

Company registration No 06542144 (England & Wales)

CHARACTER WORLD HOLDCO LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

TUESDAY



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**PERIOD ENDED
31 DECEMBER
2008**

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COMPANY INFORMATION

Directors	J E Dillon M A Schweiger D E Schweiger
Secretary	M A Schweiger
Company number	06542144
Registered office	C/o UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
Auditors	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
Bankers	National Westminster Bank plc 23 Stamford New Road Altrincham Cheshire WA14 1DB

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-LIMITED-
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DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the company and group for the period ended 31 December 2008.

Principal activity and business review

The company was incorporated on 25 March 2008 with an authorised share capital of 522,520 ordinary 'A' shares of 10p each and 497,480 ordinary 'B' shares of 10p each of which 522,500 ordinary 'A' shares and 477,500 ordinary 'B' shares were issued at a premium of 90p per share and fully paid.

The principal activity of the group is that of the marketing and sales of licensed and unlicensed products and textiles. The principal activity of the company is that of a holding company.

On 4 April 2008 Character World Holdco Limited acquired the entire share capital of Character World Bidco Limited, which in turn had acquired the entire share capital of Character World Limited. On this date Character World Limited acquired the entire share capital of TDS Enterprises Limited.

The group's main focus during the period has been to grow profitable business through new licensed product development. In 2008 the business was divided into Kids, Brands and Football and work will be continuing in 2009 to develop these new areas.

During the period the group expanded its range of licensed product lines and has continued to distribute to the UK's leading retailers.

Turnover is a key performance indicator for our business as it measures the total output of the business at the prices we are able to charge our customers. During the period our main trading subsidiary, Character World Limited was able to increase turnover by 36.7% on the previous year.

Due to current economic uncertainty the directors are anticipating that sales will be maintained at the current level in 2009.

Results for the period

The results for the period are set out in the profit and loss account on page 8 of the financial statements. The directors do not recommend the payment of an ordinary dividend.

The group loss for the period after taxation amounted to £681,594 which has been deducted from reserves.

Principal risks and uncertainties

The principal risk and uncertainty facing the company is its exposure to quick changes in trends and fashions. The directors closely monitor the popularity of current stock lines and continue to identify new products and licences which will generate future revenues. Our financial risk management objective is to ensure sufficient working capital for the group. This is achieved by careful management of our cash balances and overdraft facilities.

Financial position at the period end

The financial position of the group at the year end was considered to be healthy by the directors. The cash position stood at £1,118,973 and shareholders' funds at £318,406.

DIRECTORS' REPORT (continued)

Directors

The directors of the company during the period were:

J E Dillon	(Appointed 4 April 2008)
M A Schweiger	(Appointed 25 March 2008)
D E Schweiger	(Appointed 25 March 2008)

Creditors payment policy

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the group's contractual and other legal obligations.

On average, trade creditors of the group at the period end represented 52 days' purchases.

Political and charitable donations

Contributions by the company during the period to United Kingdom charities were £nil. In addition, no political donations were made.

Directors' responsibilities

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the group and the profit or loss for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group or company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

After making enquiries, the directors have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the accounts.

DIRECTORS' REPORT (continued)

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's and company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to be 'D E Schweiger', written over a horizontal line.

D E Schweiger
Director
31 March 2009

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHARACTER WORLD HOLDCO LIMITED



Registered Auditor
St. James Building
79 Oxford Street
Manchester M1 6HT

31 March 2009

We have audited the group and parent company financial statements of Character World Holdco Limited for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. The financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Company Information and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHARACTER WORLD HOLDCO LIMITED (continued)**

Basis of audit opinion

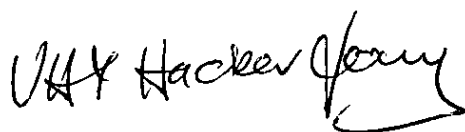
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 December 2008 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information in the Directors' Report is consistent with the financial statements.



UHY Hacker Young Manchester LLP
Registered Auditor
Chartered Accountants

**PERIOD ENDED
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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2008	
		£	£
Turnover			
Acquired	2	<u>17,019,905</u>	17,019,905
Cost of sales	4		<u>(11,769,006)</u>
Gross profit			5,250,899
Distribution costs	4		(380,270)
Administrative expenses	4		(2,845,815)
Amortisation of goodwill	4		<u>(629,556)</u>
Group operating profit			
Continuing operations		(41,134)	
Acquired	3	<u>1,436,392</u>	1,395,258
Investment income	8		2,650
Interest payable and similar charges	9		<u>(1,622,952)</u>
Loss on ordinary activities before taxation			(225,044)
Taxation	10		<u>(456,550)</u>
Loss on ordinary activities after taxation	22		<u><u>(681,594)</u></u>

There are no recognised gains and losses other than those passing through the profit and loss account.

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CONSOLIDATED BALANCE SHEET

	Note	2008	
		£	£
Fixed assets			
Intangible assets	12		15,853,562
Tangible assets	13		<u>372,970</u>
			16,226,532
Current assets			
Stocks	15	2,457,140	
Debtors	16	4,825,640	
Cash at bank and in hand		<u>1,118,973</u>	
		8,401,753	
Creditors: amounts falling due within one year	17	<u>(5,415,980)</u>	
Net current liabilities			<u>2,985,773</u>
Total assets less current assets			19,212,305
Creditors: amounts falling due after more than one year	18		(18,864,280)
Provision for liabilities	19		<u>(29,619)</u>
			<u>318,406</u>
Capital and reserves			
Called up share capital	21		100,000
Share premium account	22		900,000
Profit and loss account	22		<u>(681,594)</u>
Total shareholders' funds	23		<u>318,406</u>

These financial statements were approved by the board on 31 March 2009


D E Schweiger
Director

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HOLDING COMPANY BALANCE SHEET

		2008	
	Note	£	£
Fixed assets			
Investments	14		<u>6,937,180</u>
			6,937,180
Current assets			
Debtors	16	7,589,933	
Cash at bank and in hand		<u>4,875</u>	
		7,594,808	
Creditors: amounts falling due within one year	17	<u>(13,792)</u>	
Net current assets			<u>7,581,016</u>
Total assets less current liabilities			14,518,196
Creditors: amounts falling due after more than one year	18		<u>(14,137,971)</u>
			<u>380,225</u>
Capital and reserves			
Called up share capital	21		100,000
Share premium account	22		900,000
Profit and loss account	22		<u>(619,775)</u>
Equity shareholders' funds			<u>380,225</u>

These financial statements were approved by the board on 31 March 2009.


D E Schweiger
Director

CHARACTER
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CONSOLIDATED CASH FLOW STATEMENT

		2008	
	Note	£	£
Net cash inflow from operating activities	24		2,634,565
Returns on investments and servicing of finance			
Interest received		2,650	
Interest paid		<u>(478,007)</u>	(475,357)
Taxation			(889,350)
Capital expenditure and financial investment			
Payments to acquire tangible assets		<u>(70,145)</u>	(70,145)
Acquisitions and disposals			
Purchase of subsidiary undertakings	7	(13,444,057)	
Net cash acquired with subsidiary	7	<u>93,876</u>	
			<u>(13,350,181)</u>
Net cash inflow before financing			(12,150,468)
Financing			
Share issue		572,500	
New bank loans		7,000,000	
Loan notes issued		7,260,833	
FRS 4 finance costs		(704,175)	
Repayment of bank loan		(862,936)	
Repayment of finance lease and hire purchase contract		<u>(213)</u>	
			<u>13,266,009</u>
Increase in cash	25 & 26		<u><u>1,115,541</u></u>

NOTES TO THE ACCOUNTS

1. Accounting policies

The financial statements are based on the following policies which have been consistently applied:

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the accounts of the holding company and all its subsidiary undertakings, all of which were made up to 31 December 2008. The results of businesses acquired are included from the date of acquisition using the acquisition method of accounting.

The group financial statements do not include a separate profit and loss account for Character World Holdco Limited (the parent company) as permitted by Section 230 of the Companies Act 1985.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and representing the excess of the consideration given over the fair value of the identifiable net assets acquired, has been capitalised in the group balance sheet and is amortised over its estimated economic life.

Acquired goodwill representing the excess of the consideration given over the fair value of the identifiable net assets acquired, has been capitalised in the group balance sheet and is amortised over its estimated economic life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Alteration to leasehold	5% / 10% straight line
Plant and machinery	10% straight line
Fixtures and fittings	33.3% straight line

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals paid under operating lease are charged to income as incurred.

Stock

Stock is valued at the lower of cost and net realisable value. The cost of stock represents the purchase value of the goods, and the net realisable value of the stock is the actual value the stock can be sold for net of any costs of sale.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Pensions

The group operates defined contribution pension schemes for its present directors and certain employees. Contributions to the schemes are recognised in the profit and loss account in the year they become payable.

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax provision has not been discounted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at a contracted rate. All differences are taken to the profit and loss account.

FRS 4 finance costs

Finance costs in relation to financial instruments are netted off against the principal and released to the profit and loss account over the term of the instrument using the actuarial method.

2. Turnover and loss on ordinary activities before taxation

The total turnover and loss of the group derives wholly from the marketing and sales of unlicensed and licensed products and textiles undertaken in the United Kingdom.

3. Operating profit

	2008
The group operating profit is shown after charging/(crediting):	£
Depreciation on tangible assets	
- owned	27,764
- held under finance leases and hire purchase contracts	429
Amortisation of goodwill - subsidiaries	592,952
- acquired	36,604
Auditors' fees	40,293
- taxation and accountancy services	4,000
Profit on foreign exchange transactions	<u>(199,071)</u>

The auditors' remuneration from the holding company was £4,000.

NOTES TO THE ACCOUNTS

4. Analysis of continuing and discontinued operations

2008	Continuing £	Acquired £	Total £
Cost of sales	-	11,769,006	11,769,006
Distribution costs	-	380,270	380,270
Administrative expenses	41,134	2,804,681	2,845,815

5. Staff costs and employees

	2008 £
Wages and salaries	1,323,044
Social security costs	119,574
Other pension costs	4,540
	<u>1,447,158</u>

The average monthly number of employees, including directors, during the period was as follows:

	2008 No
Directors	3
Administration and design	32
	<u>35</u>

6. Directors' remuneration

	2008 £
Emoluments	<u>262,500</u>

The highest paid director received remuneration of £131,250.

NOTES TO THE ACCOUNTS

7. Acquisition of subsidiary undertakings

On 4 April 2008 Character World Holdco Limited acquired the entire share capital of Character Bidco World Limited which in turn acquired the entire share capital of Character World Limited. Also on this date Character World Limited acquired the entire share capital of TDS Enterprises Limited. Further details of the acquisition are provided below.

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group:

	Total £
Intangible assets	671,054
Tangible assets	331,018
Stock	1,800,339
Debtors	4,877,487
Bank	93,876
Creditors	(3,533,354)
Deferred tax	<u>(27,427)</u>
	4,212,993
Goodwill arising on acquisition	<u>15,812,064</u>
Net assets acquired	<u><u>20,025,057</u></u>
Satisfied by:	
Cash	13,444,057
Share issue	427,500
Loan notes	<u>6,153,500</u>
	<u><u>20,025,057</u></u>

In the year to 31 December 2007 Character World Limited (CW) made a profit after tax of £1,675,846 and TDS Enterprises Limited made a profit after tax of £36,018. The summarised results for the acquired companies for the period from 1 January 2008 to 4 April 2008 was as follows:

	CW £	TDS £
Turnover	3,804,580	21,554
Cost of sales	<u>(2,578,819)</u>	<u>(13,615)</u>
Gross profit	1,225,761	7,939
Administration expenses	(779,250)	(2,658)
Distribution expenses	<u>(51,641)</u>	<u>-</u>
Operating profit	394,870	5,281
Net interest	<u>(2,030)</u>	<u>-</u>
Profit on ordinary activities before taxation	392,840	5,281
Taxation	<u>(74,993)</u>	<u>-</u>
Profit for the financial period	<u><u>317,847</u></u>	<u><u>5,281</u></u>

NOTES TO THE ACCOUNTS

8. Investment income

	2008
	£
Bank interest	<u>2,650</u>

9. Interest payable and similar charges

	2008
	£
On bank loans and overdrafts	474,374
FRS 4 amortisation of finance costs	122,102
Hire purchase and finance lease contracts	230
Other interest	<u>1,026,246</u>
	<u><u>1,622,952</u></u>

10. Taxation

	2008
	£
Current taxation:	
UK corporation tax charge for the period	<u>454,358</u>
Total current tax	454,358
Deferred taxation	<u>2,192</u>
	<u><u>456,550</u></u>

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 29%. The differences are explained below:

	2008
	£
Loss on ordinary activities	<u>(225,044)</u>
Tax on profit on ordinary activities at the average standard rate of 29%	(65,263)
Effects of:	
Capital allowances in excess of goodwill	(4,092)
Expenses not deductible for tax purposes	524,324
Other adjustments	<u>(611)</u>
	<u><u>454,358</u></u>

At the period end the group had unrelieved finance costs amounting to £1,022,843. These losses would represent a deferred tax asset should the group make suitable future taxable profits.

NOTES TO THE ACCOUNTS

11. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £619,775.

12. Intangible fixed assets

<i>Group</i>	Goodwill		Total £
	Purchased £	Consolidated £	
<i>Cost:</i>			
At 25 March 2008	-	-	-
On acquisition of subsidiary	976,078	15,812,064	16,788,142
At 31 December 2008	976,078	15,812,064	16,788,142
<i>Amortisation:</i>			
At 25 March 2008	-	-	-
On acquisition of subsidiary	305,024	-	305,024
Charge for the period from acquisition	36,604	592,952	629,556
At 31 December 2008	341,628	592,952	934,580
<i>Net book value:</i>			
At 31 December 2008	634,450	15,219,112	15,853,562
At 25 March 2008	-	-	-

Goodwill arising on the consolidation of Character World Limited is being amortised evenly over its estimated useful economic life of 20 years commencing 4 April 2008.

Goodwill purchased goodwill in Character World Limited is being amortised evenly over its estimated useful economic life of 20 years and commenced in 1999.

NOTES TO THE ACCOUNTS

13. Tangible fixed assets

<i>Group</i>	Alterations to leasehold £	Fixtures, Fittings and equipment £	Total £
<i>Cost or valuation:</i>			
At 25 March 2008	-	-	-
On acquisition of subsidiary	248,625	242,900	491,525
Additions	50,807	19,338	70,145
At 31 December 2008	<u>299,432</u>	<u>262,238</u>	<u>561,670</u>
<i>Depreciation:</i>			
At 25 March 2008	-	-	-
On acquisition of subsidiary	15,329	145,178	160,507
Provided during the period	10,457	17,736	28,193
At 31 December 2008	<u>25,786</u>	<u>162,914</u>	<u>188,700</u>
<i>Net book value:</i>			
At 31 December 2008	<u>273,646</u>	<u>99,324</u>	<u>372,970</u>
At 25 March 2008	<u>-</u>	<u>-</u>	<u>-</u>

The group's plant and machinery includes assets held under finance leases and hire purchase contracts with a net book value of £1,717.

NOTES TO THE ACCOUNTS

14. Investments

<i>Company</i>	Shares in group undertakings £	Loan to group undertakings £	Total £
Cost:			
At 25 March 2008	-	-	-
Additions	27,130	6,581,000	6,608,130
Interest receivable on intercompany loan	-	329,050	329,050
At 31 December 2008	<u>27,130</u>	<u>6,910,050</u>	<u>6,937,180</u>

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Voting rights and shares held	Nature of business
Subsidiary undertakings			
Character World Bidco Limited	Ordinary shares	100%	Intermediate holding company
Character World Limited *	Ordinary shares	100%	Marketing and sales of licensed and unlicensed products and textiles
TDS Enterprises Limited **	Ordinary shares	100%	Marketing and sales of licensed and unlicensed products and textiles

(*) *Subsidiary of Character World Bidco Limited*

(**) *Subsidiary of Character World Limited*

All companies are registered in England and Wales.

15. Stocks

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Finished goods and good for resale	<u>2,457,140</u>	<u>-</u>

NOTES TO THE ACCOUNTS

16. Debtors

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Trade debtors	4,676,449	-
Amounts owed by subsidiary undertakings	-	7,587,016
Other debtors	2,917	2,917
Prepayments and accrued income	146,274	-
	<u>4,825,640</u>	<u>7,589,933</u>

17. Creditors: amounts falling due within one year

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Bank overdrafts	3,432	-
Bank loans	1,400,000	-
FRS 4 finance costs	(109,177)	-
Obligations under finance lease and hire purchase contracts	1,287	-
Trade creditors	2,188,390	9,792
Taxation and social security costs	922,303	-
Other creditors	488,135	-
Accruals and deferred income	521,610	4,000
	<u>5,415,980</u>	<u>13,792</u>

The bank overdrafts are secured by a charge over certain group assets. Hire purchase liabilities are secured on the assets being financed.

NOTES TO THE ACCOUNTS

18. Creditors: amounts falling due after more than one year

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Bank loans	4,900,000	-
FRS 4 finance costs	(472,896)	(299,205)
Other loans	14,085,050	14,085,050
Accrued loan note interest	352,126	352,126
	<u>18,864,280</u>	<u>14,137,971</u>

Bank loans are subject to interest based on LIBOR and are secured by an unlimited cross guarantee between the company and all other UK subsidiaries in the group, a debenture containing fixed and floating charges over the assets of the group and assignment over keyman insurance policies of D E Schweiger and M A Schweiger.

Included in creditors are unamortised finance costs amounting to £582,073 (Company - £299,205) which are being released to the profit and loss account over 5 years using the actuarial method. Total finance costs released to the profit and loss account during the year were £122,102 (£57,588).

Other loans comprise of loan notes bearing interest of 10% per annum which are secured over the assets of the Group.

Interest on the loan notes of £13,414,333 is compounded and added to the principal at September and March each year. At 30 September 2008 interest of £670,717 was added to the principal. The loan notes are repayable in 2017.

Loans are repayable as follows:

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Within one year	1,290,823	-
Between 1 and 2 years	1,317,291	-
Between 2 and 5 years	3,409,018	-
After more than five years	14,137,971	14,137,971
	<u>20,155,103</u>	<u>14,137,971</u>

Net obligations under finance lease and hire purchase contracts

	<i>Group</i> 2008 £	<i>Company</i> 2008 £
Repayable within one year	1,287	-
Included in liabilities falling due within one year	<u>(1,287)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

19. Provisions for liabilities

Group - Deferred taxation

	Deferred taxation £
At 25 March 2008	-
On acquisition of subsidiary	27,427
Profit and loss account charge	<u>2,192</u>
At 31 December 2008	<u><u>29,619</u></u>

The deferred tax liability is made up as follows:

	2008 £
Accelerated capital allowances	<u>29,619</u>
	<u><u>29,619</u></u>

19. Pensions

The group contributes to defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable to the funds and amounted to £6,054. No contributions were outstanding at the period end.

21. Share capital

	2008 £
Authorised	
522,520 ordinary 'A' shares of 10p each	52,252
497,480 ordinary 'B' shares of 10p each	<u>49,748</u>
	<u><u>102,000</u></u>
Allotted, called up and fully paid	
522,500 ordinary 'A' shares of 10p each	52,250
477,500 ordinary 'B' shares of 10p each	<u>47,750</u>
	<u><u>100,000</u></u>

The company was incorporated on 25 March 2008 with an authorised share capital of 522,520 ordinary 'A' shares of 10p each and 497,480 ordinary 'B' shares of 10p each of which 522,500 ordinary 'A' shares and 477,500 ordinary 'B' shares were issued at a premium of 90p per share and fully paid.

NOTES TO THE ACCOUNTS

22. Reserves

<i>Group</i>	Share premium account £	Profit and loss account £
At 25 March 2008	-	-
Accumulated losses for the period	-	(681,594)
Premium on shares issued during the period	<u>900,000</u>	<u>-</u>
At 31 December 2008	<u><u>900,000</u></u>	<u><u>(681,594)</u></u>
<i>Company</i>	Share premium account £	Profit and loss account £
At 25 March 2008	-	-
Accumulated losses for the period	-	(619,775)
Premium on shares issued during the period	<u>900,000</u>	<u>-</u>
At 31 December 2008	<u><u>900,000</u></u>	<u><u>(619,775)</u></u>

23. Reconciliation of movements in shareholders' funds

	2008 £
Total recognised gains and losses	(681,594)
Issue of shares	1,000,000
Shareholders' funds at 25 March 2008	<u>-</u>
Shareholders' funds at 31 December 2008	<u><u>318,406</u></u>

NOTES TO THE ACCOUNTS

24. Reconciliation of operating profit to operating cash flows

	2008 £
Operating profit	1,395,258
Depreciation	28,193
Amortisation	629,556
Movement in stocks	(656,801)
Movement in debtors	51,847
Movement in creditors	1,186,512
	<u>2,634,565</u>

25. Analysis of changes in net debt

	At 25 March 2008 £	Cash flows £	Acquired £	Other changes £	At 31 December 2008 £
Cash at bank and in hand	-	1,118,973	-	-	1,118,973
Overdrafts	-	(3,432)	-	-	(3,432)
	-	<u>1,115,541</u>	-	-	<u>1,115,541</u>
<i>Debt due within one period:</i>					
Bank loans	-	(700,000)	-	(590,823)	(1,290,823)
Finance leases and hire purchase	-	213	(1,500)	-	(1,287)
<i>Debt due in more than one period:</i>					
Bank loans	-	(5,089,682)	(162,936)	526,309	(4,726,309)
Other loans	-	(6,904,040)	-	(7,233,931)	(14,137,971)
	-	<u>(12,693,509)</u>	<u>(164,436)</u>	<u>(7,298,445)</u>	<u>(20,156,390)</u>
Net debt	-	<u>(11,577,968)</u>	<u>(164,436)</u>	<u>(7,298,445)</u>	<u>(19,040,849)</u>

NOTES TO THE ACCOUNTS

26. Reconciliation of net cash flow to movement in net debt

	2008 £
Increase in cash	1,115,541
Cash inflow from financing	<u>(12,693,509)</u>
Change in net debt resulting from cash flows	(11,577,968)
Acquired debt	(164,436)
Loan notes issues as consideration for acquisition	(6,153,500)
Finance charges released	(122,102)
Accrued interest	<u>(1,022,843)</u>
Movement of net debt	(19,040,849)
Net debt at 25 March 2008	<u>-</u>
Net debt at 31 December 2008	<u><u>(19,040,849)</u></u>

27. Financial commitments

(a) Operating leases - Annual obligations under operating leases are as follows:

Group	L&B 2008 £	Other 2008 £
Expiring:		
Between 2 and 5 years	<u>167,875</u>	<u>12,437</u>
	<u><u>167,875</u></u>	<u><u>12,437</u></u>

As at 31 December 2008 Character World Limited had entered into, and was bound by, two forward contracts to purchase foreign currency amounting to £6,590,000.

28. Contingent liabilities

The group has entered into a number of contracts which guarantee minimum levels of future royalty payments. These guarantees apply where minimum levels of sales on which royalties are paid are not reached. In circumstances where the directors consider that payments under the guarantees will be required, full provision for these payments has been made in the financial statements. However, where the directors consider that minimum levels of sales required by contracts will be reached, no provision for payments under the guarantees has been made. Should future levels of sales be less than anticipated by the directors further provisions for liabilities under these contracts may be required.

NOTES TO THE ACCOUNTS

29. Transactions with directors

During the period the group paid rent of £104,519 to TDM Properties Limited, a company in which D E Schweiger and M A Schweiger are interested as directors and shareholders. The balance at the year end amounted to £nil.

30. Controlling party

The directors consider that there is no overall controlling party.

PERIOD ENDED
31 DECEMBER
2008

COMPANY PROFIT AND LOSS ACCOUNT

	2008 £
Administrative expenses	<u>(41,134)</u>
Operating loss	(41,134)
Other interest receivable and similar income	501,801
Interest payable and similar charges	<u>(1,080,442)</u>
Profit on ordinary activities before taxation	(619,775)
Tax on profit on ordinary activities	<u>-</u>
Profit for the year	<u><u>(619,775)</u></u>

The profit and loss account of the company was approved by the board on 31 March 2009.

Signed on behalf of the board


D E Schweiger
Director

**CHARACTER
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-LIMITED-**