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LONDON: Wednesday 4 December 2019

THE CHARACTER GROUP PLC

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

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

"The strength of the portfolio of brands and products that Character is taking into 2020 greatly underpins our confidence that we will achieve market expectations for the current financial year."

KEY PERFORMANCE INDICATORS	12 months ended 31 August 2019	12 months ended 31 August 2018
Revenue	£120.4m	£106.2m
Operating profit	£11.6m	£11.7m
Gross margin	34.5%	34.2%
Pre-tax profit	£11.1m	£11.6m
Underlying basic earnings per share*	43.27p	45.09p
Underlying diluted earnings per share*	42.96p	44.38p
Underlying EBITDA*	£13.7m	£13.5m
EBITDA	£14.1m	£13.7m
Dividends per share for the year – up 8.3%	26.0p	23.0p
Net assets	£34.1m	£31.8m
Net cash	£6.5m	£15.6m

*Excludes mark to market profit adjustments on FX derivative positions

£0.36m

£0.14m

Character's portfolio:

- retained market share with overall business performing well despite tough and challenging markets
- Group range will be strengthened further by some exciting new products that will be launched at The London Toy Fair in January 2020 and through to the spring/early summer 2020
- in-house developed lines based on licensed-in brands such as *Peppa Pig*, *Teletubbies*, *Scooby-Doo*, *Doctor Who* and *Stretch* all feature for 2020
- portfolio features exciting branded product lines produced by overseas toy companies, which we distribute on an exclusive basis in our domestic territories, including *Pokémon*, *Little Live Pets*, *Shimmer and Sparkle*, *Mashems* and *Treasure X*
- new third-party lines are in negotiation and will be added to our portfolio in 2020

Collaboration with Moose Toys:

- production of an imaginative new range of collectable characters under the *Goo Jit Zu* brand
- anticipate achieving significant sales and distribution in over 30 global territories by the end of the current year
- further developments for the *Goo Jit Zu* branded range include a series of *Marvel* collectable characters, for which the Group has secured a European and Middle Eastern licence from Disney

New licences deals include:

- additional new licence signed with Entertainment One to produce a range of wooden *Peppa Pig* toys and products. This multi-territory licence deal (which includes Europe and Australia) will run through to December 2022 (our current *Peppa Pig* licence extended until 30 June 2021)

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

ENQUIRIES:

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FTSE sector: leisure:

FTSE AIM All-share: symbol: CCT.L

Market cap: £85m

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Notes:

1. The Key Performance Indicators (KPI's) table shown at the top of this Report provides the foregoing data on an underlying basis and, also by reference to Generally Accepted Accounting Practice (GAAP) as adopted and applied consistently by the Group.
2. 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 RESULTS FOR THE YEAR ENDED 31 AUGUST 2019

INTRODUCTION

As stated in the trading update issued by the Company in September, the year under review was challenging for the Group. The principal factors in this were the failure of the Scandinavian toy market to recover fully from the demise of Top Toy (formerly the largest toy retailer in that market), the continued decline of the UK toy market (believed by the Board to be as much as 15% over the last two years) and the weakness of Sterling. These factors, together with the well-publicised effects of Brexit on the entire UK retail market, have had a negative impact on the Group as a whole. Although this was somewhat disappointing and led to a downward revision in market expectations for the year under review and for the current financial year, the Group's market share in the UK did not materially change in the period.

Against this backdrop, the Board presents the Group's results:

OPERATIONAL PERFORMANCE

Overall, Group revenue in the year ended 31 August 2019 was £120.4m, against £106.2m in the comparable 2018 period, with Proxy contributing £13m. The gross profit margin for the Group was 34.5% (FY2018: 34.2%). On an absolute basis, the gross profit was £41.6m compared to £36.3m for the previous year.

As already remarked, a significant proportion of the Group's purchases are made in US dollars; the Group is therefore exposed to foreign currency fluctuations and manages the associated risk through the purchase of forward exchange contracts and derivative financial instruments. Under International Financial Reporting Standards (IFRS), at the end of each reporting period the Group is required to make an adjustment in its financial statements to incorporate a "mark to market" valuation of such financial instruments. The "mark to market" adjustment for this financial period results in an additional profit of £0.36m. This compares to an additional profit of £0.14m reported in the year to 31 August 2018. These "mark to market" adjustments are non-cash items calculated by reference to unpredictable and sometimes volatile currency spot rates at the various balance sheet dates. To highlight profitability on a normal basis, these adjustments are shown separately as significant items to demonstrate the "underlying" profit measures presented in this Report.

The Group is reporting a profit before tax in the period under review of £11.1m (FY 2018: £11.6m). Underlying earnings before interest, tax, depreciation and amortisation were £13.7m (FY 2018: £13.6m).

Underlying basic earnings per share before significant items amounted to 43.27p (FY 2018: 45.09p). Underlying diluted earnings per share, on the same basis, was 42.96p, (FY 2018: 44.38p).

FINANCIAL POSITION, WORKING CAPITAL & CASH FLOW

Despite the factors mentioned in the introduction to this statement, we have worked diligently to ensure that we finished the year in an improved trading position.

The Group's capital base has been further strengthened in the period, with net assets at 31 August 2019 totalling £34.1m (FY 2018: £31.8m), up 7.5% on last year.

Inventories were c.£5.6m higher at the end of the financial period at £16.4m (FY 2018 £10.9m). £4.3m of the increase reflects the level of inventory held at the year end by our Danish subsidiary OVG-Proxy A/S ("Proxy").

During the financial year, the Group generated cash from operations of £10.4m (FY 2018: £14.0m). Interest charges during the year amounted to £0.47m (FY 2018: £0.1m). Most of this interest charge was from Proxy.

At the end of the financial year, after making payments for dividends and share buy-backs (referred to in this Report), the Group had a net cash position of £6.5m, compared to £15.6m at the end of the 2018 comparative period.

DIVIDEND

As stated in our trading update of 13 September 2019, we remain committed to maintaining the final dividend as we believe this reflects our confidence in the Company's ability to generate and develop further sustainable cash flow. The Board will be recommending to shareholders a final dividend of 13.0p, an increase of approximately 8.3% over last year (2018 H2: 12.0p per share). This, together with the interim dividend of 13.0p per share paid in July 2019, makes a total dividend for the year of 26.0p per share, an increase of approximately 13.0% over the prior year (FY 2018: 23.0p).

The 2019 final dividend is covered approximately 1.66 times by underlying annual earnings (2018: 1.96 times). Subject to approval by shareholders at the Annual General Meeting ("AGM") at 11am on Friday, 17 January 2020, the final dividend will be paid on 31 January 2020 to members on the register as at the close of business on 17 January 2020; the shares will be marked ex-dividend on 16 January 2020.

PROXY

During the period under review, the operating loss sustained by Proxy the Group's Danish subsidiary, was approximately £0.75m on a turnover of approximately £13.0m. As a consequence of the losses sustained by Proxy and in light of the forecasts for its business going forward, the Board is of the view that no further consideration will become payable under the terms of the Acquisition announced on 18 October 2018. The goodwill attributable to Proxy has been written off.

The total consideration paid to date to the Proxy vendors amounts to £1.44m, satisfied as to £0.73m in cash and the balance by the transfer from treasury of 150,000 ordinary shares in the Company.

The Proxy team is focused on reducing the current inventories of slower moving lines. A full review of the Proxy business model is underway with the Proxy management and it is anticipated that, in addition to tighter Group controls over purchases and a substantial reduction/rationalisation of the product lines distributed by Proxy already agreed, this will lead to cost cutting measures being implemented. Whilst the challenging market conditions in Scandinavia are continuing, the Board is hopeful of a significant improvement in Proxy's performance in the current financial year.

OUR PRODUCT PORTFOLIO

Character's portfolio is performing well and will be strengthened further by some exciting new products that will be launched at The London Toy Fair in January 2020 and through to the spring/early summer 2020.

Our in-house developed lines based on licensed-in brands such as *Peppa Pig*, *Teletubbies*, *Scooby-Doo*, *Doctor Who* and *Stretch* all feature in our portfolio for 2020.

Once again, we were delighted that products from our portfolio have featured in the UK's "Dream Toys" wish list which was announced last month with our *Peppa Pig Stage Playsset* being named in the "Dream Toys Dozen" for this Christmas and six further toys from our ranges in the top toys round-up for various categories.

Our collaboration with Moose Toys has led to the production of an imaginative new range of compound-filled, collectable characters under the *Goo Jit Zu* brand, which was launched in summer 2019. *Goo Jit Zu* has already gained acclaim in the industry, receiving a nomination in the final selections for the UK's Dream Toy Top Toy award in the "Let's Get Busy" category and becoming a finalist in the US action figure Toy of the Year for 2020. The line has also been exceptionally well received by our customers and distributors and, although it did not feature significantly in the sales in the year under review (due to the launch taking place in the latter part of the year), we anticipate achieving significant sales and distribution in over 30 territories around the world by the end of the current year and the revenue forecasts for this line in 2020 look strong. Further developments for the *Goo Jit Zu* branded range include a series of *Marvel* collectable characters, for which the Group has secured a European and Middle Eastern licence from Disney.

In spring/early summer 2020 we will be launching two new in-house brands, which are receiving great reactions from our early presentations and we will be updating shareholders with further news of these when they are launched.

As well as our in-house lines, our portfolio features exciting branded product lines produced by overseas toy companies, which we distribute on an exclusive basis in our domestic territories, including *Pokémon*, *Little Live Pets*, *Shimmer and Sparkle*, *Mashems* and *Treasure X*. New third-party lines are in negotiation and will be added to our portfolio in 2020.

Following the announcement in August this year of the proposed takeover of Entertainment One Limited (“E1”) by Hasbro, Inc., it was gratifying to note that our current *Peppa Pig* licence was extended until 30 June 2021. Additionally, we are delighted to announce that yesterday we signed an additional, new licence with E1 to produce a range of wooden *Peppa Pig* toys and products. This new multi-territory licence deal (which includes Europe and Australia) will run through to December 2022. The initial reaction to the concepts, product ideas and designs for this wooden range from our customers has been extremely positive. The line, likely to be launched in July 2020, seems to be assured of good retail support, given its strong sustainable, recyclable and environmentally friendly credentials.

The international sales of our lines, particularly our *Goo Jit Zu*, *Goo Jit Zu Marvel* and *Peppa Pig*, have been very encouraging and, coupled with the introductions of our new brands (the *Peppa Pig* wooden range and other in-house developed products), we anticipate significant growth in international sales in the current financial year and beyond.

SHARE BUY-BACK PROGRAMME

During the 2019 financial year, the Company acquired a total of 237,807 ordinary shares in the Company at an aggregate cost of approximately £1.27m (excluding associated costs), with the average cost being approximately £5.32 per ordinary share (FY 2018: 338,700 ordinary shares were acquired and cancelled at an aggregate cost of approximately £1.36m and an average cost of approximately £4.03 per ordinary share).

The Company currently has an unutilised authority to buy-back up to a further 3,055,686 ordinary shares. As we have previously indicated, it remains part of our overall strategy to continue to repurchase the Company’s own shares when appropriate under its current share buy-back programme.

TOTAL VOTING RIGHTS

As at today’s date, the Company has 21,329,745 ordinary shares in issue, excluding shares held in treasury. The Company holds 2,278,756 ordinary shares in treasury, representing approximately 10.7 per cent. of the issued share capital (excluding these treasury shares), which do not carry voting or dividend rights. The figure of 21,329,745 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 212 people across its locations in the UK, Scandinavia and Asia (FY 2018: 186). Our highly experienced teams are dedicated to developing, marketing and distributing innovative and exciting toys that meet today’s high expectations of both our customers and consumer demand in terms of quality and value.

The Board has spoken in the past of the agility and vision of the Group’s management and the dedication and loyalty of its employees at all levels in the business in facing and overcoming the challenges faced by the Group in seeking to continue to grow the business profitably. Despite the unsettled market conditions that existed in the year under review and that continue, the enthusiasm and commitment of all our staff at all levels within the business has been unstinting and the Board greatly appreciates that support.

OUTLOOK

The challenging trading in prospect for Christmas 2019 will affect the first half of our current financial year. By contrast, the prospects for the second half look positive. *Goo Jit Zu*, *Goo Jit Zu Marvel* and the new *Peppa Pig* wooden range will feature increasingly in sales in the current year and sales will be further bolstered with the launch of the exciting new concepts and products that we are bringing to market in 2020, as mentioned in the Product Portfolio section above. As well as positively impacting domestic sales, we anticipate that our international sales penetration for these lines in the second half of the current financial year and beyond will be significant and enable the Group to further increase its sales growth beyond its domestic markets.

The strength of the portfolio of brands and products that Character is taking into 2020 greatly underpins our confidence that we will achieve market expectations for the current financial year.

The Board look forward to further updating shareholders on the Christmas trading period and prospects at the time of the forthcoming AGM on 17 January 2020.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2019

<i>Note</i>	Total 2019 £'000's	Total 2018 £'000's
Continuing operations		
Revenue	120,416	106,229
Cost of sales	(78,849)	(69,891)
Gross profit	41,567	36,338
Net operating expenses	2	
Selling and distribution costs	(9,114)	(7,355)
Administration expenses	(21,111)	(17,874)
Other operating income	244	543
Operating profit	11,586	11,652
Discount charge on deferred consideration	(49)	-
Finance income	40	45
Finance costs	(512)	(91)
Profit before income tax	11,065	11,606
Taxation	(2,273)	(2,108)
Profit for the year before significant items and exceptional items	8,792	9,498
Significant items:		
Movements in fair value of financial instruments	364	141
Tax relating to fair value movements of financial instruments	(66)	(27)
Exceptional items:		
Impairment of goodwill	(3,132)	-
Contingent consideration not payable	1,547	-
Profit for the period	7,505	9,612
Attributable to:		
Owners of the parent	7,905	9,612
Non-controlling interest	(400)	-
Profit for the period	7,505	9,612
Earnings per share before significant items and exceptional items (pence)	3	
Basic earnings per share	43.27p	45.09p
Diluted earnings per share	42.96p	44.38p
Earnings per share after significant items and exceptional items (pence)	3	
Basic earnings per share	37.21p	45.63p
Diluted earnings per share	36.94p	44.91p
Dividend per share (pence)	4	21.00p
EBITDA		
(earnings before interest, tax, depreciation and amortisation)	13,715	13,578

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2019

	Total 2019 £'000's	Total 2018 £'000's
Profit for the year after tax	7,505	9,612
Items that will not be reclassified subsequently to profit and loss		
Current tax credit relating to exercised share options	7	6
Deferred tax relating to share options	(9)	25
	(2)	31
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	162	(247)
Income tax on exchange differences	29	-
	191	(247)
Other comprehensive expense for the year, net of income tax	189	(216)
Total comprehensive income for the year	7,694	9,396
Total comprehensive income for the year attributable to:		
Owners of the parent	8,104	9,396
Non-controlling interest	(410)	-
	7,694	9,396

GROUP BALANCE SHEET

AT 31 AUGUST

	2019 £,000's	2018 £,000's
Non-current assets		
Intangible assets – product development	903	803
Investment property	1,649	1,715
Property, plant and equipment	3,251	3,130
Deferred tax assets	542	469
	6,345	6,117
Current assets		
Inventories	16,405	10,890
Trade and other receivables	34,973	25,555
Current income tax receivable	-	14
Derivative financial instruments	398	167
Cash and cash equivalents	28,998	34,630
	80,774	71,256
Current liabilities		
Short term borrowings	(21,182)	(19,050)
Trade and other payables	(28,766)	(24,666)
Income tax	(1,083)	(1,123)
Derivative financial instruments	(637)	(770)
	(51,668)	(45,609)
Net current assets	29,106	25,647
Non-current liabilities		
Deferred tax	(2)	(3)
Long term borrowings	(1,312)	-
	(1,314)	-
Net assets	34,137	31,761
Equity		
Called up share capital	1,183	1,195
Shares held in treasury	(1,912)	(2,242)
Capital redemption reserve	1,774	1,762
Share-based payment reserve	3,180	2,990
Share premium account	17,161	16,258
Merger reserve	651	651
Translation reserve	1,223	898
Profit and loss account	11,293	10,249
Attributable to equity holders of the parent	34,553	31,761
Non-controlling interest	(416)	-
Total equity	34,137	31,761

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2019

	<i>Note</i>	Group	
		2019 £,000's	2018 £,000's
Cash flow from operating activities			
Profit before taxation for the year after significant and exceptional items		9,844	11,747
Adjustments for:			
Depreciation of property, plant and equipment		481	398
Depreciation of investment property		66	65
Amortisation of intangible assets		1,582	1,463
Impairment of goodwill		3,132	-
Contingent consideration not payable		(1,547)	-
Loss / (Profit) on disposal of property, plant and equipment		1	(8)
Discount on deferred consideration		49	-
Net interest expense		472	46
Financial instruments fair value adjustments		(364)	(141)
Share-based payments		190	62
Increase in inventories		(1,831)	(1,896)
(Increase) / Decrease in trade and other receivables		(1,283)	262
(Decrease) / Increase in trade and other creditors		(438)	1,966
Cash generated from operations		10,354	13,964
Net interest paid		(472)	(46)
Income tax paid		(1,999)	(3,219)
Net cash inflow from operating activities		7,883	10,699
Cash flows from investing activities			
Purchase of subsidiary company	5	(8,925)	-
Payments for intangible assets		(1,682)	(1,568)
Payments for property, plant and equipment		(449)	(326)
Proceeds from disposal of property, plant and equipment		28	11
Net cash outflow from investing activities		(11,028)	(1,883)
Cash flows from financing activities			
Proceeds from issue of share capital		519	1,277
Purchase of own shares for cancellation		(1,270)	(1,367)
Dividends paid		(5,316)	(4,435)
Unwinding of discount on deferred consideration		(15)	-
Net cash used in financing activities		(6,082)	(4,525)
Net (decrease) / increase in cash and cash equivalents		(9,227)	4,291
Cash, cash equivalents and borrowings at the beginning of the year		15,580	11,536
Effects of exchange rate movements		151	(247)
Cash, cash equivalents and borrowings at the end of the year		6,504	15,580

Cash, cash equivalents and borrowings consist of:

Cash and cash equivalents	28,998	34,630
Total borrowings	(22,494)	(19,050)
Cash, cash equivalents and borrowings at the end of the year	6,504	15,580

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2019

	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 2017	1,211	(2,743)	1,745	15,483	651	2,928	1,145	6,408	-	26,828
Profit for the year after tax	-	-	-	-	-	-	-	9,612	-	9,612
Other comprehensive (expense)/income										
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	(247)	-	-	(247)
Deferred tax credit relating to share options	-	-	-	-	-	-	-	25	-	25
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	6	-	6
Total other comprehensive expense							(247)	31	-	(216)
Total comprehensive income for the year							(247)	9,643	-	9,396
Transactions with owners, recorded directly in equity										
Share-based payment	-	-	-	-	-	62	-	-	-	62
Dividends	-	-	-	-	-	-	-	(4,435)	-	(4,435)
Shares issued	1	501	-	775	-	-	-	-	-	1,277
Shares cancelled	(17)	-	17	-	-	-	-	(1,367)	-	(1,367)
At 31 August 2018	1,195	(2,242)	1,762	16,258	651	2,990	898	10,249	-	31,761
Profit / (loss) for the year after tax	-	-	-	-	-	-	-	7,905	(400)	7,505
Other comprehensive (expense)/income										
Net exchange differences on translation of foreign operations	-	-	-	-	-	-	325	(124)	(10)	191
Deferred tax credit relating to share options	-	-	-	-	-	-	-	(9)	-	(9)
Current tax credit relating to exercised share options	-	-	-	-	-	-	-	7	-	7
Total other comprehensive expense							325	(126)	(10)	189
Total comprehensive income for the year							325	7,779	(410)	7,694
Transactions with owners, recorded directly in equity										
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	(155)	(155)
Change in non controlling interest	-	-	-	-	-	-	-	(149)	149	-
Share-based payment	-	-	-	-	-	190	-	-	-	190
Dividends	-	-	-	-	-	-	-	(5,316)	-	(5,316)
Shares issued as consideration for acquisition of subsidiary	-	126	-	588	-	-	-	-	-	714
Shares issued	-	204	-	315	-	-	-	-	-	519
Shares cancelled	(12)	-	12	-	-	-	-	(1,270)	-	(1,270)
At 31 August 2019	1,183	(1,912)	1,774	17,161	651	3,180	1,223	11,293	(416)	34,137

Capital and Reserves

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

THE CHARACTER GROUP PLC
NOTES TO THE PRELIMINARY RESULTS

1. GEOGRAPHICAL DESTINATION OF REVENUE

	12 months ended 31 August 2019 £,000's	12 months ended 31 August 2018 £,000's
United Kingdom	85,924	87,106
Rest of the world	34,492	19,123
Total Group	120,416	106,229

2. EXPENSES BY NATURE – GROUP

	12 months ended 31 August 2019 £,000's	12 months ended 31 August 2018 £,000's
Operating profit is stated after charging / (crediting):		
Cost of inventories recognised as an expense (included in the cost of sales)	74,382	60,904
Product development costs incurred	1,810	1,805
Product development costs capitalised	(1,682)	(1,568)
Amortisation of capitalised product development	1,582	1,463
Product development costs expensed to cost of sales	1,710	1,700
(Credit) / Charge financial instruments fair value adjustments	(364)	(141)
Inventories (credit) / write down	(256)	901
Exchange losses	82	48
Staff costs	13,635	10,990
Depreciation of tangible fixed assets -owned assets	481	398
Depreciation of investment property	66	65
Loss / (Profit) on disposal of property, plant and equipment	1	(8)
Operating leases - land and buildings	490	366
Auditor remuneration	138	88

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 2019 £,000's	12 months ended 31 August 2018 £,000's
Profit attributable to equity shareholders of the parent	7,905	9,612
Financial instruments fair value adjustments net of tax and exceptional items	1,287	(114)
Profit for adjusted earnings per share	9,192	9,498
In issue during the year – basic	21,241,756	21,065,941
Dilutive potential ordinary shares	152,886	337,283
Weighted average number of ordinary shares for diluted earnings per share	21,394,642	21,403,224

4. DIVIDENDS

	12 months ended 31 August 2019 £,000's	12 months ended 31 August 2018 £,000's
On equity shares:		
Final dividend paid for the year ended 31 August 2018 — 12.0 pence (2017: 10.0 pence) per share	2,539	2,101
Interim dividend paid for the year ended 31 August 2019 13.0 pence (2018: 11.0 pence) per share 25.0 pence (2018: 21.0 pence) per share	2,777	2,334
	5,316	4,435

The Directors recommend a final dividend of 13.0 pence per share (2018: 12.0 pence) amounting to £2,773,000 (2018: £2,529,000). Subject to approval by shareholders at the AGM, the final dividend will be paid on 31 January 2020 to shareholders on the Register on 17 January 2020.

5. ACQUISITION

On 17 October 2018, the Group agreed to acquire 55% of the equity shareholding of OVG-PROXY A/S (“Proxy”), a Scandinavian toy distributor based in Copenhagen. The purchase price comprised an initial cash consideration of DKK2.5 million, with further “earn-out” consideration of up to DKK25 million depending on performance, in each of the years ending 31 December 2018, 2019 and 2020. The consideration paid to date to the Proxy vendors amounts to £1.44 million, satisfied by the transfer from treasury of 150,000 ordinary shares in the Company and the payment of £0.73 million in cash.

On 31 May 2019, the Group acquired a further 20% of the issued share capital of Proxy for a nominal consideration of one Danish Krone.

The cash outflow under “purchase of a subsidiary company” of £8,925,000 on the face of the Consolidated Statement of Cash Flows in the year to 31 August 2019 relates to the following:

	£,000's
Initial consideration	294
First year earn-out	421
Invoice discounting	4,694
Bank borrowings	2,296
Long term loan	1,220
Cash consideration excluding acquisition costs	8,925
Fair value of 150,000 ordinary shares of the Character Group plc	714
Discounted deferred consideration	1,513
Total consideration	11,152
The acquisition had the following effect on the Group's assets and liabilities:	
Acquisition fair value	£,000's
Fixed assets	173
Stock	3,683
Trade & other receivables	8,135
Trade & other payables	(4,538)
Current & deferred tax	412
Net identifiable assets	7,865
Goodwill	3,132
Non-controlling interest	155
	11,152

The principal factor contributing to the goodwill relates to the management team and their extensive knowledge and experience of toy distribution in the Nordic countries. There are no other separately identifiable acquired intangible assets.

In view of the losses sustained by Proxy in the year under review and in light of the forecasts for its business going forward, the Board is of the view that no further consideration will become payable and has written off the goodwill attributable to Proxy.

6. 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 2019 and 2018. The financial information for the year ended 31 August 2018 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 2019 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.

7. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London EC3A 6AB on Friday, 17 January 2020 at 11.00am.

8. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 August 2019, together with the Notice convening the Company's 2020 Annual General Meeting, will be available for viewing and download on the Group's website, www.character.com by 20 December 2019.