standards in all its sourcing of wood and cardboard materials for the production of its goods.

### Packaging

Improving sustainability in packaging remains an important issue for end consumers and is an ongoing area for focus for us and our licensors and customers. We have continued to refine 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 base our packaging designs on the following priorities:

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

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

The UK saw the introduction of plastic tax legislation in 2022 and the Group complies with these requirements. The packing extended producer responsibility (pEPR) for packaging reporting entered the UK regulatory reporting requirements in 2025 and bi-annual reporting started.

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

### United Nations Sustainable Development Goals (UNSDG)

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



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



By specifying FSC accredited sourced wood and packaging materials, Character ensures that these materials derive from sustainable sources.



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



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



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

### SOCIAL

#### Our People

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

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

The Group has a fond, mutual bond with its employees, as evidenced by the loyalty, strong work ethic and long-term staff retention within the Group over the years. The Group has cultivated and seeks to maintain a collaborative and caring culture for its employees, whilst providing a hot house for developing imaginative product ideas and concepts and entrepreneurial flair for making them happen and taking them to market. This culture has been maintained in the recent challenging times and has seen our teams within the business assuredly navigate the Group through the hurdles we have encountered and demonstrate the critical importance of our people and culture to our business. Our staff understand and embrace, and many co-author, develop and enhance, the Group's business strategy to ensure its application, dynamism and continued relevance.

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

#### Suppliers

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

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

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

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

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

**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 the suppliers of these third-party products comply with our policies, practices and procedures relevant to ESG issues.

### Customers

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

### Our shareholders

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

The Company's annual general meeting enables a direct engagement between the Board and shareholders and maintains a good flow of information and feedback to the Board about shareholder areas of focus and concern. As in recent years, the 2026 AGM, scheduled for January next year, will enable remote access to allow shareholders to monitor and participate in the proceedings and the Board looks forward to engaging with shareholders at that time.

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

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

The Company also facilitates communication with investors by responding to questions and enquiries sent by email to [info@charactergroup.plc.uk](mailto: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.

### Our community

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

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

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

### CONTINUED

#### Charitable and local community engagement

Charitable donations for the year amounted to £68,000. We actively support and promote the activities of:

- The Toy Trust - The British Toy and Hobby Association's charity supporting disadvantaged and disabled children within the UK and abroad;
- The Fence Club - a Charity founded by members of the UK Toy Trade, which raises money for a wide range of children's charities, including for support of hospices and handicapped and autistic children;
- The Variety Club - best known for providing 'Sunshine Coaches' to schools and organisations that provide disabled and disadvantaged children with services and support for their educational, recreational or vocational activities;
- The Kingfisher Learning Trust - a charity that has established the Kingfisher Special School focusing on supporting children with complex and severe learning needs in Oldham and which has led the way for other learning establishments in Oldham and the wider Greater Manchester area to make provision for and to support this underserved, disadvantaged group of children;
- Ovacom - 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.

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.

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.

A full description of the Company's governance structures is given in the Company's Corporate Governance Statement (on page 25 of this 2025 Annual Report).

#### 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.

#### 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.

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

During 2025, we have continued to conduct reviews with our suppliers to find out what they have in place to prevent modern slavery and/or improve the measures that we have previously observed. As a result, we are seeing an ever-increasing awareness of the subject and a growing commitment to the principles of the UK's Modern Slavery Act and the elimination of modern slavery and human trafficking.

Our 2025 modern slavery statement can be found [here](#).

### Customer health and safety

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

### Data Protection

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

16 December 2025

## DIRECTORS' BIOGRAPHIES

### Executive Directors

#### **Jonathan Diver (aged 61), 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 responsible with Mr Shah for the setting and implementation of the Group's corporate and competitive strategy and managing its commercial affairs.

#### **Kiran Shah (aged 71), Joint Managing 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 Richard King (a fellow founder of the Company's business and former director of the Company) 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.

#### **Joseph Kissane (aged 73), Managing Director of UK Operations**

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

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

#### **Hamun Shah (aged 50), Group Finance Director**

Hamun Shah was appointed to the Board on 1 February 2025, having joined the Company in March 2024 as the Group Chief Financial Officer. Hamun joined the Company from Prada Group (one of the World's top luxury Fashion Houses) where he was employed from 2002 in various finance roles rising to the level of Group Chief Financial Officer of Church Group (a subsidiary within Prada Group famous for its shoes) and Head of Finance at Prada Retail UK Ltd.

Hamun qualified as a Chartered Accountant in 1999 and, prior to joining Prada Group, served as an audit Manager at KPMG from 1999 – 2002. Hamun also serves as an independent non-executive director of SATRA (an independent research and testing organisation established in the UK in 1919), where he is a member of the Audit Committee and chairs its Pension Committee.

Hamun is responsible for the Group's financial management, accounting and taxation.

#### **Jeremiah Healy (aged 64), 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.

## DIRECTORS' BIOGRAPHIES CONTINUED

### Non-Executive Directors

#### **Carmel Warren (aged 61), Non-Executive Chair**

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

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

#### **Jonathan Shearman (aged 55), Non-Executive Director**

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

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

#### **Kevin Wall (aged 66), Non-Executive Director**

Kevin Wall was appointed to the Board in October 2025. Kevin is well experienced in the corporate world, at both operational and board levels. Kevin is currently a non-executive director of Wessex Water Services Limited (the water supply and sewerage company serving part of South West of England), serving as a member of its Audit and Risk, Health and Safety, Environment and Public Value, Remuneration and Nomination committees, as well as chairing the board of Wessex Water Pension Scheme Trustee Limited. He is also currently the independent non-executive Chair of FreemarketFX Ireland Limited (an Irish and EU regulated subsidiary of FreemarketFX Limited, an international B2B payments business). In addition, he is an adviser to and a Board Observer at Zero-Gravity Tech Limited (a charitable social enterprise providing mentorship to students from low-income backgrounds) and part-time senior adviser to Panmure Liberum Limited (the London based stockbroking firm).

After graduating, Kevin joined Barclays on its International Graduate Programme and went on over four decades to perform various client facing roles in its corporate and investment banking businesses in the UK, Europe, USA, Australia, Hong Kong and Singapore. He advanced to become Barclays Bank's global head of Client Relationship Management in Corporate Banking and rose steadily through various roles to become the CEO and a director of Barclays Europe and an executive member of the Executive Committee of Barclays Bank PLC.

Kevin 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 2025.

### Dividend

The Directors recommend a final dividend of 3.0 pence per share (2024: 11.0 pence) making a total dividend for the year of 6.0 pence per ordinary share (2024: 19.0 pence). If approved, the final dividend will be paid on 30 January 2026, to shareholders on the register on 16 January 2026.

### 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 2025, trade creditors of the Group represented an average of 63 (2024: 73) days credit in relation to total purchases for the year.

## Governance

### Directors

The following Directors served during the year:

Jonathan James Diver (Joint Managing Director)  
Kirankumar Premchand Shah (Joint Managing Director)  
Joseph John Patrick Kissane (Managing Director, UK Operations)  
Hamun Shah (Group Finance Director)<sup>1</sup>  
Jeremiah Healy (Group Marketing Director)  
Carmel Elizabeth Warren (Chair and Independent Non-Executive Director)  
Jonathan Paul David Shearman (Senior Independent Non-Executive Director)<sup>2</sup>  
Clive William Crouch (Senior Independent Non-Executive Director)<sup>3</sup>  
Michael Spencer Hyde (Non-Executive Director)<sup>3</sup>  
Kevin Wall (Non-Executive Director)<sup>4</sup>

<sup>1</sup> From 1 February 2025

<sup>2</sup> From 17 January 2025

<sup>3</sup> Until his resignation on 17 January 2025

<sup>4</sup> appointed 1 October 2025



## DIRECTORS' REPORT CONTINUED

### 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 2025 and 16 December 2025 (being the date of this report) were as follows:

Directors	As at 16 December 2025		As at 31 August 2025		As at 31 August 2024	
	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	1,928,766	-	1,928,766	-	1,928,766	-
J J Diver	984,089	-	984,089	-	1,284,089	-
J J P Kissane	463,519	-	463,519	-	463,519	-
H Shah <sup>+</sup>	12,319	60,000	12,319	60,000	12,319	-
J Healy	64,817	126,000	64,817	126,000	64,817	66,000
C Warren	6,337	-	6,337	-	6,337	-
J Shearman	-	-	-	-	-	-
M S Hyde*	-	-	-	-	236,528	-
C Crouch*	14,378	-	14,378	-	14,378	-
K Wall†	-	-	-	-	-	-

<sup>+</sup> appointed 1 February 2025

\* retired 17 January 2025

† appointed 1 October 2025

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 16 December 2025, 31 August 2025 and 31 August 2024 and his interests in Ordinary Shares held by his personal pension scheme being 80,000 Ordinary Shares at 16 December 2025, 31 August 2025 and 31 August 2024.

Included in the interests of J J Diver are his interests in Ordinary Shares held by Mr Diver's personal pension scheme being 535,449 Ordinary Shares at 16 December 2025, 31 August 2025 and 31 August 2024.

Included in the interests of J J P Kissane are his interests in Ordinary Shares held by his spouse, Mrs B J Kissane, being 263,519 at 16 December 2025 and 31 August 2025 and nil Ordinary Shares at 31 August 2024.

Included in the interests of H Shah are his interests in Ordinary Shares held by Mr H Shah's personal pension scheme, being 12,319 Ordinary Shares at 16 December 2025, 31 August 2025 and 31 August 2024.

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 16 December 2025, 31 August 2024 and 31 August 2023, and 57,742 Ordinary Shares held by his spouse, Mrs K Healy at 16 December 2025 and 31 August 2025 and 45,742 Ordinary Shares at 31 August 2024.

Included in the interests of Mrs C Warren are her interests in Ordinary Shares held by Mrs Warren's personal pension scheme being 6,337 Ordinary Shares at 16 December 2025, 31 August 2025 and 31 August 2024.

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 2023 are made or otherwise sign-posted in the Corporate Governance Statement.



## DIRECTORS' REPORT CONTINUED

### 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.

### Share option schemes

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

### Going Concern

In assessing the Group and Company's ability to continue as a going concern, the Board reviews and approves the annual budget and updated forecasts, including forecasts of cash flows, borrowing requirements and headroom. The Board reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities. The Group's financial forecasts, taking into account possible sensitivities in trading performance indicate that the Group will be able to operate within the level of its committed borrowing facilities for the foreseeable future. The banks remain supportive of the Group. The Directors have a reasonable expectation that the Group and Company have adequate resources to continue their operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting.

### 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 Cooper Parry Group Limited as auditors of the Company (having been appointed by the directors to fill the casual vacancy caused by the cessation of office of Lubbock Fine LLP on 28 August 2025) 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, 16<sup>th</sup> Floor,  
One Ropemaker Street,  
London  
EC2Y 9AW

Registered number 3033333  
16 December 2025

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Company applies and complies with the principles of the Quoted Companies Alliance's (the "QCA") Corporate Governance Code 2023 (the "QCA Code") in relation to its corporate governance.

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

As Chair, I am responsible for:

- articulating my role and demonstrating my responsibility for corporate governance;
- explaining how the QCA Code is applied by the Company and how that application supports the medium to long term success of the Company;
- identifying and explaining the reason(s) for any departures by the Company from the recommendations 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.

## The Board

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

The Board comprises five executive Directors and three 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 Jonathan Shearman, Kevin Wall and myself was considered on appointment and throughout the time since appointment to be an independent non-executive Director and free from any relationship that could materially interfere with the exercise of her/his independent judgement. Jonathan Shearman is the senior non-executive Director.

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

- the Audit Committee, of which I am the Chair. The Audit Committee meets at least bi-annually to consider the scope of the interim financial statements and of the audit of the annual financial statements, as well as reviewing the Group's internal control systems. The Committee oversees the appointment of and relationship with the independent external auditor, reviews the results of the external audit and the cost effectiveness and objectives of the auditor. The Audit Committee considers that an internal audit function is not currently justified due to the current size and simple structure of the Group;
- the Remuneration Committee, Chair – Kevin Wall (see the Committee's report set out on page 31); and
- the Nominations Committee, Chair – Jonathan Shearman.

The terms of reference for each of the Committees are available to view on the Company's website at:

<http://www.thecharacter.com/company-documents/>.

I wish to spend the first part of this statement addressing and explaining the reasons for the non-compliance with two aspects of the QCA Code. These aspects relate to principle 6 of the QCA Code, which concerns the composition and functioning of the board. Specifically, the requirements of this principle that the Company does not comply with are that:

- the independent non-executive directors should comprise at least half of the Board, however, as a minimum there should be at least two non-executive whom the Board considers to be independent. This minimum recommended level is exceeded by the Company as there are now three independent non-executive Directors. However, to achieve the balance in respective numbers suggested by the QCA Code, either the number of independent non-executive directors would have to be increased to at least five, with a corresponding increase in cost for the Company, or the number of executive directors would have to

**The Board continued**

reduced, resulting in a significant loss of operational insight at Board meetings. The Board has given careful consideration to both of these possible solutions and believes that neither of them provides an ideal way forward and, hence, does not propose to implement this aspect of Principle 6 of the QCA Code for the time being;

- shareholders are given the opportunity to vote annually on the (re-)election of each of the Directors – this is the case with the three independent non-executive Directors and Hamun Shah, who was appointed to the Board in February 2025 (after this became a requirement of the QCA Code), but not the remaining four executive Directors. These four executive directors were appointed prior to the revisions made to the QCA Code in 2023 and the full implementation of this aspect of Principle 6 of the QCA Code would require formal and agreed amendments to their respective service agreements with the Company. Given that any change would be seen by each of those four Directors as the relinquishing of an important employment right, no change is currently proposed in respect of these four directors. Accordingly the Company does not comply with this requirement of Principle 6 of the QCA Code, though this position will be reviewed regularly by the Board and future appointments to the Board will be made on the basis that the appointees will agree to submit to annual (re-)election.

In all other respects, I believe that the Company complies with the requirements of the QCA Code, and I explain the approach taken by the Board in seeking to implement the requirements in this statement or otherwise as signpost where that is dealt with on its website: <https://www.thecharacter.com/> (see index accessible through the section entitled “Corporate Governance”).

During the year to 31 August 2025, 6 Board meetings were held. The Directors attended as follows:

Director	Number of meetings attended
Kiran Shah	6
Jonathan Diver	6
Joseph Kissane	6
Hamun Shah <sup>†</sup>	2
Jerry Healy	6
Carmel Warren	6
Jonathan Shearman	6
Michael Hyde*	2
Clive Crouch*	2

<sup>†</sup> appointed 1 February 2025

\* resigned 17 January 2025

As highlighted above and in accordance with the terms of their appointment letters, each of the non-executive Directors of the Company and Mr Hamun Shah is obliged to retire each year and, being eligible, is able to be offered for re-election at the Company's annual general meeting.

**The QCA Principles**

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

This Statement explains the Company's Corporate Governance processes and practices or otherwise “signposts” where other disclosures are made in this document or on the Company's website at [www.thecharacter.com](http://www.thecharacter.com).

**Principle 1:**

***“Establish a purpose, strategy and business model which promote long-term value for shareholders.”***

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

The business' Key Performance Indicators (KPIs) are considered by the Board to be revenues, operating profit before significant and exceptional items, underlying earnings per share and cash generation. These KPIs are reported on in the Group's Annual Reports and the most recent audited position is summarised in a table on page 4 of this document. The principle risks and uncertainties faced by the business, and how the Board seeks to mitigate these, are explained on pages 9 and 10 of this document.

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

**Principle 2:**

***“Promote a corporate culture that is based on ethical values and behaviours.”***

Since its inception, the Company has sought to develop a warm and welcoming culture for employees, customers and suppliers blended with a strong entrepreneurial approach to developing and maintaining the business. The Group was founded and thrives on the basic principles of a vibrant collaboration between our personnel, our customers, suppliers and a freedom and encouragement to follow an entrepreneurial but caring path for the development of the business. These principles have remained very much at the centre of the Group’s culture. The successful application of these principles to our business has been rewarded by and is evident from the Group’s historic staff retention levels and the longevity of good, productive and mutually profitable relations with our customers and suppliers.

This culture has survived a changing landscape in the global toy industry and enabled the Group to deal with many adversities with agility and stoicism over the years.

The Group’s domestic customers in the UK and Scandinavia vary greatly in size from instantly recognisable large retail store groups and internet giants to the one shop individual retailers. However, all our customers experience the same high standards of service and respect in their dealings with the Group. We work closely in partnership with many distribution businesses, brand owners and factories to achieve our common goal of delivering quality product that consumers want and that are both stimulating and engaging.

**Principle 3:**

***“Seek to understand and meet shareholder needs and expectations.”***

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

The Company engages with shareholders by:

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

**Principle 4:**

***“Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success.”***

The Company’s key stakeholders are its:

- shareholders;
- 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;
- suppliers (including brand owners); and
- employees.

The Company’s ultimate consumers are children and the Company has a long tradition of “giving-back” through active engagement with charities, good-causes and its local community on projects that are dedicated to addressing children’s welfare issues, particularly care and support for disabled children. Further details of these initiatives undertaken throughout the past year can be found in the Company’s ESG Report (see pages 13 - 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 concern many of our stakeholders and benefit 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. We do not accept the use of child, slave, forced, bonded or involuntary prison labour in the production of, or in the sourcing of raw materials for, our products. We work in close partnership with many of our customers and brand owners and with such organisations as the ICTI (International Council of Toy Industries) and Sedex (Supplier Ethical Data Exchange) to ensure that measures are taken to assess all our suppliers and improve ethical and responsible practices in our supply chain.

Further information regarding the Group’s endeavours in this regard are given in the Group’s ESG Report on pages 13 - 19 of this document.

**Principle 5:**

***“Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation.”***

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

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

In accordance with the guidance for directors on internal control “Internal Control: Guidance for Directors on the Combined Code”, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review and is continuing. Key areas of focus in this effort since my Corporate Governance Report last year have been: (i) careful monitoring of developments with the trade tariffs proposed by the USA administration; (ii) the implications for the business of the inability for vessels and goods to pass safely and freely through the Suez canal; (iii) maintaining close scrutiny of all developments affecting or likely to adversely impact the Group’s supply chain; (iv) the need to maintain and strengthen the protections for data controlled and/or processed by the Group particularly as new IT systems are being implemented by the Group; (v) ensuring the security of digital assets owned or managed by the Group; (vi) continuing to combat the ever changing menace posed by cyber criminals; (vii) strengthening inventory controls; and) engaging in currency hedging. Processes and procedures for identifying and mitigating/minimising these risks will be developed and introduced (as appropriate) and will continue to be part of our ongoing diligence in this area.

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

*Control environment*

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

*Monitoring and corrective action*

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

*Risk management*

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

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

**Principle 6:**

***“Establish and maintain the board as a well-functioning, balanced team led by the chair.”***

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.

This principle is addressed in the section of this statement above entitled “The Board” (see page 25 of this document).

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

**Principle 7:**

***Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities.”***

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

Accordingly, the current structures are considered appropriate at this time given the current size and stage of development of the Group. The terms of reference of the committees of the Board are regularly reviewed by the committee members and amended/updated when considered appropriate.

To date, the Directors have selected much of their own training/refreshers/updates programs, as required, with the costs associated with such training being 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 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 8:**

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

An evaluation of the performance of the Board and its Committees is undertaken every year. This process requires each Director to complete a form of questionnaire designed to probe his/her views on various facets of the role, activities and performance of the Board, its committees and the Chairman. Before being deployed this year, a review of the questions on the form was undertaken and amendments made to focus on areas where it was considered that the evaluation process should particularly explore, bearing in mind the changes in emphasis introduced by the new QCA Code. A report was then compiled from the responses and comments (on an anonymised basis) and circulated to each of the Directors and discussed at a meeting of the Board. This exercise was conducted in October this year and, as in previous years, has been instructive in highlighting a small number of areas where improvement can be brought.

**Principle 9:**

***“Establish a remuneration policy which is supportive of long-term value creation and the company’s purpose, strategy and culture.”***

The current remuneration policy applied in relation to the executive Directors is outlined in the report of the Remuneration Committee, which is set out on page 31 of this document. There is no current proposal to modify this, though it remains a matter for review annually by the Remuneration Committee.

The Company adopted the 2017 Share Option Plan (the “2017 Plan”) on 24 November 2017, under which all employees of the Group are eligible to be considered for an award(s). The 2017 Plan will expire on 23 November 2027. Ahead of that expiry date, the Board will consider whether or not and/or with what to replace the 2017 Plan. Any replacement scheme involving the issue of new shares in the Company will be subject to shareholder approval.

### Principle 10:

*“Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.”*

The Company makes sure that a good and timely 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 corporate website of the Company ([www.thecharacter.com](http://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 on the Company’s website in the section entitled “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 in the “Corporate Governance” section of the Company’s website to reflect and report any developments in this area.

Carmel Warren  
Chair  
16 December 2025



## DIRECTORS' REMUNERATION REPORT

The Board presents the Remuneration Report for the year ended 31 August 2025.

### The Remuneration Committee

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

K Wall (Chair)<sup>1</sup>  
C Warren  
J Shearman  
C Crouch<sup>2</sup>

#### Notes

<sup>1</sup> Appointed on 1 October 2025

<sup>2</sup> Resigned 17 January 2025

### Remuneration of Directors

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

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

Each of the executive Directors is eligible for a bonus in the event that specified performance targets are met or exceeded. These are based on profit before tax, adjusted to exclude certain exceptional non-trading items. Messrs Diver, K Shah and Kissane are also entitled to a further bonus of 4%, 2% and 1% respectively of the consolidated, pre-tax profits of the Group in the event that a specified minimum target is met or exceeded. Half of this further bonus is satisfied in shares. All bonuses are capped. No bonuses were payable to the executive Directors under these arrangements in respect of the year ended 31 August 2025, save in respect of Messrs J Healy and H Shah, (as disclosed in the Directors' remuneration table in note 4 to the accounts.)

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

Non-executive Directors are appointed for a fixed term expiring at each Annual General Meeting of the Company, when they may offer themselves for re-election. The Non-Executive Chair is entitled to fees of £65,000 per annum, plus expenses. The remaining non-executive Directors are entitled to fees, currently at the rate of £40,000 per annum (2024: £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

**K Wall**

Chairman, Remuneration Committee  
16 December 2025



## 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 UK adopted 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 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

## Opinion

We have audited the financial statements of The Character Group plc ('the parent company') and its subsidiaries (the 'group') for the year ended 31 August 2025 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group and Company Cash Flow Statement, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, and Notes to the financial statements, including material accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent company's affairs as at 31 August 2025 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements 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 and parent company 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of the identified risks of the group financial statements and considered the risk of material misstatement at the assertion level of the consolidated financial statements to determine the planned audit responses based on a measure of materiality.

The 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.

Our group audit scope has focused primarily on the financial results of five components of the group, based on a combination of their size and the identified audit risks:

- The Character Group plc, as the parent company;
- Character Options Limited, Q-Stat Limited, Character Promotions Limited and Character Nordic Limited as the UK component;
- Toy Options (Far East) Limited, Charter Limited and Proxy (Far East) Limited, together the Hong Kong component;
- OVG Proxy A/S, as the Denmark component; and
- Proxy Sweden AB, as the Sweden component.

We performed statutory audit over the parent company and the UK component, and specified procedures on one or more classes of transactions, account balances or disclosures in relation to the Hong Kong, Denmark and Sweden components.

Taken together these components represent 99% of revenue and 98% of net assets.

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

We considered there to be a high degree of centralisation of financial reporting and commonality of controls, as well as similarity of the group's activities in the period in relation to:

- Goodwill and intangible assets;
- Share based payments;
- Consolidation
- Financial statement preparation and cash flow statement;
- Going concern; and
- Laws and regulations.

We therefore designed and performed procedures centrally in these areas.

### **Our involvement with component auditors**

For the work performed by component auditors over the Hong Kong, Sweden and Denmark components, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole. Work on the UK and parent company components and centralised audit procedures was performed by the group audit team in the UK.

Our involvement with component auditors included the following:

- Audit scoping and planning meetings with the local component auditors held remotely;
- Provision of group engagement instructions for year ended 31 August 2025, containing information on the significant risks at group and component level, materiality calculations, summary of significant audit and accounting issues, specific procedures and communications required, considerations in respect of fraud and irregularities;
- Audit progress meetings with the local component auditors;
- Review of group reporting information provided;
- Remote review of the local audit file ; and
- Audit completion meeting with the local component auditors'

### **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 year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

CONTINUED

## Key audit matter

### Revenue recognition

(applicable to the group)

The group agrees arrangements with certain of its customers for the expected value of returns, promotional discounts and allowances, or other customer incentives, as described further in Note 1.

The accounting for these arrangements within revenue and accruals is complex and judgemental. The value of promotional allowances and the rate at which they are used is an accounting estimate that is judgemental in nature and material. Under or over estimation of the value and rate at which these incentives are utilised may result in material misstatement of revenue recognised in the reporting period, with a corresponding impact to contract liabilities.

Due to the significance of the impact of these arrangements on revenue and profit, and the level of judgement and estimate required, we therefore identified completeness and accuracy of customer arrangement accruals as a significant area of focus for our audit and hence a key audit matter.

## How our scope addressed this matter

Our audit work included the following:

- We reviewed management's policies around the estimation of the expected value of discounts, returns and promotional allowances for consistency of application in the setting of customer arrangement accruals;
- We selected a sample of customer arrangement accruals to test whether the provision was set in line with the agreed customer terms and conditions which was focussed on the largest customer relationships;
- We reconciled the customer arrangement accruals by customer over a five year period, and evaluated the accuracy of the provision estimates through a review of provision out-turn after three years of development;
- We evaluated the frequency of provision adjustments/updates on selected key customers; and
- We tested the accuracy and allocation of a sample of credit notes against the customer arrangement accruals by obtaining original customer debit notes and advices.

Based on our audit procedures, we concluded that the judgements made by management in the completeness and accuracy of recognising these arrangements to be appropriate.

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level of probability that any misstatements exceed materiality, we use a lower level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Overall materiality for the group financial statements was set at £1,410,000. This has been determined with reference to the benchmark of group revenue. We have reviewed several KPIs used by management and the group's key stakeholders. We consider the growth of the group to be the most significant KPI and have therefore determined revenue as the most appropriate basis for materiality. Overall materiality was set at the level of approximately 1.5% of group revenue. Performance materiality (£915,000) was determined as 65% of overall materiality.

The materiality for the parent company financial statements as a whole was set at £864,000. This was determined with reference to the benchmark of the parent company's net assets which we consider to be an appropriate measure for a holding company with investments in subsidiaries. Performance materiality of £562,000 was determined as 65% of parent company overall materiality.

For the purposes of our group audit opinion, we set materiality for each component of the group, based on a percentage of between 60% and 70% of group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component performance materiality ranged from £387,000 to £562,000.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £70,400, in addition to other identified misstatements that warranted reporting on qualitative grounds.

## 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. In evaluating the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting:

- We reviewed the Directors' cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;
- We evaluated and challenged management on the key assumptions included in their forecast scenarios specifically in respect of revenue growth, gross profit margins and cash generation;
- We checked the mathematical accuracy of the forecasts and critically assessed the integrity of the models by analysing the assumptions and inputs and obtaining supporting documentation, along with confirming the consistency with Board approved forecasts;
- We obtained supporting evidence for the headroom in the group's financing facilities and agreements;
- We reviewed post year end performance up to the date of approval of the financial statements and assessed these against original budgets; and
- We considered the adequacy of the disclosures in the financial statements.

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 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 parent 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, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements 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.

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

## CONTINUED

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 32, 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 and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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:

Our assessment focused on key laws and regulations the group and parent company have to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, AIM listing rules, UK adopted international accounting standards and relevant tax legislation in the jurisdictions in which the group operates.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the group and parent company and how the group and parent company is complying with that framework by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through review of board minutes for instances of non-compliance;
- obtaining an understanding of the group and parent company's policies and procedures and how the group and parent company has complied with these, through discussions and walkthrough procedures;
- obtaining an understanding of the group and parent company's risk assessment process, including the risk of fraud; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness with a focus on manual journals and those posted directly to the consolidation, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

George Style (Senior Statutory Auditor)  
For and on behalf of Cooper Parry Group Limited  
Statutory Auditor

Davidson House  
1<sup>st</sup> Floor  
The Forbury  
Reading  
RG1 3EU

16 December 2025

## GROUP INCOME STATEMENT

for the year ended 31 August 2025

		12 months ended 31 August 2025 Result before highlighted items	12 months ended 31 August 2025 highlighted items	12 months ended 31 August 2025 Statutory Result		12 months ended 31 August 2024 Result before highlighted items	12 months ended 31 August 2024 highlighted items	12 months ended 31 August 2024 Statutory Result
	Note	£'000	£'000	£'000		£'000	£'000	£'000
Revenue	2	100,465	-	100,465		123,419	-	123,419
Cost of sales		(74,094)	-	(74,094)		(90,668)	-	(90,668)
Gross profit		26,371	-	26,371		32,751	-	32,751
Other income		420	-	420		547	-	547
Selling and distribution expenses		(5,725)	-	(5,725)		(6,417)	-	(6,417)
Administrative expenses		(20,005)	-	(20,005)		(20,335)	-	(20,335)
Operating profit	3	1,061	-	1,061		6,546	-	6,546
Finance income	5	290	-	290		184	-	184
Finance costs	5	(134)	-	(134)		(81)	-	(81)
Changes in fair value of financial instruments		-	(3,032)	(3,032)		-	(966)	(966)
(Loss)/profit before tax		1,217	(3,032)	(1,815)		6,649	(966)	5,683
Income tax	6	(186)	758	572		(973)	242	(731)
(Loss)/profit for the period		1,031	(2,274)	(1,243)		5,676	(724)	4,952
<b>Attributable to:</b>								
Owners of the parent								
(Loss)/Profit for the period				(1,243)				4,952
(Loss) /Earnings per share (pence)								
Basic (loss) / earnings per share	8			(6.74)p				25.96p
Diluted (loss) / earnings per share	8			(6.74)p				25.92p



## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 August 2025

	Note	Total 2025 £000's	Total 2024 £000's
<b>(Loss)/profit for the year after tax</b>		<b>(1,243)</b>	4,952
<b>Items that will not be reclassified subsequently to profit and loss</b>			
Current tax credit relating to exercised share options	6	-	1
		-	1
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		22	(110)
Income tax on exchange differences	6	(37)	(41)
		(15)	(151)
<b>Other comprehensive income for the year, net of income tax</b>		<b>(15)</b>	(150)
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>(1,258)</b>	4,802

## GROUP BALANCE SHEET

as at 31 August 2025

	Note	2025 £'000's	2024 £'000's
<b>Non – current assets</b>			
Intangible assets	10	1,682	1,618
Investment property	11	1,257	1,323
Property, plant and equipment	12	10,282	10,065
Right of use assets	14	634	836
Deferred tax assets	7	1,939	993
		<b>15,794</b>	<b>14,835</b>
<b>Current assets</b>			
Inventories	15	16,288	20,103
Trade and other receivables	16	19,113	23,991
Current income tax receivable	17	712	591
Derivative financial instruments	18	16	16
Cash and cash equivalents	19	13,295	14,599
		<b>49,424</b>	<b>59,300</b>
<b>Current liabilities</b>			
Short-term borrowings	20	(708)	(1,446)
Trade and other payables	21	(25,524)	(31,197)
Lease Liabilities	14	(393)	(438)
Income tax	17	(478)	(192)
Derivative financial instruments	18	(4,455)	(1,424)
		<b>(31,558)</b>	<b>(34,697)</b>
<b>Net current assets</b>		<b>17,866</b>	<b>24,603</b>
<b>Non-current liabilities</b>			
Deferred tax	7	(294)	(377)
Lease liabilities	14	(274)	(431)
		<b>(568)</b>	<b>(808)</b>
<b>Net assets</b>		<b>33,092</b>	<b>38,630</b>
<b>Equity</b>			
Called up share capital	25	1,000	1,038
Shares held in treasury		(1,664)	(1,756)
Capital redemption reserve		1,957	1,919
Share-based payment reserve		4,266	4,231
Share premium account		17,902	17,761
Merger reserve		651	651
Translation reserve		573	698
Profit and loss account		8,407	14,088
<b>Total equity attributable to equity holders of the parent</b>		<b>33,092</b>	<b>38,630</b>

The financial statements on pages 39 to 79 were approved by the Board of Directors on 16 December 2025 and were signed on its behalf by:

**J J Diver**  
Joint Managing Director

**H Shah**  
Group Finance Director

## COMPANY BALANCE SHEET

as at 31 August 2025

	Note	2025 £'000's	2024 £'000's
<b>Non – current assets</b>			
Property, plant and equipment	12	389	366
Right of use asset	14	411	-
Investments in subsidiaries	13	4,774	4,748
Deferred tax assets	7	172	135
Amounts due from subsidiary undertakings	16	28,847	39,485
		<b>34,593</b>	<b>44,734</b>
<b>Current assets</b>			
Trade and other receivables	16	559	491
Cash and cash equivalents	19	684	380
		<b>1,243</b>	<b>871</b>
<b>Current liabilities</b>			
Trade and other payables	21	(718)	(520)
Lease liabilities	14	(96)	-
		<b>(814)</b>	<b>(520)</b>
<b>Net current assets</b>		<b>429</b>	<b>351</b>
<b>Non-current liabilities</b>			
Lease liabilities		<b>(328)</b>	<b>-</b>
<b>Net assets</b>		<b>34,694</b>	<b>45,085</b>
<b>Equity</b>			
Called up share capital	25	1,000	1,038
Shares held in treasury		(1,664)	(1,756)
Capital redemption reserve		1,957	1,919
Share-based payment reserve		4,266	4,231
Share premium account		17,902	17,761
Profit and loss account		11,233	21,892
<b>Total equity attributable to equity holders of the parent</b>		<b>34,694</b>	<b>45,085</b>

Under section 408 of The Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The loss for the year is £6,111,000 (2024: profit £6,990,000).

The financial statements on pages 39 to 79 were approved by the Board of Directors on 16 December 2025 and were signed on its behalf by:

**J J Diver**  
Joint Managing Director

**H Shah**  
Group Finance Director

## GROUP AND COMPANY CASH FLOW STATEMENT

for the year ended 31 August 2025

		Group		Company	
	Note	2025 £'000's	2024 £'000's	2025 £'000's	2024 £'000's
Cash flow from operating activities					
(Loss)/profit before taxation for the year after highlighted items		(1,815)	5,683	(6,148)	6,920
Adjustments for:					
Depreciation of property, plant and equipment	12	827	833	84	58
Depreciation of investment property	11	66	65	-	-
Depreciation of right of use assets	14	471	536	103	110
Amortisation of intangible assets	10	1,485	2,096	-	-
(Profit) on disposal of property, plant and equipment		(25)	(13)	-	(7)
Net interest (income) / expense	5	(156)	(103)	31	8
Financial instruments fair value adjustments	18	3,032	966	-	-
Share-based payments	26	35	70	9	12
Decrease / (increase) in inventories		3,815	(2,148)	-	-
Decrease / (increase) in trade and other receivables		4,878	2,705	10,570	(1,510)
(Decrease)/increase in trade and other creditors		(5,673)	4,252	198	255
Cash generated from operations		6,940	14,942	4,847	5,846
Finance income	5	290	184	-	-
Finance expense	5	(134)	(81)	(31)	(8)
Income tax paid		(329)	(3,028)	-	-
Net cash inflow/(outflow) from operating activities		6,767	12,017	4,816	5,838
Cash flows from investing activities					
Payments for intangible assets	10	(1,549)	(1,376)	-	-
Payments for property, plant and equipment	12	(1,069)	(858)	(107)	(109)
Proceeds from disposal of property, plant and equipment		47	14	-	11
Net cash outflow from investing activities		(2,571)	(2,220)	(107)	(98)
Cash flows from financing activities					
Payment of lease liabilities		(483)	(555)	(90)	(118)
Proceeds from issue of share capital		233	16	233	16
Purchase of own shares for cancellation		(1,955)	(2,000)	(1,955)	(2,000)
Dividends paid	9	(2,593)	(3,623)	(2,593)	(3,623)
Net cash used in financing activities		(4,798)	(6,162)	(4,405)	(5,725)
Net (decrease) / increase in cash and cash equivalents		(602)	3,635	304	15
Cash, cash equivalents and borrowings at the beginning of the year		13,153	9,610	380	365
Effects of exchange rate movements		36	(92)	-	-
Cash, cash equivalents and borrowings at the end of the year		12,587	13,153	684	380

Cash, cash equivalents and borrowings consist of:

Cash and cash equivalents	19	13,295	14,599	684	380
Total borrowings	20	(708)	(1,446)	-	-
Cash, cash equivalents and borrowings at the end of the year		12,587	13,153	684	380

## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2025

	Note	Called up share capital £000's	Shares held in treasury £000's	Capital redemption reserve £000's	Share premium account £000's	Merger reserve £000's	Share- based payment reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total £000's
<b>The Group</b>										
<b>At 1 September 2023</b>		<b>1,074</b>	<b>(1,762)</b>	<b>1,883</b>	<b>17,751</b>	<b>651</b>	<b>4,161</b>	<b>971</b>	<b>14,636</b>	<b>39,365</b>
Profit for the year after tax		-	-	-	-	-	-	-	4,952	4,952
<b>Other comprehensive income/(expense)</b>										
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	(273)	122	(151)
<b>Total other comprehensive income/(expense)</b>								<b>(273)</b>	<b>122</b>	<b>(151)</b>
<b>Total comprehensive income for the year</b>								<b>(273)</b>	<b>5,074</b>	<b>4,801</b>
<b>Transactions with owners, recorded directly in equity</b>										
Share-based payment	26	-	-	-	-	-	70	-	-	70
Deferred tax debit relating to share options	7	-	-	-	-	-	-	-	1	1
Dividends	9	-	-	-	-	-	-	-	(3,623)	(3,623)
Shares issued	25	-	6	-	10	-	-	-	-	16
Shares cancelled	25	(36)	-	36	-	-	-	-	(2,000)	(2,000)
<b>At 31 August 2024</b>		<b>1,038</b>	<b>(1,756)</b>	<b>1,919</b>	<b>17,761</b>	<b>651</b>	<b>4,231</b>	<b>698</b>	<b>14,088</b>	<b>38,630</b>
Loss for the year after tax									(1,243)	(1,243)
<b>Other comprehensive income/(expense)</b>										
Net exchange differences on translation of foreign operations		-	-	-	-	-	-	(125)	110	(15)
<b>Total other comprehensive income/(expense)</b>								<b>(125)</b>	<b>110</b>	<b>(15)</b>
<b>Total comprehensive expense for the year</b>								<b>(125)</b>	<b>(1,133)</b>	<b>(1,258)</b>
<b>Transactions with owners, recorded directly in equity</b>										
Share-based payment	26	-	-	-	-	-	35	-	-	35
Dividends	9	-	-	-	-	-	-	-	(2,593)	(2,593)
Shares issued	25	-	92	-	141	-	-	-	-	233
Shares cancelled	25	(38)	-	38	-	-	-	-	(1,955)	(1,955)
<b>At 31 August 2025</b>		<b>1,000</b>	<b>(1,664)</b>	<b>1,957</b>	<b>17,902</b>	<b>651</b>	<b>4,266</b>	<b>573</b>	<b>8,407</b>	<b>33,092</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2025

	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
<b>At 1 September 2023</b>		<b>1,074</b>	<b>(1,762)</b>	<b>1,883</b>	<b>17,751</b>	<b>4,161</b>	<b>20,524</b>	<b>43,631</b>
Profit for the year		-	-	-	-	-	6,990	6,990
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,990</b>	<b>6,990</b>
Share-based payment – Company	26	-	-	-	-	12	-	12
Share-based payment – Subsidiary undertaking	26	-	-	-	-	58	-	58
Deferred tax on share options	7	-	-	-	-	-	1	1
Dividend paid	9	-	-	-	-	-	(3,623)	(3,623)
Shares issued	25	-	6	-	10	-	-	16
Shares cancelled	25	(36)	-	36	-	-	(2,000)	(2,000)
<b>At 31 August 2024</b>		<b>1,038</b>	<b>(1,756)</b>	<b>1,919</b>	<b>17,761</b>	<b>4,231</b>	<b>21,892</b>	<b>45,085</b>
Loss for the year		-	-	-	-	-	(6,111)	(6,111)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,111)</b>	<b>(6,111)</b>
<b>Transactions with owners, recorded directly in equity</b>								
Share-based payment – Company	26	-	-	-	-	9	-	9
Share-based payment – Subsidiary undertaking	26	-	-	-	-	26	-	26
Dividend paid	9	-	-	-	-	-	(2,593)	(2,593)
Shares issued	25	-	92	-	141	-	-	233
Shares cancelled	25	(38)	-	38	-	-	(1,955)	(1,955)
<b>At 31 August 2025</b>		<b>1,000</b>	<b>(1,664)</b>	<b>1,957</b>	<b>17,902</b>	<b>4,266</b>	<b>11,233</b>	<b>34,394</b>

### Capital and Reserves

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 PRINCIPAL ACCOUNTING POLICIES

### General information

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

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

### Standards, amendments and interpretations effective in the current period

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

### 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 2025.

	Effective for annual periods beginning on or after:
IAS 21 (amendment) The effects of changes in Foreign Exchange Rates	- 1 January 2025
IFRS 9 & 7 (amendments) Classification and Measurement of Financial Instruments	- 1 January 2026
IFRS 9 & 7 (amendments) Contracts referencing Nature-dependent electricity	- 1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	- 1 January 2026

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

## MATERIAL ACCOUNTING POLICIES

### Statement of compliance

The Group and Company financial statements have been prepared in accordance with UK-adopted 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### Audit exemption of subsidiaries

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

Company name	Registered number
Character Games Limited	03894001
Toy Options Limited	04107248
Character Promotions Limited	03722438
Character Gifts Limited	01552126
Character Nordic Limited	11578223

The outstanding liabilities at 31 August 2025 of the named subsidiaries have been guaranteed by the Company pursuant to s479A of the Act. In the opinion of the directors, the possibilities of the guarantees being called upon is remote.

### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration for each acquisition is measured at the date of acquisition as the aggregate of the fair values of assets transferred and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company. Acquisition-related costs are recognised in the Group's consolidated profit and loss account, as incurred. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted through profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### Basis of consolidation

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

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

### Exemptions

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

## FOREIGN CURRENCY TRANSLATION

### Functional and presentation currency

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

### Transactions and balances

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



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### Group companies

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

### Revenue recognition

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

Revenue is recorded based on the price specified in sales invoices, net of any agreed discounts and rebates, and exclusive of value added tax on goods supplied to customers during the year.

The Group recognises revenue on Free on Board ("FOB") sales when the goods are delivered to a destination specified by the customer, usually on board the customer's designated vessel.

The Group recognises revenue on non-FOB sales at point of despatch. Goods are delivered via a combination of customers' own hauliers and those appointed by the Group.

At the point of revenue recognition, the Group neither has continuing involvement nor effective control over the goods as the performance obligations have been satisfied and retains none of the significant risks and rewards of the goods in question.

The Group has stringent procedures to ensure goods meet customer specifications and can predict with reasonable certainty that this will not affect the determination of when control passes. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled to in exchange for the goods.

The Group establishes a reserve of returns, discounts and rebates on a product and customer basis reflecting their respective terms and conditions and management's best estimates of the amounts necessary to meet claims by the Group's customers.

Reserves are calculated utilising the most likely amount method and are reviewed on an ongoing basis to record the amounts to be recognised as deductions from revenue. Management restrict revenue to the amount that is unlikely to subsequently be reduced by allowances. Allowances are included in the Group balance sheet in respect of expected amounts necessary to meet the claims of the Group's customers.

Revenue received in advance of delivery of goods and performance of services is deferred and recognised as a liability. Deferred amounts are released to the Group statement of comprehensive income on delivery of goods and as services are performed.

### 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 not amortised but tested for impairment annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a business, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### Patents, trademarks and design rights

Patents, trademarks and design rights acquired as part of a business acquisition are initially recognised at fair value and subsequently regarded as cost.

These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life. These are tested for impairment annually or if there is an indication that their value has declined.

### TANGIBLE ASSETS

#### Property, Plant and Equipment

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

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

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

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

#### Investment Properties

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

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

Freehold land	nil
Freehold buildings	4%

#### Investments

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

#### Inventories

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

### FINANCIAL INSTRUMENTS

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

#### Derecognition of financial assets and liabilities

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

#### Impairment of financial assets

The Group and the Company assesses at each balance sheet date whether a financial asset or group of assets is impaired.

The Group applies the simplified approach permitted by IFRS 9 to measure expected credit loss on its trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses are calculated on a customer by customer basis, assessing their payment profiles of sales for the year to 31 August 2024 or 31 August 2023 respectively and the corresponding historical credit losses experienced within this period. The historical credit loss allowances are adjusted to reflect current and forward-looking information regarding the ability of the debtors to settle their receivable balances.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Amounts due from other Group companies are initially recognised at fair value and subsequently carried at amortised cost net of allowance for expected credit loss. Measurement of impairment of receivables from subsidiary undertakings requires the consideration of forward-looking information based on assumptions of future economic conditions.

### Derivative Financial Instruments

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

### Non Derivative Financial Instruments

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

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

### Trade receivables

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

### Cash and cash equivalents

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

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of short term borrowings.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 covenants 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

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

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

### Treasury shares

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

## SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

### Key judgements

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

### Key estimates

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

### Development Costs

Development costs for products that will be sold and meet criteria for IFRS intangible asset recognition are capitalised. The nature of the Group's products and inherent uncertainty of predicting consumer demand restricts the Group's ability to reliably estimate the period over which the future economic benefits will be generated. The Group restricts amortisation over a maximum of two years commencing on the commercial distribution of the product. The capitalised development costs and useful economic life are assessed for impairment annually.

### Stock obsolescence

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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. The Group offers various rebate and incentive programmes to certain customers. The programmes are typically based on agreed terms over a defined period. Reserves for allowances are reviewed on an ongoing basis and calculated as the management's best estimate of the amounts necessary to meet claims by the Group's customers. There is an element of judgement in determining whether all customer allowances have been recorded in the period.

### Other judgements and estimates

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

### Intangible assets

#### Goodwill, patents, trademarks and design rights

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

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

### Investment Property

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

### Fair value of derivatives

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

### Deferred tax assets

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 geographical perspective based on the location of its operations.

Year ended 31 August 2025	UK £000's	Far East £000's	Scandinavia £000's	Unallocated £000's	Total £000's
Revenue - external (by origin)	41,980	41,192	17,293	-	100,465
Segment adjusted operating profit/(loss)	(506)	2,983	693	(608)	2,562
Amortisation of product development	-	-	-	-	(1,466)
Financial instruments fair value adjustments	-	-	-	-	(3,032)
Share-based payments	-	-	-	-	(35)
Operating loss					(1,971)
Interest on right of use assets	-	(24)	(9)	-	(33)
Finance costs	-	-	-	-	(101)
Finance income	-	-	-	-	290
Loss before tax					(1,815)
Taxation	-	-	-	-	572
Loss for the year after tax					(1,243)
Segment assets	36,283	14,262	11,166	3,507	65,218
Segment liabilities	(8,130)	(16,504)	(2,376)	(5,116)	(32,126)
Other segment information					
Capital additions	865	81	16	107	1,069
Capital disposals	(330)	-	-	-	(330)
Depreciation of property, plant and equipment	(669)	(74)	-	(84)	(827)
Depreciation of investment property	-	(66)	-	-	(66)
Depreciation of right of use assets	-	(262)	(209)	-	(471)

Analysis of unallocated assets and liabilities:

Assets	Total £000's	Liabilities	Total £000's
Corporate assets	389	Corporate creditors & accruals	(661)
Derivative financial instruments	16	Derivative financial instruments	(4,455)
Deferred tax asset	1,282		
Corporate cash at bank and in hand	684		
Intangible assets – product development	842		
Corporate debtors & prepayments	294		
<b>Unallocated assets</b>	<b>3,507</b>	<b>Unallocated liabilities</b>	<b>(5,116)</b>

Unallocated loss comprises of management fee income and corporate expenses incurred by the parent company.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 2 SEGMENT REPORT - GROUP

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

Analysis of unallocated assets and liabilities:

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

Unallocated loss comprises of management fee income and corporate expenses incurred by the parent company.

### GEOGRAPHICAL DESTINATION OF REVENUE

	31 August 2025 £000's	31 August 2024 £000's
United Kingdom	49,574	59,174
Europe	28,377	32,586
Rest of the world	22,514	31,659
<b>Total Group</b>	<b>100,465</b>	<b>123,419</b>

Revenues of approximately £31,171,000 (2024:£43,680,000) were derived from 2 (2024:2) external customers individually representing 10% or more of revenue.

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

	2025 £000's	2024 £000's
Customer 1	13,807	23,908
Customer 2	17,364	19,772
	<b>31,171</b>	<b>43,680</b>



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 3 EXPENSES BY NATURE - GROUP

	Note	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
Operating profit is stated after charging/(crediting):			
Cost of inventories recognised as an expense (included in cost of sales)		65,100	83,827
Product development costs incurred		1,652	1,536
Product development costs capitalised	10	(1,549)	(1,376)
Amortisation of capitalised product development costs	10	1,466	2,076
Product development costs expensed to cost of sales		1,569	2,236
Debit financial instruments fair value adjustments		3,032	966
(Credit) inventory provisions		(33)	(798)
Exchange losses		705	391
Staff costs	4	12,088	12,123
Depreciation of tangible fixed assets			
- owned assets	12	827	833
Depreciation of investment property	11	66	65
(Profit) on disposal of property, plant and equipment		(25)	(13)
Depreciation – right of use assets	14	471	536
Auditors' remuneration		171	169

### ANALYSIS OF AUDITOR'S REMUNERATION

		12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
Group Auditor's remuneration	— Statutory audit services current year	84	91
Other Auditors' remuneration	— Statutory audit of the Group's subsidiaries	76	71
	— Taxation compliance and other services	11	7
Total fees payable to Auditors		171	169

### 4 DIRECTORS AND EMPLOYEES REMUNERATION STAFF COSTS

	Group		Company	
	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
Staff costs including Directors' emoluments				
Wages and salaries	10,511	10,652	924	1,018
Social security costs	851	770	107	104
Pension costs	691	631	82	32
Share-based payments	35	70	9	12
	12,088	12,123	1,122	1,166
The average number of employees during the year was:	Number	Number	Number	Number
Management and administration	83	82	9	10
Selling and distribution	129	130	-	-
	212	212	9	10

Of the total average number of employees, 117 (2024: 121) were based in the UK, 31 in Scandinavia (2024: 27) and 64 (2024: 64) in Hong Kong and mainland China.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 2025 £,000's	12 months to 31 August 2024 £,000's
Salaries, short-term benefits and pension contribution	1,211	1,216
Share-based payments	3	9
	<b>1,214</b>	<b>1,225</b>

### ANALYSIS OF DIRECTORS' REMUNERATION

The following table shows a breakdown of the remuneration of the Directors for the year ended 31 August 2025 and the year ended 31 August 2024.

Year ended 31 August 2025

	Salary/fees £	Performance bonus £	Benefits in kind £	Pension contribution £	Total £
J J Diver	245,916	-	20,306	-	266,222
K P Shah	245,916	-	22,527	-	268,443
J J P Kissane	215,592	-	34,874	-	250,466
H Shah *	77,350	22,542	3,799	7,735	111,426
J Healy	131,736	22,542	11,599	13,174	179,051
M S Hyde (non-executive) **	15,161	-	-	-	15,161
C Crouch (non-executive) **	15,161	-	-	-	15,161
C Warren (non-executive)	65,000	-	-	-	65,000
J Shearman (non-executive)	40,000	-	-	-	40,000
	<b>1,051,832</b>	<b>45,084</b>	<b>93,105</b>	<b>20,909</b>	<b>1,210,930</b>

\* Appointed 1 February 2025

\*\* Resigned 17 January 2025

Year ended 31 August 2024

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

In the year ended 31 August 2025, certain of the Directors received remuneration (which is included in the amounts above) through payments by the Group to third parties as follows: £nil was paid to Bali Hai Consultancies for part of the services of R King (2024: £38,440); £15,161 was paid to Clive Crouch Media Insight Limited for the services of C Crouch (2024: £40,000).

\* Resigned 19 January 2024

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 4 DIRECTORS AND EMPLOYEES REMUNERATION CONTINUED KEY MANAGEMENT PERSONNEL

#### Directors interests in long term incentive schemes

On 5 June 2018, an option was granted under the Company's 2017 Share Option Plan at a price of 520 pence per share to J Healy 72,000 existing Ordinary Shares held by the Company in treasury. On 2 October 2020, this option was surrendered and a new option was granted to J Healy under the Company's 2017 Share Option Plan at a price of 325.5 pence per share 66,000 existing Ordinary Shares. Exercise of Mr Healy's option was conditional on the satisfaction of a predetermined, profit-related performance target which has been satisfied and became exercisable three years following the date of grant and will remain exercisable until the tenth anniversary of the date of grant.

On 24 January 2025, an option was granted to H Shah under the Company's 2017 Share Option Plan at a price of 250 pence per share over 30,000 existing Ordinary Shares held by the Company in treasury..

On 29 July 2025, options were granted under the Company's 2017 Share Option Plan at a price of 295.5 pence per share to J Healy and H Shah respectively over 60,000 and 30,000 existing Ordinary Shares held by the Company in treasury. Exercise of these options is conditional on the satisfaction of a predetermined , profit-related performance target.

At 31 August 2025, the mid-market price of an issued Ordinary Share in The Character Group plc was 305 pence. During the year the mid-market price ranged from 232 pence to 322 pence.

### 5 NET FINANCE COSTS - GROUP

	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
Finance costs:		
Interest payable on bank overdraft and similar charges	(64)	(6)
Factor and invoice discounting advances	(37)	(41)
Interest on right of use assets	(33)	(34)
	<b>(134)</b>	<b>(81)</b>
Finance income:		
Interest earned on cash and cash equivalents	<b>290</b>	<b>184</b>
Net finance income	<b>156</b>	<b>103</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 6 TAXATION - GROUP

	Note	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
<b>UK Corporation Tax</b>			
Tax on (loss) for the period		-	-
Adjustments to tax charge in respect of previous periods		-	(15)
Total UK corporation tax		-	(15)
<b>Foreign Tax</b>			
Tax on profit for the period		496	1,250
Adjustments to tax charge in respect of previous periods		(2)	(6)
Total foreign tax		494	1,244
Total current tax		494	1,229
<b>Deferred Tax</b>			
Origination and reversal of timing differences	7	(1,066)	(498)
Total deferred tax		(1,066)	(498)
Tax on (loss)/profit on ordinary activities		(572)	731
<b>Factors affecting tax charge for the period</b>			
Profit before highlighted items and taxation		1,217	6,649
Loss on highlighted items before taxation		(3,032)	(966)
(Loss) /profit before taxation after highlighted items		(1,815)	5,683
(Loss) / profit multiplied by the UK corporation rate of 25% (2024: 25.0%)		(454)	1,421
Effects of:			
(Income)/expenses (not chargeable)/deductible for tax purposes		46	33
Capital allowances less than depreciation		45	178
Deduction for share options exercised		(3)	-
Lower tax rate on overseas earnings		(176)	(630)
Unrecognised losses utilised		(59)	(177)
Tax losses not recognised for deferred tax		31	-
Unrecognised timing differences		-	(73)
Adjustments to tax charge in respect of previous periods		(2)	(21)
Tax (credit) / charge reported in the income statement		(572)	731
Tax relating to items charged or (credited) to equity:			
Income tax debit on exchange losses on intra Group balances		37	41
Income tax credit on exercise of employee share options		-	(1)
Net tax debit to equity		37	40

The UK corporation tax rate is 25%. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 7 DEFERRED INCOME TAX - GROUP

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 25% (2024: 25%) for UK differences and local rates for overseas differences.

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

	2025 £'000's	2024 £'000's
As at 1 September	616	158
Credit to the income statement	1,066	498
(Charge) to equity	(37)	(40)
As at 31 August	1,645	616

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	
	2025 £'000's	2024 £'000's	2025 £'000's	2024 £'000's
Intangibles	-	-	(48)	(37)
Property, plant and equipment	-	-	(193)	(307)
Employee share scheme charges	4	4	-	-
Derivative financial instruments	1,110	352	-	-
Inventories	113	169	-	-
Short-term timing differences	-	-	(53)	(33)
Tax losses	712	468	-	-
<b>Tax assets/(liabilities)</b>	<b>1,939</b>	<b>993</b>	<b>(294)</b>	<b>(377)</b>
<b>Net tax asset</b>	<b>1,645</b>	<b>616</b>	<b>-</b>	<b>-</b>

Movement in recognised deferred tax during the year:

	1 September 2024 £'000's	Recognised in income £'000's	Recognised in equity £'000's	31 August 2025 £'000's
Intangibles	(37)	(11)	-	(48)
Property, plant and equipment	(307)	114	-	(193)
Derivative financial instruments	352	758	-	1,110
Inventories	169	(56)	-	113
Employee share scheme charges	4	-	-	4
Short-term timing differences	(33)	(20)	-	(53)
Tax losses	468	281	(37)	712
	616	1,066	(37)	1,645

Movement in recognised deferred tax during the prior year:

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

Deferred tax assets amounting to £1,045,000 (2024: £821,000) 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 7 DEFERRED INCOME TAX - COMPANY

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2025	2024	2025	2024
	£'000's	£'000's	£'000's	£'000's
Employee share scheme charges	4	4	-	-
Property, plant and equipment	43	21	-	-
Tax losses	125	110	-	-
<b>Tax assets</b>	<b>172</b>	<b>135</b>	<b>-</b>	<b>-</b>
<b>Net tax asset</b>	<b>172</b>	<b>135</b>	<b>-</b>	<b>-</b>

Movement in recognised deferred tax during the year:

	1 September 2024	Recognised in income	Recognised in equity	31 August 2025
	£'000's	£'000's	£'000's	£'000's
Employee share scheme charges	4	-	-	4
Property, plant and equipment	21	22	-	43
Tax losses	110	15	-	125
	135	37	-	172

Movement in recognised deferred tax during the prior year:

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

### 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 2025	Year ended 31 August 2024
	Profit after taxation £	Profit after taxation £
(Loss)/profit attributable to equity shareholders of the parent	(1,243,000)	4,952,000
Financial instruments fair value adjustments net of tax	2,274,000	724,000
Profit for adjusted earnings per share	1,031,000	5,676,000
Weighted average number of ordinary shares in issue during the year – basic	18,430,863	19,072,573
Weighted average number of ordinary shares for basic and diluted loss per share *	18,430,863	-
Weighted average number of dilutive potential ordinary shares	1,124	28,275
Weighted average number of ordinary shares for diluted earnings per share	18,431,987	19,101,348
<b>Earnings per share before highlighted items</b>		
Basic earnings per share (pence)	5.59p	29.76p
Diluted earnings per share (pence)	5.59p	29.72p
<b>Earnings per share after highlighted items</b>		
Basic (loss)/earnings per share (pence)	(6.74p)	25.96p
Diluted (loss)/earnings per share (pence)	(6.74p)	25.92p

\* The potential ordinary shares on exercise of share options are excluded from the number of weighted average shares due to their anti-dilutive effect.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 9 DIVIDEND - GROUP

	12 months to 31 August 2025 £'000's	12 months to 31 August 2024 £'000's
On equity shares:		
Final dividend paid for the year ended 31 August 2024		
11.0 pence (2023: 11.0 pence) per share	2,052	2,130
Interim dividend paid for the year ended 31 August 2025		
3.0 pence (2024: 8.0 pence) per share	541	1,493
<b>14.0 pence (2024: 19.0 pence) per share</b>	<b>2,593</b>	<b>3,623</b>

The Directors recommend a final dividend of 3.00 pence per share (2024: 11.00 pence) amounting to £531,500 (2024: £2,057,841). If approved by shareholders, the final dividend will be paid on 30 January 2026 to shareholders on the register on 16 January 2026.

### 10 INTANGIBLE FIXED ASSETS - GROUP

Cost	Goodwill £'000's	Product development £'000's	Patents, trademarks and design rights £'000's	Total £'000's
<b>1 September 2023</b>	3,854	4,216	199	8,269
Additions	-	1,376	-	1,376
Write off fully amortised assets	-	(1,666)	-	(1,666)
<b>31 August 2024</b>	<b>3,854</b>	<b>3,926</b>	<b>199</b>	<b>7,979</b>
Additions	-	1,549	-	1,549
Write off fully amortised assets	-	(2,550)	-	(2,550)
<b>31 August 2025</b>	<b>3,854</b>	<b>2,925</b>	<b>199</b>	<b>6,978</b>
<b>Amortisation &amp; Impairment</b>				
<b>1 September 2023</b>	<b>3,132</b>	<b>2,757</b>	<b>42</b>	<b>5,931</b>
Charge for the year	-	2,076	20	2,096
Write off fully amortised assets	-	(1,666)	-	(1,666)
<b>31 August 2024</b>	<b>3,132</b>	<b>3,167</b>	<b>62</b>	<b>6,361</b>
Charge for the year	-	1,466	19	1,485
Write off fully amortised assets	-	(2,550)	-	(2,550)
<b>31 August 2025</b>	<b>3,132</b>	<b>2,083</b>	<b>81</b>	<b>5,296</b>
<b>Net book value</b>				
<b>31 August 2025</b>	<b>722</b>	<b>842</b>	<b>118</b>	<b>1,682</b>
31 August 2024	722	759	137	1,618

The carrying amount of goodwill is allocated to the cash generating unit. The recoverable amounts of the cash generating unit are determined from value in use calculations. Forecasts are prepared for up to six years based on the management's experience with revenue growth rates of 2% discounted at the Group's pretax cost of capital. Goodwill has been allocated to the UK segment and is deductible for tax purposes.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 11 INVESTMENT PROPERTY – GROUP

Cost	Total £'000's
1 September 2022, 1 September 2023 and 31 August 2024	2,194
<b>Depreciation</b>	
1 September 2023	806
Charge for the year	65
<b>31 August 2024</b>	<b>871</b>
Charge for the year	66
<b>31 August 2025</b>	<b>937</b>
<b>Net book value</b>	
<b>31 August 2025</b>	<b>1,257</b>
31 August 2024	1,323

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 £173,000 (2024: £254,000). Expenses incurred in respect of occupied premises were £19,797 (2024: £14,993). Expenses in respect of unoccupied premises were £44,185 (2024: £22,479).

### 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
<b>1 September 2023</b>	<b>9,068</b>	<b>437</b>	<b>258</b>	<b>5,103</b>	<b>1,056</b>	<b>15,922</b>
Additions	134	341	21	298	64	858
Transfers	423	(423)	-	-	59	59
Disposals	-	-	-	-	(24)	(24)
Elimination of fully depreciated assets	-	-	(49)	(541)	-	(590)
Translation differences	-	-	(6)	(20)	(2)	(28)
<b>31 August 2024</b>	<b>9,625</b>	<b>355</b>	<b>224</b>	<b>4,840</b>	<b>1,153</b>	<b>16,197</b>
Additions	153	155	36	421	304	1,069
Transfers	-	(12)	-	12	-	-
Disposals	-	-	-	(71)	(149)	(220)
Elimination of fully depreciated assets	-	-	-	(110)	-	(110)
Translation differences	-	-	(6)	(11)	-	(17)
<b>31 August 2025</b>	<b>9,778</b>	<b>498</b>	<b>254</b>	<b>5,081</b>	<b>1,308</b>	<b>16,919</b>
<b>Depreciation</b>						
<b>1 September 2023</b>	<b>1,542</b>	<b>-</b>	<b>253</b>	<b>3,595</b>	<b>523</b>	<b>5,913</b>
Charge for the year	196	-	3	380	254	833
Transfers	-	-	-	-	25	25
Disposals	-	-	-	-	(24)	(24)
Elimination of fully depreciated assets	-	-	(49)	(541)	-	(590)
Translation differences	-	-	(6)	(17)	(2)	(25)
<b>31 August 2024</b>	<b>1,738</b>	<b>-</b>	<b>201</b>	<b>3,417</b>	<b>776</b>	<b>6,132</b>
Charge for the year	217	-	19	380	211	827
Disposals	-	-	-	(50)	(147)	(197)
Elimination of fully depreciated assets	-	-	-	(110)	-	(110)
Translation differences	-	-	(7)	(8)	-	(15)
<b>31 August 2025</b>	<b>1,955</b>	<b>-</b>	<b>213</b>	<b>3,629</b>	<b>840</b>	<b>6,637</b>
<b>Net book value</b>						
<b>31 August 2025</b>	<b>7,823</b>	<b>498</b>	<b>41</b>	<b>1,452</b>	<b>468</b>	<b>10,282</b>
31 August 2024	7,887	355	23	1,423	377	10,065



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 12 PROPERTY, PLANT AND EQUIPMENT – GROUP CONTINUED

#### TANGIBLE FIXED ASSETS – COMPANY

Cost	Freehold land and buildings £000's	Short leasehold improvements £000's	Fixtures, fittings and equipment £000's	Motor vehicles £000's	Total £000's
1 September 2023	1,182	-	273	184	1,639
Additions	-	21	24	64	109
<b>31 August 2024</b>	<b>1,182</b>	<b>21</b>	<b>297</b>	<b>248</b>	<b>1,748</b>
Additions	-	-	5	102	107
<b>31 August 2025</b>	<b>1,182</b>	<b>21</b>	<b>302</b>	<b>350</b>	<b>1,855</b>
<b>Depreciation</b>					
1 September 2023	982	-	269	73	1,324
Charge for the year	-	1	4	53	58
<b>31 August 2024</b>	<b>982</b>	<b>1</b>	<b>273</b>	<b>126</b>	<b>1,382</b>
Charge for the year	-	4	9	71	84
<b>31 August 2025</b>	<b>982</b>	<b>5</b>	<b>282</b>	<b>197</b>	<b>1,466</b>
<b>Net book value</b>					
<b>31 August 2025</b>	<b>200</b>	<b>16</b>	<b>20</b>	<b>153</b>	<b>389</b>
31 August 2024	200	20	24	122	366

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 2023	3,200	3,391	6,591
Liquidation of subsidiary	(5)	-	(5)
Share-based payment	-	58	58
<b>At 31 August 2024</b>	<b>3,195</b>	<b>3,449</b>	<b>6,644</b>
Share-based payment	-	26	26
<b>At 31 August 2025</b>	<b>3,195</b>	<b>3,475</b>	<b>6,670</b>
<b>Amortisation and provisions</b>			
1 September 2024 and 31 August 2025	1,896	-	1,896
Charge for the year	-	-	-
<b>At 31 August 2025</b>	<b>1,896</b>	<b>-</b>	<b>1,896</b>
<b>Net book value</b>			
<b>31 August 2025</b>	<b>1,299</b>	<b>3,475</b>	<b>4,774</b>
31 August 2024	1,299	3,449	4,748

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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	Proportion held by		Nature of business
			Group %	Parent Company %	
Character Options Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Design and distribution of toys and games
Toy Options (Far East) Limited	Hong Kong <sup>2</sup>	Ordinary	100	-	Design and distribution of toys and games
Charter Limited	Hong Kong <sup>2</sup>	Ordinary	100	-	Design and distribution of toys and games
Proxy (Far East) Limited	Hong Kong <sup>2</sup>	Ordinary	100	-	Distribution of toys and games
Character Games Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Design and distribution of toys and games
Character Gifts Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Gift importer and distributor
Q-Stat Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Property investment
Toy Options Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Intermediate holding company
OVG-Proxy A/S	Denmark <sup>6</sup>	Ordinary	100	-	Distribution of toys
Character Nordic Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Intermediate holding company
Character Promotions Limited	United Kingdom <sup>1</sup>	Ordinary	100	100	Holder of intellectual property
Toy Options Group plc	United Kingdom <sup>1</sup>	Ordinary	100	100	Non-trading
Character Games (Far East) limited	Hong Kong <sup>2</sup>	Ordinary	100	100	Intermediate holding company
Proxy Sweden AB	Sweden <sup>5</sup>	Ordinary	100	-	Distribution of toys
Toy Options Technology (Shenzhen) Limited	China <sup>3</sup>		100	-	Product development and toy design
Chill Factor Global Pty Limited	Australia <sup>4</sup>	Ordinary	100	-	Holder of intellectual property
Prelude Worldwide Limited	United Kingdom <sup>7</sup>	Ordinary	100	100	Non-trading (in liquidation)
WWL (UK) Limited	United Kingdom <sup>7</sup>	Ordinary	100	100	Non-trading (in liquidation)
Universal Concepts (UK) Limited	United Kingdom <sup>7</sup>	Ordinary	100	100	Non-trading (in liquidation)

#### Registered offices

<sup>1</sup> CityPoint, 16th Floor, One Ropemaker Street, London EC2Y 9AW

<sup>2</sup> 2401, 24/F, Dominion Centre, 43-59 Queen's Road East, Hong Kong

<sup>3</sup> Room 2001, 2003-2006, Shenhua Commercial Building, 2018 Jiabin Road, LuoHu District, Shenzhen, China

<sup>4</sup> Level 1, 1121 High Street, Armadale, Victoria, 3143, Australia

<sup>5</sup> Brunnsvägen 1 686 95, Västra Ämtervik, Värmland Sweden

<sup>6</sup> Gothersgade 14, 3<sup>rd</sup>, 1123 København K, Denmark

<sup>7</sup> Purnells, 5a Kernick Industrial Estate, Penryn, Cornwall, TR10 9EP

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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 2023	2,392	222	2,614
Additions	673	48	721
Transfers to property, plant and equipment	-	(59)	(59)
Elimination on expiration of leases	(1,061)	-	(1,061)
Translation differences	(60)	(3)	(63)
<b>31 August 2024</b>	<b>1,944</b>	<b>208</b>	<b>2,152</b>
Additions	260	21	281
Elimination on expiration of leases	-	(51)	(51)
Translation differences	3	6	9
<b>31 August 2025</b>	<b>2,207</b>	<b>184</b>	<b>2,391</b>
<b>Depreciation</b>			
1 September 2023	1,761	106	1,867
Charge for the year	490	46	536
Transfers to property, plant and equipment	-	(25)	(25)
Elimination on expiration of leases	(1,016)	-	(1,016)
Translation differences	(45)	(1)	(46)
<b>31 August 2024</b>	<b>1,190</b>	<b>126</b>	<b>1,316</b>
Charge for year	422	49	471
Elimination on expiration of leases	-	(51)	(51)
Translation differences	15	6	21
<b>31 August 2025</b>	<b>1,627</b>	<b>130</b>	<b>1,757</b>
<b>Net book value</b>			
<b>31 August 2025</b>	<b>580</b>	<b>54</b>	<b>634</b>
31 August 2024	754	82	836

#### RIGHT OF USE ASSETS - COMPANY

Cost	Land & Buildings £'000's
<b>1 September 2023 &amp; 31 August 2024</b>	<b>550</b>
Addition	514
Elimination on expiration of lease	(550)
<b>31 August 2025</b>	<b>514</b>
<b>Depreciation</b>	
<b>1 September 2023</b>	<b>440</b>
Charge for year	110
<b>31 August 2024</b>	<b>550</b>
Elimination on expiration of lease	(550)
Charge for the year	103
<b>31 August 2025</b>	<b>103</b>
<b>Net book value</b>	
<b>31 August 2025</b>	<b>411</b>
31 August 2024	0

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 14 LEASES CONTINUED

Lease liabilities:

	Group		Company	
	31 August 2025	31 August 2024	31 August 2025	31 August 2024
	£'000's	£'000's	£'000's	£'000's
Current	393	438	96	-
Non current – 2 to 5 years	274	431	328	-
	667	869	424	-

Maturity of contracted undiscounted lease liabilities:

	Group		Company	
	31 August 2025	31 August 2024	31 August 2025	31 August 2024
	£'000's	£'000's	£'000's	£'000's
Lease liability less than one year	413	467	119	-
Lease liability greater than one year and less than five years	279	445	358	-
Finance charges included above	(25)	(43)	(53)	-
	667	869	424	-

Amounts recognised in comprehensive income:

	Group		Company	
	31 August 2025	31 August 2024	31 August 2025	31 August 2024
	£'000's	£'000's	£'000's	£'000's
Interest on lease liabilities	33	34	29	2

Amounts recognised in the cash flow statement:

	Group		Company	
	31 August 2025	31 August 2024	31 August 2025	31 August 2024
	£'000's	£'000's	£'000's	£'000's
Total cash outflow for lease rentals	483	555	90	118

Other lease disclosures

	Group		Company	
	31 August 2025	31 August 2024	31 August 2025	31 August 2024
	£'000's	£'000's	£'000's	£'000's
Short term lease expense	49	4	-	-
Aggregate undiscounted commitments for short-term leases	18	-	-	-

### 15 INVENTORIES - GROUP

	2025	2024
	£'000's	£'000's
Finished goods for resale	16,288	20,103

There is a floating charge over the UK inventories of £10,608,000 (2024: £13,931,000) to secure bank borrowings by the Group.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

Amounts falling due after one year:

	Company 2025 £'000's	2024 £'000's
Amounts due from subsidiary undertakings	30,036	40,699
Loss allowance for subsidiary undertakings receivable	(1,189)	(1,214)
	<b>28,847</b>	<b>39,485</b>

Amounts falling due within one year:

	Group 2025 £'000's	2024 £'000's	Company 2025 £'000's	2024 £'000's
<b>Current:</b>				
Trade receivables	16,287	19,221	-	-
Loss allowance for receivables	(168)	(116)	-	-
	<b>16,119</b>	<b>19,105</b>	<b>-</b>	<b>-</b>
Due from subsidiary undertakings	-	-	265	156
Loss allowance for subsidiary undertakings receivable	-	-	-	-
Other receivables	642	1,069	12	35
	<b>16,761</b>	<b>20,174</b>	<b>277</b>	<b>191</b>
Prepayments	2,352	3,817	282	300
	<b>19,113</b>	<b>23,991</b>	<b>559</b>	<b>491</b>

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance at the end of the year to 31 August 2025 is £168,000 (2024: £116,000).

Amounts due to the Company by subsidiary undertakings are repayable on demand, unsecured and interest free. A credit loss allowance is made when there is objective evidence that a subsidiary undertaking is unable to settle its balances in full.

Movement in loss allowance

	Group 31 August 2025 £'000's	31 August 2024 £'000's	Company 31 August 2025 £'000's	31 August 2024 £'000's
Loss allowance at beginning of year	(116)	(15)	(1,214)	(1,214)
Exchange movement	(5)	-	-	-
(Increase)/Decrease in loss allowance	(47)	(101)	25	-
	<b>(168)</b>	<b>(116)</b>	<b>(1,189)</b>	<b>(1,214)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16 TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY CONTINUED

Group trade receivables can be analysed as follows:

	2025 £'000's	2024 £'000's
Fully performing	16,093	19,014
Past due	26	91
<b>Trade receivables</b>	<b>16,119</b>	<b>19,105</b>

Ageing of past due, not impaired, receivables:

	2025 £'000's	2024 £'000's
1 – 90 days	26	91

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:

	2025 £'000's	2024 £'000's
Pounds Sterling	4,351	5,569
US Dollars	7,933	11,435
Euros	681	344
Danish Krone	1,539	1,068
Others	1,615	689
	<b>16,119</b>	<b>19,105</b>

### 17 INCOME TAX RECOVERABLE/ (PAYABLE) - GROUP

	2025		2024	
	Assets £'000's	Liabilities £'000's	Assets £'000's	Liabilities £'000's
UK income tax	606	-	509	-
Overseas income tax	106	(478)	82	(192)
	<b>712</b>	<b>(478)</b>	<b>591</b>	<b>(192)</b>

### 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.

	2025		2024	
	Assets £'000's	Liabilities £'000's	Assets £'000's	Liabilities £'000's
Forward foreign exchange contracts and options	16	(4,455)	16	(1,424)

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 19 CASH & CASH EQUIVALENTS – GROUP AND COMPANY

	Group 2025 £000's	2024 £000's	Company 2025 £000's	2024 £000's
Cash and cash equivalents	13,295	14,599	684	380

Cash and cash equivalents are denominated in the following currencies:

Currency – floating rate financial assets	2025 £000's	2024 £000's	2025 £000's	2024 £000's
Sterling	3,338	3,043	546	259
US\$	8,840	10,463	124	169
Euro	94	133	14	(48)
HK\$	645	614	-	-
Danish Krone	120	148	-	-
Others	258	198	-	-
Total	13,295	14,599	684	380

Bank overdrafts and short-term borrowings are aggregated with cash and cash equivalents where there is a right of set-off. At 31 August 2025, the balances attracted interest at rates of between 0.95% and 3.94%.

### 20 BORROWINGS – GROUP

	31 August 2025			31 August 2024		
	Total £000's	Current £000's	Non-current £000's	Total £000's	Current £000's	Non-current £000's
Finance Advances	708	708	-	1,446	1,446	-
Total	708	708	-	1,446	1,446	-

Finance advances are advances against trade receivables.

Analysis of borrowings by currency

	2025 £000's	2024 £000's
US\$	708	1,446
Total	708	1,446

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

Certain Far East subsidiaries have bank overdraft and trade finance facilities equivalent to approximately £16.4 million. The interest charged is between 0.25% per annum and 2.8% per annum over Prime or HIBOR. A subsidiary has a pledged cash deposit with a bank amounting to approximately £1.3 million (2024: £1.3 million), which has been included in cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 21 TRADE AND OTHER PAYABLES – GROUP AND COMPANY

	Group 2025 £'000's	2024 £'000's	Company 2025 £'000's	2024 £'000's
Trade creditors	15,930	21,425	-	-
Due to subsidiary undertakings	-	-	57	57
Other taxation and social security	1,795	1,755	-	-
Accruals and deferred income	7,799	8,017	661	463
	25,524	31,197	718	520

### 22 FINANCIAL INSTRUMENTS - GROUP

		31 August 2025				31 August 2024	
Financial assets		At fair value to Income Statement £'000's	At amortised cost £'000's	Total £'000's		At fair value to Income Statement £'000's	At amortised cost £'000's
Current financial assets	Note						
Trade and other receivables	16	16,761	-	16,761	20,174	-	20,174
Derivative financial instruments	18	16	-	16	16	-	-
Cash and cash equivalents	19	13,295	-	13,295	14,599	-	14,599
		30,072	16	30,056	34,789	16	34,773

		31 August 2025				31 August 2024	
Financial liabilities		At fair value to Income Statement £'000's	At amortised cost £'000's	Total £'000's		At fair value to Income Statement £'000's	At amortised cost £'000's
Current & non-current financial liabilities	Note						
Trade and other payables	21	15,930	-	15,930	21,425	-	21,425
Accruals	21	7,799	-	7,799	8,017	-	8,017
Derivative financial instruments	18	4,455	-	4,455	1,424	-	-
Borrowings	20	708	-	708	1,446	-	1,446
		28,892	4,455	24,437	32,312	1,424	30,888

### 22 FINANCIAL INSTRUMENTS - COMPANY

		31 August 2025				31 August 2024	
Financial assets		At fair value to Income Statement £'000's	At amortised cost £'000's	Total £'000's		At fair value to Income Statement £'000's	At amortised cost £'000's
Current financial assets	Note						
Trade and other receivables	16	29,124	-	29,124	39,676	-	39,676
Cash and cash equivalents	19	684	-	684	380	-	380
		29,808	-	29,808	40,056	-	40,056

		31 August 2025				31 August 2024	
Financial liabilities		At fair value to Income Statement £'000's	At amortised cost £'000's	Total £'000's		At fair value to Income Statement £'000's	At amortised cost £'000's
Current financial liabilities	Note						
Trade and other payables	21	57	-	57	57	-	57
Accruals	21	661	-	661	463	-	463
		718	-	718	520	-	520

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



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 23 FINANCIAL RISK MANAGEMENT

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

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

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

#### Market risk

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

#### Foreign exchange risk

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

#### Foreign currency sensitivity

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

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

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

	Functional currencies strengthening		Functional currencies weakening	
	Total Equity £'000's	Profit or (Loss) £'000's	Total Equity £'000's	Profit or (Loss) £'000's
<b>2025</b>				
Euro	(71)	(71)	71	71
US\$	(11,066)	(11,066)	652	652
HK\$	11	11	(11)	(11)
Danish Krone	(20)	(20)	20	20
Swedish Krona	397	397	(397)	(397)
	<b>(10,749)</b>	<b>(10,749)</b>	<b>335</b>	<b>335</b>

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 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:

Class of financial assets	Group		Company	
	2025 £'000's	2024 £'000's	2025 £'000's	2024 £'000's
Trade receivables	16,119	19,105	-	-
Due from subsidiary undertakings	-	-	29,112	39,641
Other receivables	642	1,069	12	35
Current tax assets	712	591	-	-
Cash	13,295	14,599	684	380
	<b>30,768</b>	<b>35,364</b>	<b>29,808</b>	<b>40,056</b>

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

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

#### Concentration risk

The Group is subject to significant concentration of credit risk within its business. Five major counterparties within trade receivables amounted to £6,427,000 (2024: £8,434,000). 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:

	2025		2024	
	Current £'000's	Non-current within five years £'000's	Current £'000's	Non-current within five years £'000's
Finance advances	708	-	1,446	-
Import loans	-	-	-	-
Trade and other payables	25,524	-	31,197	-
Current tax liabilities	478	-	192	-
Derivative financial instruments	4,455	-	1,424	-
Lease liabilities	393	274	438	431
	<b>31,558</b>	<b>274</b>	<b>34,697</b>	<b>431</b>

### 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.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25 CALLED UP SHARE CAPITAL (EQUITY)

	2025 £'000's	2024 £'000's
<b>Authorised</b>		
110,000,000 (2024: 110,000,000) ordinary shares of 5 pence each	5,550	5,550
<b>Allotted, called up and fully paid</b>		
19,999,958* (2024: 20,757,457) ordinary shares of 5 pence each	1,000	1,038

\* Including 1,983,059 Ordinary Shares held in treasury (2024: 2,092,159).

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

#### Share capital movements in the year

109,100 (2024: 8,000) 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
<b>Date</b>	<b>213.0p</b>
19 September 2024	65,400
20 September 2024	43,700

During the year, the Company repurchased for cancellation 757,499 (2024: 708,472) Ordinary Shares as follows:

Date	Number of shares	Price	% of the issued share capital immediately prior to cancellation (excluding shares held in Treasury)
29 October 2024	10,500	265.00p	0.06%
07 November 2024	5,000	275.00p	0.03%
08 November 2024	5,000	275.50p	0.03%
12 November 2024	10,000	276.00p	0.05%
25 November 2024	3,000	279.00p	0.02%
27 November 2024	2,000	280.00p	0.01%
28 November 2024	2,307	274.00p	0.01%
29 November 2024	2,500	276.00p	0.01%
02 December 2024	2,800	280.00p	0.01%
03 December 2024	2,900	274.00p	0.02%
06 December 2024	3,000	273.30p	0.02%
09 December 2024	2,800	273.00p	0.01%
10 December 2024	2,900	272.60p	0.02%
12 December 2024	2,750	268.00p	0.01%
13 December 2024	3,000	270.00p	0.02%
16 December 2024	3,000	270.00p	0.02%
17 December 2024	3,300	270.00p	0.02%
18 December 2024	3,000	274.00p	0.02%
20 December 2024	4,000	271.50p	0.02%
27 December 2024	3,950	272.00p	0.02%
30 December 2024	4,000	278.00p	0.02%
02 January 2025	4,500	272.00p	0.02%
06 January 2025	4,300	274.00p	0.02%
08 January 2025	5,400	272.00p	0.03%
09 January 2025	5,400	269.00p	0.03%
10 January 2025	5,800	271.75p	0.03%
13 January 2025	5,700	270.00p	0.03%
14 January 2025	5,900	269.00p	0.03%
15 January 2025	5,000	270.00p	0.03%
16 January 2025	6,500	259.00p	0.03%
17 January 2025	6,800	251.00p	0.04%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

Share capital movements in the year continued

	Number of shares	Price	% of the issued share capital immediately prior to cancellation (excluding shares held in Treasury)
21 January 2025	7,300	251.75p	0.04%
23 January 2025	6,900	250.00p	0.04%
24 January 2025	16,000	250.60p	0.09%
27 January 2025	17,200	250.00p	0.09%
28 January 2025	16,600	253.00p	0.09%
29 January 2025	16,000	250.00p	0.09%
30 January 2025	17,000	250.00p	0.09%
31 January 2025	19,400	249.00p	0.10%
04 February 2025	18,000	247.00p	0.10%
05 February 2025	20,000	247.20p	0.11%
12 February 2025	20,000	255.50p	0.11%
14 February 2025	7,500	259.00p	0.04%
28 February 2025	10,000	267.00p	0.05%
03 March 2025	5,000	267.00p	0.03%
05 March 2025	8,000	266.00p	0.04%
07 March 2025	8,000	263.25p	0.04%
10 March 2025	7,800	262.50p	0.04%
12 March 2025	9,100	264.00p	0.05%
17 March 2025	5,000	264.00p	0.03%
18 March 2025	10,000	262.00p	0.05%
19 March 2025	10,000	263.20p	0.05%
20 March 2025	5,000	262.00p	0.03%
20 March 2025	5,000	268.00p	0.03%
03 April 2025	12,500	268.00p	0.07%
04 April 2025	14,600	267.75p	0.08%
10 April 2025	5,000	261.50p	0.03%
14 April 2025	8,000	249.00p	0.04%
17 April 2025	5,000	249.50p	0.03%
24 April 2025	2,500	250.00p	0.01%
30 April 2025	13,800	250.00p	0.08%
01 May 2025	15,192	245.00p	0.08%
02 May 2025	18,000	246.00p	0.10%
06 May 2025	10,000	241.40p	0.05%
07 May 2025	17,500	243.00p	0.10%
13 May 2025	7,000	257.00p	0.04%
16 May 2025	10,000	245.50p	0.05%
19 May 2025	17,000	242.50p	0.09%
20 May 2025	18,000	240.00p	0.10%
21 May 2025	10,000	240.00p	0.05%
23 May 2025	19,000	240.58p	0.10%
27 May 2025	12,500	244.00p	0.07%
28 May 2025	10,000	244.00p	0.05%
29 May 2025	4,000	246.00p	0.02%
02 June 2025	8,500	238.47p	0.05%
03 June 2025	19,600	239.00p	0.11%
04 June 2025	22,000	240.00p	0.12%
05 June 2025	22,000	244.00p	0.12%
09 June 2025	10,000	245.00p	0.05%
01 July 2025	6,000	271.50p	0.03%
19 August 2025	9,000	318.00p	0.05%
20 August 2025	8,500	314.00p	0.05%
27 August 2025	5,000	308.00p	0.03%
28 August 2025	7,500	306.00p	0.04%
29 August 2025	8,000	307.00p	0.04%

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

#### Share capital movements in the year continued

Movement in issued capital is as follows:

Ordinary Shares of 5 pence each	2025	2024
In issue at the beginning of the financial year	20,757,457	21,465,929
Cancellations	(757,499)	(708,472)
In issue at the end of the financial year – fully paid	19,999,958	20,757,457

#### 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.

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. An option granted under the 2017 Plan enables an eligible employee to purchase up to a stated number of Ordinary Shares at market value at the date of grant. The options typically only vest after three years, subject to the achievement of the applicable vesting conditions. Vesting conditions require that the employee remains in employment at the time of exercise of the option and that any performance condition(s) 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 to be met or exceeded.

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

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

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

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

On 24 January 2025, options over a total of 30,000 Ordinary shares held by the Company in treasury were granted under the 2017 Plan to a Group employee (subsequently appointed as an executive Director) at an exercise price of 250.00 pence per share.

On 29 July 2025, options over a total of 320,000 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 295.50 pence per share.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25 CALLED UP SHARE CAPITAL (EQUITY) CONTINUED

#### Share options continued

At 31 August 2025, rights to options over 1,384,130 Ordinary Shares of the Company held in treasury (treated as outstanding) were as follows:

	At 1 September 2024	Granted	Exercised/ surrendered	At 31 August 2025	Exercise Price	Exercise Period
2006 Scheme	113,100	-	(113,100)	-	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	891,480	-	(124,350)	767,130	325.50p	2 October 2023 to 1 October 2030
2017 Scheme	30,000	-	-	30,000	270.00p	4 October 2026 to 3 October 2033
2017 Scheme	155,000	-	(10,000)	145,000	288.00p	18 December 2026 to 17 December 2033
2017 Scheme	-	30,000	-	30,000	250.00p	24 January 2028 to 23 January 2035
2017 Scheme	-	320,000	-	320,000	295.50p	29 July 2028 to 28 July 2035
	<b>1,189,580</b>	<b>350,000</b>	<b>(247,450)</b>	<b>1,292,130</b>		

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

	At 1 September 2023	Granted	Exercised/ lapsed	At 31 August 2024	Exercise Price	Exercise Period
2006 Scheme	121,100	-	(8,000)	113,100	213.00p	25 September 2017 to 24 September 2024
2017 Scheme	904,730	-	(13,250)	891,480	325.50p	2 October 2023 to 1 October 2030
2017 Scheme	-	30,000	-	30,000	270.00p	4 October 2026 to 3 October 2033
2017 Scheme	-	155,000	-	155,000	288.00p	18 December 2026 to 17 December 2033
	<b>1,025,830</b>	<b>185,000</b>	<b>(21,250)</b>	<b>1,189,580</b>		

No options were outstanding in respect of unissued Ordinary Shares of the Company as at 31 August 2025 and at 31 August 2024.

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:

	2025		2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 September	1,189,580	308.52p	1,025,830	312.22p
Granted	350,000	291.60p	185,000	285.08p
Exercised	(109,100)	213.00p	(8,000)	213.00p
Lapsed	(138,350)	319.54p	(13,250)	325.50p
Outstanding at 31 August	1,292,130	310.82p	1,189,580	308.52p
Weighted average remaining contractual life in years		6.80		6.0

At 31 August 2025, options over 767,130 Ordinary Shares were exercisable (2024: 1,004,580).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 26 SHARE-BASED PAYMENT

	12 months ended 31 August 2025 £'000's	12 months ended 31 August 2024 £'000's
Charge for share-based payment	35	70

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

	2006 Scheme	2017 Scheme	2017 Scheme	2017 Scheme	2017 Scheme	2017 Scheme
Grant Date	25 September 2014	2 October 2020	4 October 2023	18 December 2023	24 January 2025	29 July 2025
Options outstanding 1 September 2024	113,100	891,480	30,000	155,000	-	-
Granted	-	-	-	-	30,000	320,000
Exercised	(109,100)	-	-	-	-	-
Lapsed	(4,000)	(124,350)	-	(10,000)	-	-
Options outstanding 31 August 2025	-	767,130	30,000	145,000	30,000	320,000
Contract term year(s)	10	10	10	10	10	10
Expected life of option	8	8	8	8	8	8
Exercise & share price at grant	213.0p	325.50p	270.00p	288.00p	250.00p	295.50p
Expected volatility	25% – 35%	31%	38%	38%	29%	30%
Annual risk-free rate	2.502%	0.2877%	4.5812%	3.7167%	4.6273%	4.6486%
Annual expected dividend	3.65% – 4%	1.44%	7.2%	7.2%	7.06%	7.06%
Fair value per share under option	46p	72p	53p	54p	36p	45p

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

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

### 27 COMMITMENTS

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

	2025 £'000's	2024 £'000's
Within one year	437	809
Between one and two years	52	100
Between three and five years	200	-
	689	909

At the financial year end of 31 August 2025, the Group had capital expenditure commitments of £128,000 (2023: £351,000).

### 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:

	2025 £'000's	2024 £'000's
Within one year	117	169
Between one and two years	47	164
	164	333

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 28 RELATED PARTY TRANSACTIONS

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

The principal subsidiary undertakings of the Company are shown in note 13.

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

	2025 £'000's	2024 £'000's
Dividends received	3,490	7,482
Management fees received	1,800	1,800
Property rental income	201	201
Property rentals paid	(119)	(118)
Amounts due from subsidiary undertakings	29,112	39,641
Amounts owed to subsidiary undertakings	(57)	(57)

### 29 CONTINGENT LIABILITIES

The contingent liability for letters of credit raised in the normal course of business at 31 August 2025 amounted to £3,726,000 (2024: £3,736,000).

### 30 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the year ended 31 August 2025 and to the date of this annual report, the Company repurchased for cancellation 301,900 Ordinary Shares at an aggregate cost of £842,960.30, before dealing costs.



## Notice of Meeting

### The Character Group plc

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

NOTICE IS HEREBY GIVEN THAT the 2026 Annual General Meeting of The Character Group plc will be held at 1<sup>st</sup> floor, 86-88 Coombe Road, New Malden, Surrey, KT3 4QS on Friday 16 January 2026 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 2025 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 2025 of 3.0 pence per ordinary share.
3. To receive the report of the Remuneration Committee for the year ended 31 August 2025.
4. 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.
5. To consider an ordinary resolution of the Company that Mr. J. Shearman, who retires in accordance with the terms of his letter of appointment, be and is hereby re-elected as a director of the Company.
6. To consider an ordinary resolution of the Company that Mr. H. Shah, who was appointed subsequent to the 2025 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. K. Wall, who was appointed subsequent to the 2025 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.
8. To consider an ordinary resolution of the Company that Cooper Parry Group Limited 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 Lubbock Fine LLP on 28 August 2025) 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 £295,000, 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 2,650,000;
  - (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 such purchase is carried out; and
      - (B) the value of an Ordinary Share calculated on the basis of the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the relevant purchase is carried out; and
  - (D) the authority hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting following the date upon which this resolution was passed or 15 months following the date upon which this resolution was passed; and
  - (E) the Company may contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance 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.

By order of the Board,

R B Smyth Secretary 17 December 2025	Registered Office: Citypoint, 16 <sup>th</sup> Floor, One Ropemaker Street, London, EC2Y 9AW
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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 14 January 2026, 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 14 January 2026 (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 16 December 2025 (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 17,714,999 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 16 December 2025 was 17,714,999.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 11:00 a.m. on 14 January 2026. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed

a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. As an alternative to returning a hard copy Form of Proxy, you may submit your Proxy electronically at [www.sharegateway.co.uk](http://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 14 January 2026, or, in the event of an adjournment of the meeting, not less than 48 hours before the adjourned meeting.

## **SUMMARY OF THE SPECIAL AND NON-ROUTINE BUSINESS TO BE CONSIDERED AT THE 2024 ANNUAL GENERAL MEETING**

It is proposed that the following resolutions will be proposed as special business at the Company's 2026 Annual General Meeting (the "AGM"):

### **Resolution 3 – Receiving the Directors' Remuneration Report**

The Directors' Remuneration Report is set out on page 31. Resolution 3 is an advisory vote and does not affect the future remuneration paid to any Director. The Remuneration Report provides details of the remuneration paid for the year ended 31 August 2025.

### **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 £295,000, which represents 5,900,000 Ordinary Shares (approximately 33.0 per cent. of the issued share capital of the Company, excluding shares held in treasury, as at 15 December 2025 (being the last business day prior to the publication of this Notice). A corresponding authority was given to the Directors at the last annual general meeting and that authority expires at the conclusion of the AGM.

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

The authority proposed by resolution 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.

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

### **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 2025 AGM of the Company and that authority expires at the conclusion of the 2026 AGM.

The maximum number of shares that may be acquired through exercise of this proposed authority is 2,650,000 Ordinary Shares, representing approximately 15 per cent. of the issued share capital of the Company (excluding shares held in treasury) as at 15 December 2025 (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.

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