



This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

LONDON: Wednesday, 15 December 2021

THE CHARACTER GROUP PLC

("Character," "Group" or "Company")

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

PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

| KEY PERFORMANCE INDICATORS | 12 months ended 31 August 2021 | 12 months ended 31 August 2020 |
|---|-----------------------------------|-----------------------------------|
| Revenue | £140.0m | £108.9m |
| Underlying Operating profit | £11.2m | £5.4m |
| Underlying pre-tax profit * | £11.1m | £5.0m |
| EBITDA | £14.0m | £8.2m |
| Statutory profit before tax | £15.3m | £3.9m |
| Basic earnings per share before highlighted items * | 40.92p | 18.12p |
| Diluted earnings per share before highlighted items * | 40.37p | 18.08p |
| Basic earnings per share after highlighted items | 56.86p | 14.76p |
| Diluted earnings per share after highlighted items | 56.09p | 14.73p |
| Dividends per share for the year | 15.0p | 5.0p |
| Net assets | £44.9m | £34.0m |
| Net cash | £35.9m | £19.1m |
| *Excludes: | | |
| Mark to market profit (loss) adjustments on FX derivative positions | £2.1m | £(2.0m) |
| Profit on sale of property | £2.0m | - |
| Gain on buy back on loan | - | £0.9m |

"The buoyant demand for the Group's products has been sustained throughout the year and has continued to rise in recent months despite the global supply-side and logistics challenges, which have been relentless for many businesses."

"Moving into 2022, our line-up of merchandise not only continues to feature some of the most sought-after toy products but will be further bolstered by the launch of a number of exciting new concepts, additions and brand extensions that the Group will unveil at the London Toy Fair in January 2022 and through to Spring of next year."

"Both domestic and international demand for our products remains strong and the reception received so far by the new introductions planned for our ranges in the coming months has been a very pleasing endorsement of our team's designs, plans and execution."

"The Board believes that margins will be under pressure due to high freight rates and increased materials and labour costs, however, it is satisfied that the Group remains on target to meet current market expectations."

ENQUIRIES:**The Character Group plc**

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FTSE sector: leisure:

FTSE AIM All-share: symbol: CCT.L

Market cap: £125m

Product ranges can be viewed at www.character-online.com.

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Note:

A copy of this statement can also be found at www.thecharacter.com



THE CHARACTER GROUP PLC

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

PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

INTRODUCTION

The buoyant demand for the Group's products has been sustained throughout the year and has continued to rise in recent months despite the global supply-side and logistics challenges, which have been relentless for many businesses.

Against this backdrop, we acknowledge the loyalty and dedication of all our staff in the UK, Europe and the Far East. They have been tested once again and, exhibiting the superhero qualities that many of our toys products depict, came through for the business and delivered a very creditable performance.

The turnover increased by 29% to £140.0m (2020: £108.9m) and underlying operating profit more than doubled to £11.2m (2020: £5.4m).

The Group has continued to be cash generative, delivering £27.3m of cash from operations (2020: £19.6m) and finishing the year with a net cash balance of £35.9m (2020: £19.1m).

The Board presents the Group's results for the year ended 31 August 2021:

OPERATIONAL PERFORMANCE

Group revenue in the year ended 31 August 2021 was £140.0m, against a turnover of £108.9m in the comparable 2020 period. Of particular note was the continued growth in sales of the Group's products in the USA.

The gross profit margin for the Group was 28.9% (FY 2020: 27.7%) and, on an absolute basis, the gross profit was £40.4m compared to £30.2m for the previous year.

A considerable proportion of the Group's purchases are made in US dollars; the Group is therefore exposed to foreign currency fluctuations and manages the associated risk through the purchase of forward exchange contracts and derivative financial instruments. Under International Financial Reporting Standards (IFRS), at the end of each reporting period the Group is required to make an adjustment in its financial statements to incorporate a "mark to market" valuation of such financial instruments. The "mark to market" adjustment for this financial period results in a notional profit of £2.1m. This compares to a corresponding notional loss of £2.0m reported in the year to 31 August 2020. These "mark to market" adjustments are non-cash items calculated by reference to unpredictable and sometimes volatile currency spot rates at the relevant balance sheet dates. To present the results on a "normal" basis, these mark to market profit adjustments on FX derivative positions are excluded but shown separately as "highlighted items" to demonstrate the "underlying" profitability.

During the year, the Group also made a pre-tax gain of £2.0m on the sale of one of its freehold properties (Vernon Mill), which is shown as a highlighted item.

The Group is reporting a profit before tax in the year under review, after the highlighted items, of £15.3m (FY 2020: £3.9m). Underlying earnings before interest, tax, depreciation, amortisation and gain on property disposal (EBITDA) were £14.0m (FY 2020: £8.2m).

Underlying basic earnings per share before highlighted items amounted to 40.92p (FY 2020: 18.12p). Underlying diluted earnings per share, on the same basis, were 40.37p, (FY 2020: 18.08p).

Basic earnings per share after highlighted items were 56.86p (FY 2020: 14.76p). Diluted earnings per share, on the same basis, were 56.09p, (FY 2020: 14.73p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

The Group's net assets as at 31 August 2021 totalled £44.9m (FY 2020: £34.0m) and, notwithstanding the payment of total dividends of £1.9m, the capital base of the Company has been strengthened considerably from last year's level.

Inventories were c.£3.9m lower at the end of the financial period at £10.9m (FY 2020 £14.7m), reflecting the delay in shipments from the Far East due to the logistical challenges which all importers have faced.

During the financial year, the Group generated cash from operations of £27.3m (FY 2020: £19.6m). Interest charges on short-term use of working capital facilities during the year amounted to £0.1m (FY 2020: £0.34m).

At the end of the financial year, after making payments for dividends, the Group had a net cash position of £35.9m, compared to £19.1m at the end of the 2020 comparative period.

DIVIDEND

The Board remains committed to a progressive dividend policy as we believe this reflects our confidence in the Company's ability to grow profits and generate and develop further sustainable cash flow.

The Board will be recommending to shareholders a final dividend of 9.0p (2020 H2: 3.0p per share), an increase of 200% when compared to the final dividend last year. Together with the interim dividend of 6.0p per share paid in July 2021, this will, if approved by shareholders, bring the total dividend for the year to 15.0p per share (FY 2020: 5.0p). The 2021 total dividend is covered approximately 2.7 times by underlying annual earnings (2020: 3.6 times).

Subject to approval by shareholders at the Annual General Meeting at 11am on Friday, 21 January 2022, the following timetable will apply for this dividend :

| Event | Date |
|------------------|-----------------|
| Ex-dividend date | 13 January 2022 |
| Record date | 14 January 2022 |
| Payment date | 28 January 2022 |

OUR PRODUCT PORTFOLIO

Our portfolio of products has performed extremely well throughout the year, living up to the Board's expectations, and is selling through well in the lead up to Christmas 2021.

Products from the Group's portfolio featured in the Toy Retailers Association's prestigious "DreamToys" list announced in early November 2021, which reflects the most sought-after toy categories in the UK for Christmas 2021. Although the supply chain issues that have plagued importers throughout the year have thwarted us from realising the portfolio's full sales potential, the careful and skilfully managed operation of the business has enabled optimum sales to be realised.

Moving into 2022, our line-up of merchandise not only continues to feature some of the most sought-after toy products but will be further bolstered by the launch of a number of exciting new concepts, additions, and brand extensions that the Group will unveil at the London Toy Fair in January 2022 and through to Spring of next year.

In July 2021, the Group acquired the business and assets of the *Chill Factor* branded range of drink chilling bottles and slushy makers for a cash consideration of USD 1.31m. The first quarter of the new calendar year will witness the Group's full relaunch of its *Chill Factor* branded range, including products produced under a new licence signed by the Group for the *Coca Cola* and *Fanta* brands.

The Group has maintained its focus on further developing its own, in-house originated brands and reducing reliance on capturing distribution rights in its home territories for third-party products. We continue to work on developing our pipeline of new projects, some as far ahead as two years before an introduction to our range, and these feed into our portfolio at predetermined stages in the annual toy selling cycle and renew and enlarge our offering. The growth potential of these projects is considerable, initially from sales following release in our domestic markets and then to the subsequent development of sales in international markets. This change of mix, favouring in-house developed products to distribution of third-party products, has been gradual but is gathering pace. This has drawn on the depth and range of skills that we have developed and our successes in strategic planning and implementation of new brand and product launches in our domestic and international markets. The Board considers that this approach will continue to mitigate the impact of retirements from our product portfolio as licence agreements expire and are not renewed and product distribution agreements come to an end.

Our full current portfolio of products and brands can be viewed at www.character-online.com.

PROXY

In the year under review, the Group's Scandinavian subsidiaries, which trade under the "Proxy" name in Denmark, Sweden and Norway, saw strong demand for their top brands, although they were not immune from the supply chain issues that affected the Group generally. The mix of its domestic distribution business and significant FOB business from the Far East combined to produce a near break-even position for Proxy for the year as a whole.

This result was achieved following senior management changes made in the early part of the year and through the determined and exceptional efforts of all members of the Proxy team and the Board offers its thanks and appreciation to each of them.

SHARE BUY-BACK PROGRAMME

During FY 2021, the Company effected no buybacks of ordinary shares in the Company. It remains part of the Group's overall strategy to continue to repurchase the Company's own shares, when considered appropriate. However, certain provisions of the UK Market Abuse Regulation have frustrated this objective in recent years.

The Company currently has authority to buy-back up to 3,200,000 ordinary shares but this has not been utilised since it was granted at the Annual General Meeting ("AGM") in January 2021 and this authority will expire at the 2022 AGM.

The Board believes that it is in the Company's and all investors' interests to provide shareholders who wish to realise part or all their investment in the Company with an opportunity to access liquidity that is not otherwise available in the market and to return excess capital to shareholders. Accordingly, the Board will be seeking to renew its authority to buy back up to 3,200,000 ordinary shares (constituting approximately 15% of the total voting rights in the Company) at the forthcoming 2022 AGM.

Subject to the authority being renewed at the 2022 AGM in January 2022, the Company will be proceeding with the tender offer proposed earlier in the year and full details of the size, pricing and exact timing of the offer will be announced following the AGM.

TOTAL VOTING RIGHTS

As at today's date, the Company has 23,608,501 ordinary shares in issue, excluding shares held in treasury. The Company holds 2,226,220 ordinary shares in treasury, representing approximately 10.4 per cent. of the issued share capital (excluding these treasury shares), which do not carry voting or dividend rights. Therefore, the total number of voting rights in the Company is 21,382,281. This figure of 21,382,281 may be used by shareholders as the denominator for the calculations by which they may determine if they are required to notify their interest, or change to their notified interest, in the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

OUR PEOPLE

The Group employs a total of 209 people across its locations in the UK, Scandinavia and Asia (FY 2020: 209).

Regular readers of this report will be aware of the high esteem in which the workforce throughout the Group is held by the Board. Just when it was thought that there were no challenges that had not been thrown at our teams that they had not already encountered and overcome, a new and potentially paralysing fragility was exposed in the global supply chain on which our business is dependent. The communications and seamless synchronicity between, and the agile reactions of, those teams to the testing logistical challenges that they faced in the year under review armed them with the ability to deliver what the Board considers to have been a terrific outcome for the Group in the circumstances.

Our reported results have been achieved through the determined and exceptional efforts of all of our teams across the world and the Board offers its thanks and appreciation to each of them.

THE BOARD

The composition of and the succession planning for the Board, particularly the non-executive directors, has been a matter of careful focus for the Directors over the past year. The Board agreed early in the year to look to appoint two new non-executive directors to the Board. Independence, diversity and experience have all been significant selection criteria in the process.

The Company welcomed the appointment of Carmel Warren to the Board as an independent, non-executive director in April and, subsequently Carmel has been appointed to all of the Board's committees and to the Chair of the Audit Committee. As a consequence, the composition of each of those committees is, in the Board's view, is now made up of wholly independent, non-executive directors. In addition, David Harris has stepped down as the Chair of the Remuneration Committee and Clive Crouch has been appointed as his successor.

Richard King has stepped down as a member of the Audit Committee, the Remuneration Committee and the Nominations Committee. The Board wishes to acknowledge and thank him for his commitment and service on these Committees over the years and also for his continued leadership and support as its Chairman. Richard remains a member and Chair of the Corporate Governance and Risk Management Committee, as the role of the Chair is pivotal to the articulation and implementation of good corporate governance within the Company and it is appropriate that the Board's Chairman also chairs this Committee.

The search for another non-executive director continues and the Board is determined to complete this search and appoint as soon as practicable in early 2022.

OUTLOOK

Both domestic and international demand for our products remains strong and the reception received so far by the new introductions planned for our ranges in the coming months has been a very pleasing endorsement of our team's designs, plans and execution.

Whilst it is not possible to predict when the global logistics issues will be fully resolved, the Group is well placed to satisfy anticipated demand in its markets.

The Board believes that margins will be under pressure due to high freight rates and increased materials and labour costs, however, it is satisfied that the Group remains on target to meet current market expectations.

The Board looks forward to further updating shareholders on the outcome of the 2021 Christmas trading period and prospects at the time of the forthcoming AGM on 21 January 2022.

GROUP INCOME STATEMENT-UNAUDITED

for the year ended 31 August 2021

| | Note | 12 months ended 31 August 2021 Result before *highlighted items £'000 | 12 months ended 31 August 2021 *highlighted items £'000 | 12 months ended 31 August 2021 Statutory Result £'000 | 12 months ended 31 August 2020 Result before *highlighted items £'000 | 12 months ended 31 August 2020 *highlighted items £'000 | 12 months ended 31 August 2020 Statutory Result £'000 |
|---|------|---|---|---|---|---|---|
| Revenue | 1 | 139,997 | - | 139,997 | 108,867 | - | 108,867 |
| Cost of sales | | (99,553) | - | (99,553) | (78,704) | - | (78,704) |
| Gross profit | | 40,444 | - | 40,444 | 30,163 | - | 30,163 |
| Other income | | 332 | - | 332 | 501 | - | 501 |
| Selling and distribution expenses | | (8,248) | - | (8,248) | (7,355) | - | (7,355) |
| Administrative expenses | | (21,301) | - | (21,301) | (17,949) | - | (17,949) |
| Profit on sale of property | | - | 2,016 | 2,016 | - | - | - |
| Operating profit | 2 | 11,227 | 2,016 | 13,243 | 5,360 | - | 5,360 |
| Finance income | | 36 | - | 36 | 47 | - | 47 |
| Finance costs | | (113) | - | (113) | (388) | - | (388) |
| Changes in fair value of financial instruments | | - | 2,128 | 2,128 | - | (1,980) | (1,980) |
| Gain on buy back on loan | | - | - | - | - | 886 | 886 |
| Profit before tax | | 11,150 | 4,144 | 15,294 | 5,019 | (1,094) | 3,925 |
| Income tax | | (2,353) | (737) | (3,090) | (1,312) | 376 | (936) |
| Profit for the period | | 8,797 | 3,407 | 12,204 | 3,707 | (718) | 2,989 |
| Attributable to: | | | | | | | |
| Owners of the parent | | | | 12,156 | | | 3,154 |
| Non-controlling interest | | | | 48 | | | (165) |
| Profit for the period | | | | 12,204 | | | 2,989 |
| Earnings per share before highlighted items (pence) | | | | | | | |
| Basic earnings per share | 3 | | | 40.92p | | | 18.12p |
| Diluted earnings per share | 3 | | | 40.37p | | | 18.08p |
| Earnings per share after highlighted items (pence) | | | | | | | |
| Basic earnings per share | 3 | | | 56.86p | | | 14.76p |
| Diluted earnings per share | 3 | | | 56.09p | | | 14.73p |
| Dividend per share (pence) | 4 | | | 9.00p | | | 15.00p |
| EBITDA | | | | | | | |
| (earnings before interest, tax, depreciation, amortisation and gain on property disposal) | | | | 14,036 | | | 8,158 |

GROUP STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

for the year ended 31 August 2021

| | Total 2021 £'000's | Total 2020 £'000's |
|---|-----------------------|-----------------------|
| Profit for the year after tax | 12,204 | 2,989 |
| Items that may be reclassified subsequently to profit and loss | | |
| Exchange differences on translation of foreign operations | - | (5) |
| Income tax on exchange differences | 7 | (93) |
| Other comprehensive income/(expense) for the year, net of income tax | 7 | (98) |
| Total comprehensive income for the year | 12,211 | 2,891 |
| Total comprehensive income for the year attributable to: | | |
| Equity holders of the parent | 12,163 | 3,056 |
| Non-controlling interest | 48 | (165) |
| | 12,211 | 2,891 |

GROUP BALANCE SHEET - UNAUDITED

as at 31 August 2021

| | 2021 £'000's | 2020 £'000's |
|---|-----------------|-----------------|
| Non – current assets | | |
| Intangible assets | 1,806 | 891 |
| Investment property | 1,519 | 1,584 |
| Property, plant and equipment | 8,230 | 3,226 |
| Right of use assets | 1,454 | 2,069 |
| Deferred tax assets | 243 | 704 |
| | 13,252 | 8,474 |
| Current assets | | |
| Inventories | 10,893 | 14,736 |
| Trade and other receivables | 26,019 | 23,013 |
| Current income tax receivable | 766 | 244 |
| Derivative financial instruments | 75 | 75 |
| Cash and cash equivalents | 35,920 | 22,292 |
| | 73,673 | 60,360 |
| Current liabilities | | |
| Short-term borrowings | - | (3,168) |
| Trade and other payables | (38,390) | (26,432) |
| Lease Liabilities | (557) | (550) |
| Income tax | (1,610) | (777) |
| Derivative financial instruments | (165) | (2,293) |
| | (40,722) | (33,220) |
| Net current assets | 32,951 | 27,140 |
| Non-current liabilities | | |
| Deferred tax | (405) | (21) |
| Lease liabilities | (946) | (1,547) |
| | (1,351) | (1,568) |
| Net assets | 44,852 | 34,046 |
| Equity | | |
| Called up share capital | 1,181 | 1,181 |
| Shares held in treasury | (1,870) | (1,870) |
| Capital redemption reserve | 1,776 | 1,776 |
| Share-based payment reserve | 3,749 | 3,369 |
| Share premium account | 17,324 | 17,324 |
| Merger reserve | 651 | 651 |
| Translation reserve | 767 | 727 |
| Profit and loss account | 21,274 | 11,231 |
| Attributable to equity holders of the parent | 44,852 | 34,389 |
| Non-controlling interest | - | (343) |
| Total equity | 44,852 | 34,046 |

GROUP CASH FLOW STATEMENT - UNAUDITED

for the year ended 31 August 2021

| | 2021 £'000's | 2020 £'000's |
|--|-----------------|-----------------|
| Cash flow from operating activities | | |
| Profit before taxation for the year after highlighted items | 15,294 | 3,925 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 567 | 544 |
| Depreciation of investment property | 65 | 65 |
| Depreciation of right of use assets | 556 | 412 |
| Amortisation of intangible assets | 1,621 | 1,783 |
| Gain on buyback of loan | - | (886) |
| Write off plant and equipment | 132 | - |
| (Profit) on disposal of property, plant and equipment | (2,028) | (9) |
| Net interest expense | 77 | 341 |
| Financial instruments fair value adjustments | (2,128) | 1,980 |
| Share-based payments | 380 | 189 |
| Decrease in inventories | 3,853 | 1,669 |
| (Increase) / Decrease in trade and other receivables | (3,006) | 11,960 |
| Increase / (Decrease) in trade and other creditors | 11,957 | (2,334) |
| Cash generated from operations | 27,340 | 19,639 |
| Finance income | 36 | 47 |
| Finance expense | (113) | (388) |
| Income tax paid | (1,788) | (1,728) |
| Net cash inflow from operating activities | 25,475 | 17,570 |
| Cash flows from investing activities | | |
| Purchase of business | (945) | - |
| Payments for intangible assets | (1,615) | (1,771) |
| Payments for property, plant and equipment | (7,128) | (528) |
| Proceeds from disposal of property, plant and equipment | 3,458 | 12 |
| Net cash outflow from investing activities | (6,230) | (2,287) |
| Cash flows from financing activities | | |
| Reduction of borrowings | - | 1,408 |
| Buyback of loan | - | (521) |
| Payment of lease liabilities | (606) | (378) |
| Proceeds from issue of share capital | - | 205 |
| Purchase of own shares for cancellation | - | (163) |
| Dividends paid | (1,924) | (3,207) |
| Net cash used in financing activities | (2,530) | (2,656) |
| Net increase / (decrease) in cash and cash equivalents | 16,715 | 12,627 |
| Cash, cash equivalents and borrowings at the beginning of the year | 19,124 | 6,504 |
| Effects of exchange rate movements | 81 | (7) |
| Cash, cash equivalents and borrowings at the end of the year | 35,920 | 19,124 |
| Cash, cash equivalents and borrowings consist of: | | |
| Cash and cash equivalents | 35,920 | 22,292 |
| Total borrowings | - | (3,168) |
| Cash, cash equivalents and borrowings at the end of the year | 35,920 | 19,124 |

GROUP STATEMENT OF CHANGES IN EQUITY - UNAUDITED

for the year ended 31 August 2021

| | Called up share capital £000's | Shares held in treasury £000's | Capital redemption reserve £000's | Share premium account £000's | Merger reserve £000's | Share- based payment reserve £000's | Translation reserve £000's | Profit and loss account £000's | Non- controlling interest £000's | Total £000's |
|---|---|---|--|---------------------------------------|-----------------------------|---|----------------------------------|---|---|-----------------|
| The Group | | | | | | | | | | |
| At 1 September 2019 | 1,183 | (1,912) | 1,774 | 17,161 | 651 | 3,180 | 1,223 | 11,293 | (416) | 34,137 |
| Profit/(loss) for the year after tax | | | | | | | | 3,154 | (165) | 2,989 |
| Other comprehensive (expense)/income | | | | | | | | | | |
| Net exchange differences on translation of foreign operations | - | - | - | - | - | - | (496) | 398 | - | (98) |
| Total other comprehensive expense | | | | | | | (496) | 398 | - | (98) |
| Total comprehensive income for the year | | | | | | | (496) | 3,552 | (165) | 2,891 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Change in non-controlling interest | - | - | - | - | - | - | - | (238) | 238 | - |
| Share-based payment | - | - | - | - | - | 189 | - | - | - | 189 |
| Deferred tax debit relating to share options | - | - | - | - | - | - | - | (6) | - | (6) |
| Dividends | - | - | - | - | - | - | - | (3,207) | - | (3,207) |
| Shares issued | - | 42 | - | 163 | - | - | - | - | - | 205 |
| Shares cancelled | (2) | - | 2 | - | - | - | - | (163) | - | (163) |
| At 31 August 2020 | 1,181 | (1,870) | 1,776 | 17,324 | 651 | 3,369 | 727 | 11,231 | (343) | 34,046 |
| Profit for the year after tax | | | | | | | | 12,156 | 48 | 12,204 |
| Other comprehensive (expense)/income | | | | | | | | | | |
| Net exchange differences on translation of foreign operations | - | - | - | - | - | - | 40 | (28) | (5) | 7 |
| Total other comprehensive expense | | | | | | | 40 | (28) | (5) | 7 |
| Total comprehensive income for the year | | | | | | | 40 | 12,128 | 43 | 12,211 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| Change in non-controlling interest | - | - | - | - | - | - | - | (300) | 300 | - |
| Share-based payment | - | - | - | - | - | 380 | - | - | - | 380 |
| Deferred tax credit relating to share options | - | - | - | - | - | - | - | 139 | - | 139 |
| Dividends | - | - | - | - | - | - | - | (1,924) | - | (1,924) |
| Shares issued | - | - | - | - | - | - | - | - | - | - |
| Shares cancelled | - | - | - | - | - | - | - | - | - | - |
| At 31 August 2021 | 1,181 | (1,870) | 1,776 | 17,324 | 651 | 3,749 | 767 | 21,274 | - | 44,852 |

NOTES TO THE UNAUDITED PRELIMINARY STATEMENT

1. GEOGRAPHICAL DESTINATION OF REVENUE

| | 12 months ended 31 August 2021 £'000's | 12 months ended 31 August 2020 £'000's |
|--------------------|--|--|
| United Kingdom | 79,509 | 69,078 |
| Rest of the world | 60,488 | 39,789 |
| Total Group | 139,997 | 108,867 |

2. EXPENSES BY NATURE - GROUP

| | 12 months ended 31 August 2021 £'000's | 12 months ended 31 August 2020 £'000's |
|--|--|--|
| Operating profit is stated after charging/(crediting): | | |
| Cost of inventories recognised as an expense (included in cost of sales) | 88,729 | 71,281 |
| Product development costs incurred | 1,736 | 1,863 |
| Product development costs capitalised | (1,615) | (1,771) |
| Amortisation of capitalised product development costs | 1,619 | 1,783 |
| Product development costs expensed to cost of sales | 1,740 | 1,875 |
| (Credit)/debit financial instruments fair value adjustments | (2,218) | 1,980 |
| Inventories (credit) | (1,022) | (97) |
| Exchange losses | 130 | 119 |
| Staff costs | 13,958 | 10,542 |
| Depreciation of tangible fixed assets | | |
| - owned assets | 567 | 544 |
| Depreciation of investment property | 65 | 65 |
| (Profit) on disposal of property, plant and equipment | (2,028) | (9) |
| Depreciation – right of use assets | 556 | 412 |
| Operating leases — land and buildings | - | 233 |
| Auditor's remuneration | 141 | 141 |

3. EARNINGS PER SHARE - GROUP

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

| | 12 months ended 31 August 2021 £ | 12 months ended 31 August 2020 £ |
|--|--|--|
| Profit attributable to equity shareholders of the parent | 12,156,000 | 3,154,000 |
| Financial instruments fair value adjustments net of tax | (1,724,000) | 1,604,000 |
| Gain on buyback of loan | - | (886,000) |
| Gain on sale of property net of tax | (1,683,000) | - |
| Profit for adjusted earnings per share | 8,749,000 | 3,872,000 |
| Weighted average number of ordinary shares in issue during the year – basic | 21,379,781 | 21,367,710 |
| Weighted average number of dilutive potential ordinary shares | 291,974 | 50,590 |
| Weighted average number of ordinary shares for diluted earnings per share | 21,671,755 | 21,418,300 |
| Earnings per share before highlighted items | | |
| Basic earnings per share (pence) | 40.92p | 18.12p |
| Diluted earnings per share (pence) | 40.37p | 18.08p |
| Earnings per share after highlighted items | | |
| Basic earnings per share (pence) | 56.86p | 14.76p |
| Diluted earnings per share (pence) | 56.09p | 14.73p |

4. DIVIDEND - GROUP

| | 12 months ended 31 August 2021 £'000's | 12 months ended 31 August 2020 £'000's |
|---|--|--|
| On equity shares: | | |
| Final dividend paid for the year ended 31 August 2020 | | |
| 3.00 pence (2019: 13.00 pence) per share | 642 | 2,777 |
| Interim dividend paid for the year ended 31 August 2021 | | |
| 6.00 pence (2020: 2.00 pence) per share | 1,282 | 430 |
| 9.00 pence (2020: 15.00 pence) per share | 1,924 | 3,207 |

The Directors recommend a final dividend of 9.00 pence per share (2020: 3.00 pence) amounting to £1,924,000 (2020: £642,000). If approved by shareholders, the final dividend will be paid on 28 January 2022 to shareholders on the register on 14 January 2022.

5. ANNUAL REPORT AND ACCOUNTS

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 August 2021 and 2020. The financial information for the year ended 31 August 2020 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 August 2021 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

6. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 2nd Floor, 86-88 Coombe Road, New Malden, Surrey KT3 4QS on Friday, 21 January 2022 at 11.00am.

7. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 August 2021, together with a Circular letter incorporating the Notice of Meeting convening the Company's 2022 Annual General Meeting, will be available for viewing and download on the Group's website, www.character.com by 23 December 2021.