Grant Thornton

Group Financial Statements Character World Holdco Limited

For the year ended 31 December 2011

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COMPANIES HOUSE

Company No. 06542144

Company information

Company registration number :	06542144
Registered office :	c/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
Directors :	D E Schweiger M Schweiger J E Dillon M Hancox
Secretary :	M Schweiger
Bankers :	National Westminster Bank Plc 23 Stamford New Road Altrincham Cheshire WA14 1DB
Business Address :	Character House 1 Oak Green Stanley Green Business Park Cheadle Hulme Cheshire SK8 6QL
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

Index to the financial statements

Report of the directors

The directors present their report together with financial statements of the group for the year ended 31 December 2011

Principal activity

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

Results and dividends

The financial position at year end was considered by the directors to be healthy The cash position stood at £2,842,602 The consolidated profit and loss account for the year it set out on page 11 The directors do not propose a dividend for the year

Principal risks and review of business

The principal risks and uncertainties facing the group are its exposure to quick changes in trends and fashions, rising material and freight costs, interest rates affecting its bank loans, its exposure to foreign currency markets and credit risks with its trade debtors

The directors closely monitor the popularity of current stock lines and continue to identify new products and licences which will generate future revenues During 2011, a number of new licenses were signed to ensure continuity of turnover The directors also monitor LIBOR and foreign currency markets, to ensure that fluctuations in interest and currency rates have the smallest possible effect on the groups trading results and cash flows

A Supply Chain director was appointed in 2010 to co-ordinate the supply chain process improvements and make cost base improvements The group has also sourced a new raw material and geographically relocated a significant amount of production

Our financial risk management objective is to ensure sufficient working capital for the group This is achieved by careful management of our cash balances, overdraft facilities and the continuance of strict credit control procedures

The group's main focus during the year has been to continue growing profitable business through the development of existing and new licensed products

The group has continued to distribute to the UK's leading retailers and developed a webstore for sales to the public

Turnover is a key performance indicator for our business as it measurers the total output of the business at the prices we are able to charge our customers Due to the economic uncertainty which affected the total UK market during 2011, the company experienced a 10% decrease in turnover from 2010 Despite this a 1% increase in gross margin was achieved

Future developments

While the economic climate remains difficult the group has implemented a number of cost improvement programs including reducing its warehousing costs and improving its stock control all of which help maintain EBITDA The group is in the process of implementing the use of a bonded warehouse which will improve working capital and cash flow

During 2011, the group acquired two pan-european licences, Sonic & Nintendo, and this will give us the opening to expand our sales territory into Europe The group has recruited a dedicated sales team to take full advantage of this opportunity

Report of the directors

Directors
The following directors have held office since 1 January 2010
D E Schweiger
M Schweiger
J E Dillon
M Hancox

Going concern
The group's business activities, current financial position, together with the factors likely to affect its future development, performance and position are set out above In addition the notes to the financial statements include details of the group's financial instruments and its exposure to, and management of credit risk, currency risk and liquidity risk

The group has sufficient resources and long term license agreements over a number of brands and products As a consequence, the directors believe that the group is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors' responsibilities statement
The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the directors is aware
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Report of the directors

Charitable donations

Contributions by the group during the year to United Kingdom charities amounted to £nil (2010 £7,346)

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed to be reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under 488(1) of the Companies Act 2006

BY ORDER OF THE BOARD

M Schweiger
Director
20 April 2012

Independent auditor's report to the members of Character World Holdco Limited

We have audited the financial statements of Character World Holdco Limited for the year ended 31 December 2011 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 the directors and auditors
As explained more fully in the Directors responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Character World Holdco Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Stuart Muskett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester
20 April 2012

Principal accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention

Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the holding company and its subsidiary undertakings made up to 31 December 2011 The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes Intra-group sales and profits are eliminated fully on consolidation

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and representing the excess of 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, being 20 years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment 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

Alterations to leasehold	-	5% / 10% straight line
Fixtures, fittings & equipment	-	10% / 33 3% straight line

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Investments

Fixed asset investments are stated at cost less provision for impairment

Stocks

Stock is valued at the lower of cost and net realisable value The cost of stock represents the purchase value of the goods and costs to bring it to its current location Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow moving or defective items where appropriate

Deferred taxation

Deferred taxation 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 balance has not been discounted

A net deferred tax asset is regarded as recoverable and therefore recognized only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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 the rate ruling at the date of the transaction All differences are taken to the profit and loss account

Interest-bearing loans and borrowing

All interest bearing loans and borrowings are initially recorded at net proceeds After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates

The group considers that its derivative instruments qualify for hedge accounting when certain criteria are met No instruments qualified for hedge accounting during the years ended 31 December 2011 or 2010

Royalties payable

Royalties payable in accordance with licensing agreements are recognised as costs of sale when the associated revenue is recognised

Where a license requires royalties to be paid in advance, this is initially deferred and allocated to cost of sales as the associated revenue is recognised

Certain licenses requires a guaranteed level of royalties to be paid Where the forecast level of sales associated with a license is anticipated to result in a loss on the license, provision is made immediately for the anticipated loss

Going concern

The directors have considered the group's finances over the next twelve months and determined that it has sufficient resources and long term license agreements over a number of brands and products As a consequence, the directors believe that the group is well placed to manage its business risks successfully to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Consolidated profit and loss account
For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover - continuing operations	1	**19,271,779**	21,568,926
Cost of sales		**(13,022,189)**	(14,877,693)
Gross profit		**6,249,590**	6,691,233
Distribution costs		**(448,580)**	(490,119)
Administrative expenses		**(4,529,685)**	(4,358,027)
Operating profit – continuing operations	2	**1,271,325**	1,843,087
Other interest receivable and similar income		**-**	1,351
Interest payable and similar charges	3	**(2,133,800)**	(2,054,331)
Loss on ordinary activities before taxation	1	**(862,475)**	(209,893)
Tax on loss on ordinary activities	5	**(268,856)**	(302,283)
Loss on ordinary activities after taxation	18	**(1,131,331)**	(512,176)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There were no recognised gains or losses other than those passing through the profit and loss account

Balance sheets
At 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**£**	£	**£**	£
Fixed assets					
Intangible assets	7	**13,392,533**	14,216,689	-	-
Tangible assets	8	**329,848**	346,077	-	-
Investments	9	**-**	-	**9,287,258**	8,426,339
		13,722,381	14,562,766	**9,287,258**	8,426,339
Current assets					
Stocks	10	**2,495,533**	3,857,969	-	-
Debtors	11	**4,849,568**	4,010,416	**8,242,963**	8,113,885
Cash at bank and in hand		**2,842,602**	3,234,124	**74**	-
		10,187,703	11,102,509	**8,243,037**	8,113,885
Creditors: amounts falling due within one year	12	**(5,719,948)**	(6,498,626)	**(26,749)**	(37,249)
Net current assets		**4,467,755**	4,603,883	**8,216,288**	8,076,636
Total assets less current liabilities		**18,190,136**	19,166,649	**17,503,546**	16,502,975
Creditors: amounts falling due after more than one year	13	**(19,612,080)**	(19,457,262)	**(19,262,080)**	(17,392,000)
Net liabilities		**(1,421,944)**	(290,613)	**(1,758,534)**	(889,025)
Capital and reserves					
Called up share capital	17	**102,000**	102,000	**102,000**	102,000
Share premium account	18	**918,000**	918,000	**918,000**	918,000
Profit and loss account	18	**(2,441,944)**	(1,310,613)	**(2,778,534)**	(1,909,025)
Shareholders' deficit	19	**(1,421,944)**	(290,613)	**(1,758,534)**	(889,025)

The financial statements were approved by the Board of Directors on April 20 2012

M Schweiger
Director

Character World Holdco Limited
Company no. 06542144

The accompanying accounting policies and notes form part of these financial statements

Consolidated cash flow statement
For the year ended 31 December 2011

	Note	2011 £	2010 £
Operating profit		**1,271,325**	1,843,087
Depreciation		**39,890**	53,414
Amortisation of intangible fixed assets		**824,156**	797,466
(Increase)/ decrease in stocks		**1,362,436**	(2,387,884)
(Increase)/ decrease in debtors		**(640,724)**	751,861
(Decrease)/increase in creditors		**(652,395)**	1,416,637
Net cash inflow from operating activities		**2,204,688**	2,474,581
Returns on investments and servicing of finance			
Interest received		**-**	1,351
Interest paid		**(207,477)**	(268,767)
Net cash outflow from returns on investments and servicing of finance		**(207,477)**	(267,416)
Taxation			
UK corporation tax paid		**(615,070)**	(148,496)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(23,661)**	(48,235)
Net cash inflow before management of liquid resources and financing		**1,358,478**	2,010,434
Financing			
Repayment of long term bank loan		**(1,750,000)**	(1,400,000)
(Decrease)/increase in cash	1,2	**(391,520)**	610,434

The accompanying accounting policies and notes form part of these financial statements.

Notes to the consolidated cash flow statement

Reconciliation of net cashflow to movement in net funds

	2011	2010
	£	£
(Decrease)/Increase in cash in the year	**(391,520)**	610,434
Cash outflow from decrease in debt	**1,750,000**	1,400,000
Change in net debt resulting from cash flows	**1,358,480**	2,010,434
FRS 4 finance costs released	**(127,602)**	(154,069)
Accrued interest	**(1,798,721)**	(1,631,495)
Movement in net debt in the year	**(567,843)**	224,870
Opening net funds	**(17,566,897)**	(17,791,767)
Closing net funds	**(18,134,740)**	(17,566,897)

Notes to the consolidated cash flow statement

Analysis of net debt

	At 1 January 2011	Cashflow	Other non-cash changes	**At 31 December 2011**
	£	£	£	**£**
Net cash				
Cash at bank and in hand	3,234,124	(391,522)	-	2,842,602
Bank overdrafts	(2)	2	-	-
	3,234,122	(391,520)	-	2,842,602
Debt due within one year				
Bank loans	(1,343,757)	1,750,000	(1,771,505)	(1,365,262)
Debt due after one year				
Bank loans	(2,100,000)	-	1,750,000	(350,000)
Other loans	(17,357,262)	-	(1,904,818)	(19,262,080)
	(20,801,019)	1,750,000	(1,926,323)	(20,977,342)
Net debt	(17,566,897)	1,358,480	(1,926,323)	**(18,134,740)**

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom

2 Operating profit

Operating profit is stated after charging/ (crediting)

	2011	2010
	£	£
Amortisation of intangible assets	**824,156**	797,466
Depreciation of tangible assets	**39,890**	53,414
Operating lease commitments		
- land and buildings	**208,760**	201,361
Auditors' remuneration		
– audit services	**24,200**	30,905
– taxation services	**5,800**	7,500
Foreign exchange gains	**(71,208)**	(62,500)

3 Interest payable and similar charges

	2011	2010
	£	£
On bank loans and overdrafts	**207,477**	261,186
FRS 4 finance costs released	**127,602**	154,069
On overdue tax	**-**	2,812
Other loan interest	**1,798,721**	1,636,264
	2,133,800	2,054,331

Notes to the financial statements

4 Directors and employees

Staff costs durng the year were as follows

	2011	2010
	£	£
Wages and salaries	**1,835,200**	2,086,256
Social securty costs	**204,414**	202,463
Pension costs	**1,900**	3,150
	2,041,514	2,291,869

The average number of employees durng the year was

	2011	2010
	Number	Number
Directors	**5**	4
Administrators and design	**44**	51
	49	55

	2011	2010
	£	£
Emoluments for qualifying services	**339,938**	388,335
The highest paid director	**149,969**	174,240

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to nil (2010 nil)

Notes to the financial statements

5 Tax on loss on ordinary activities

The taxation charge is based on the loss for the year and represents

	2011	2010
	£	£
Current tax		
UK Corporation tax	**466,103**	613,890
Adjustment for prior years	**1,181**	1,817
Total current tax	**467,284**	615,707
Deferred tax		
Other timing differences originating in the period	**(240,290)**	(177,701)
Change in tax rates	**41,862**	(135,723)
	268,856	302,283

Factors affecting tax for the year:

	2011	2010
	£	£
Loss on ordinary activities before taxation	**(862,475)**	(209,893)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 26 5% (2010 28%)	**(228,471)**	(58,770)
Effect of		
Non deductible expenses	**13,437**	(1,874)
Difference between depreciation and capital allowances	**(3,683)**	(5,575)
Goodwill amortization	**208,339**	223,290
Adjustments to previous periods	**1,181**	1,817
Unpaid loan note interest – temporary timing difference	**257,907**	247,264
Unpaid loan note interest – permanent timing difference	**218,574**	209,555
	695,755	674,477
Current tax for the year	**467,284**	615,707

Notes to the financial statements

6 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements The parent company's loss for the year ended 31 December 2011 is £869,509 (2010 £656,340)

7 Intangible fixed assets

	Goodwill
Group	**£**
Cost	
At 1 January 2011 & at 31 December 2011	16,483,117
Amortisation	
At 1 January 2011	2,266,428
Amortisation for the year	824,156
At 31 December 2011	3,090,584
Net book value	
At 31 December 2011	**13,392,533**
At 31 December 2010	14,216,689

8 Tangible fixed assets

Group	**Alterations to leasehold £**	**Fixtures, fitting & equipment £**	**Total £**
Cost			
At 1 January 2011	379,465	285,065	664,530
Additions	1,235	22,426	23,661
At 31 December 2011	**380,700**	**307,491**	**688,191**
Depreciation			
At 1 January 2011	70,947	247,506	318,453
Charge for the year	25,034	14,856	39,890
At 31 December 2011	**95,981**	**262.362**	**358,343**
Net book value			
At 31 December 2011	**284,719**	**45,129**	**329,848**
Net book value			
At 31 December 2010	308,518	37,559	346,077

The company did not hold any tangible fixed assets during the period reported

Notes to the financial statements

9 Fixed asset investments

Company

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 1 January 2011	27,130	8,399,209	8,426,339
Additions	-	860,919	860,919
At 31 December 2011	27,130	9,260,128	9,287,258
Net book value			
At 31 December 2010	**27,130**	**8,399,309**	**8,426,339**
At 31 December 2011	**27,130**	**9,260,128**	**9,287,258**

At 31 December 2011, the company held more than 20% of the ordinary share capital of the following undertakings

Subsidiaries undertakings	**Country of registration or incorporation**	**Shares held Class**	**%**
Character World Bidco Limited	England and Wales	Ordinary	100
Character World Limited	England and Wales	Ordinary	100
T D S Enterprises Limited	England and Wales	Ordinary	100
Character World China Holdings Limited	England and Wales	Ordinary	100
Character World Shanghai Limited	China	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

Character World Bidco Limited	- Intermediate holding company
Character World Limited	- Marketing and sales of licensed products and textiles
T D S Enterprises Limited	- Dormant
Character World China Holdings Limited	- Intermediate holding company
Character World Shanghai Limited	- Quality control and sourcing product

10 Stocks

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Finished goods and goods for resale	**2,495,533**	3,857,969	**-**	-

Notes to the financial statements

11 Debtors

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Trade debtors	**3,788,686**	3,239,302	**-**	-
Amounts owed by group undertakings	**-**	-	**7,208,633**	7,297,466
Other debtors	**127,493**	2,256	**231,501**	212,236
Deferred taxation asset (see note 14)	**763,178**	564,750	**802,829**	604,183
Prepayments and accrued income	**170,211**	204,108	**-**	-
	4,849,568	4,010,416	**8,242,963**	8,113,885

12 Creditors : amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Bank loan and overdraft	**1,400,000**	1,400,002	**-**	2
Unamortised debt issuance costs	**(34,738)**	(56,243)	**-**	-
Trade creditors	**2,428,044**	3,598,395	**5,402**	15,147
Corporation tax	**466,102**	613,888	**20,247**	21,000
Social security and other taxes	**644,053**	447,246	**-**	-
Other creditors	**473,786**	215,976	**-**	-
Accruals and deferred income	**342,701**	279,362	**1,100**	1,100
	5,719,948	6,498,626	**26,749**	37,249

Notes to the financial statements

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Accrued other loan note interest	**471,884**	428,013	**471,884**	428,013
Bank loans	**350,000**	2,100,000	**-**	-
Other loans	**18,875,325**	17,120,475	**18,875,325**	17,120,475
Unamortised debt issuance costs	**(85,129)**	(191,226)	**(85,129)**	(156,488)
	19,612,080	19,457,262	**19,262,080**	17,392,000

Interest on the loan notes included in other loans above, is compounded and added to the principal at March and September each year At 31 March 2011, interest of £856,026 (2010 - £776,442) was added to the principal At 30 September 2011, interest of £898,825 (2010 - £815,262) was added to the principal

Of the £18,875,325 loan notes, £8,658,598 are due to D E Schweiger and M Schweiger, directors of the group The remaining loan notes of £10,216,727 are due to RJD Partners, the ultimate controlling party, and are listed on the Channel Island Stock Exchange (CISX) The loan notes are repayable in tranches being 33% plus interest in June 2015, 50% plus interest in June 2016 and the balance in June 2017 The nature and purpose of the listed loan notes was to provide finance to the parent company to acquire it's trading subsidiaries

Analysis of loans

Not wholly repayable within 5 years by instalments	**6,449,070**	11,757,486	**6,449,070**	11,757,486
Wholly repayable within 5 years	**14,528,272**	9,043,533	**12,813,010**	5,634,514
	20,977,342	20,801,019	**19,262,080**	17,392,000
Included within current liabilities	**(1,365,262)**	(1,343,757)	**-**	-
	19,612,080	19,457,262	**19,262,080**	17,392,000
Instalments not due within five years	**6,449,070**	11,757,486	**6,449,070**	17,392,000

Loan maturity analysis

Within one year	**1,293,903**	1,272,398	**(71,359)**	(71,359)
More than one year, not more than two	**336,230**	1,298,865	**(13,770)**	(71,359)
More than two years, not more than five	**12,898,139**	6,472,270	**12,898,139**	5,777,232
More than five years	**6,449,070**	11,757,486	**6,449,070**	11,757,486

The group bank loan of £1,750,000 at 31 December 2011 (2010 £3,500,000) is guaranteed by the company and by certain other group undertakings and is secured against the assets of each such company The same companies provide a guarantee and security for certain loan notes payable by the parent company, which are subordinated to the bank loan

Notes to the financial statements

14 Deferred taxation

	Group	Company
	£	£
At 1 January 2011	564,750	604,183
Credited to the profit and loss account (note 5)	198,428	198,646
At 31 December 2011	**763,178**	**802,829**

The deferred tax asset provided for in the financial statements is set out below

	Group		Company	
	2011	2010	**2011**	2010
	£	£	**£**	£
Accelerated capital allowances	**(39,651)**	(39,433)	**-**	-
Other timing differences	**802,829**	604,183	**802,829**	604,183
	763,178	564,750	**802,829**	604,183

15 Financial Instruments

Group

Other than in the currency disclosure, short term debtors and creditors have been excluded from the disclosures below as is permitted under FRS 13

Interest rate risk

The interest rate risk profile of the financial assets and liabilities is as follows

	2011	2010
	£	£
Floating rate financial assets – GBP	**29,574**	1,992,609
Floating rate financial assets – USD	**3,137,263**	1,180,684
Floating rate financial assets – EUR	**33,859**	60,830
Floating rate financial assets – RMB	**26,872**	-
	3,227,568	3,234,124
Floating rate financial liabilities – GBP	**2,100,229**	3,409,021
Fixed rate financial liabilities – GBP	**19,262,080**	17,392,000

The weighted average interest rate for the fixed rate financial liabilities is 10% (2010 10%) for a period of 6 (2010 7) years The directors consider 10% to be a prevailing market rate for unsecured loan notes, as such the fair value of the loan notes is not materially different from the carrying value

The floating rate assets and liabilities have interest rates benchmarked against LIBOR The fair value of the floating rate financial instruments is not materially different from the carrying value

Notes to the financial statements

15 Financial Instruments (continued)

At the year end, the company had an undrawn overdraft facility of £1,937,766 (2010 £3,000,000) This facility has a maturity date of within one year

Due to the low LIBOR, the directors do not consider interest rates to be a significant risk The directors continue to monitor LIBOR and will take appropriate action should the risk profile change Where appropriate, the directors place funds in higher interest bank accounts to maximize the return on the financial assets, while still maintaining sufficient liquidity for working capital purposes

Currency rate risk

The currency rate risk profile of the financial assets and liabilities is as follows

	2011	2010
	£	£
Net monetary assets and liabilities - USD	**2,615,741**	84,347
Net monetary assets and liabilities – EUR	**59,739**	80,760
	2,675,480	165,107

Due to the high level of foreign currency expenditure, the directors consider the company's exposure to foreign currency markets to be a significant risk As such, they continuously monitor the foreign currency markets and where appropriate forward contract foreign currency at a fixed rate

Liquidity risk

The maturity profile of the carrying amount of the financial liabilities is as follows

	2011	2010
	£	£
In one year or less or on demand	**1,784,967**	1,400,000
In more than one year but not more than two years	**350,000**	1,400,000
In more than two years but not more than five years	**12,898,139**	6,491,002
In more than five years	**6,449,070**	11,329,475
	21,482,176	20,620,477

The directors manage liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows

Further business risks and uncertainties are addressed within the directors review of the business on pages 3 and 4 of these financial statements

Notes to the financial statements

16 Pensions

The group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The pension cost charge represents contributions payable by the company to the fund

	2011	2010
	£	£
Contributions payable by the group for the year	**1,900**	3,150

17 Share capital

	Group and Company	
	2011	2010
	£	£
Allotted, called up and fully paid		
522,500 Ordinary A shares of 10p each	**52,250**	52,250
477,500 Ordinary B shares of 10p each	**47,750**	47,750
20,000 Ordinary C shares of 10p each	**2,000**	2,000
	102,000	102,000

The rights attached to the various classes of shares referred to above are set out in the company's Articles of Association, copies of which can be obtained from Character House 1 Oak Green, Stanley Green Business Park, Cheadle Hulme, Cheshire, SK8 6QL

18 Reserves

Group

	Share premium account	Profit and loss account
	£	£
At 1 January 2011	918,000	(1,310,613)
Loss for the year	-	(1,131,331)
At 31 December 2011	**918,000**	**(2,441,944)**

Company

	Share premium account	Profit and loss account
	£	£
At 1 January 2011	918,000	(1,909,025)
Loss for the year	-	(869,509)
At 31 December 2011	**918,000**	**(2,778,534)**

Notes to the financial statements

19 Reconciliation of movements in equity shareholders' deficit

Group

	2011	2010
	£	£
Loss for the financial year	**(1,131,331)**	(512,176)
Opening shareholders' (deficit)/funds	**(290,613)**	221,563
Closing shareholders' deficit	**(1,421,944)**	(290,613)

Company

	2011	2010
	£	£
Loss for the financial year	**(869,509)**	(656,340)
Opening shareholders' deficit	**(889,025)**	(232,685)
Closing shareholders' deficit	**(1,758,534)**	(889,025)

20 Financial commitments

At 31 December 2011, the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011	2010	2011	2010
Expiry date	£	£	£	£
Within one year	-	-	19,383	3,499
Between two and five years	-	-	81,330	13,256
In over five years	225,425	201,360	4,420	-
	225,425	201,360	105,133	16,755

At 31 December 2011, Character World Limited had entered into and was bound by, forward contracts to purchase foreign currency amounting to approximately £Nil (2010 £9,470,000) The fair value of these contracts was £Nil (2010 £215,126) The contracts have a maturity date of less than 12 months, therefore the unrecognised gains of £Nil (2010 £215,126) are expected to be recognised in the next accounting period

Notes to the financial statements

21 Capital Commitments

Group and Company

There were no outstandmg capital commitments at 31 December 2011 or 2010

22 Related party transactions

The company has taken advantage of the exemption available m FRS 8 "Related party disclosures" whereby it has not disclosed transactions with wholly owned subsidiary undertakings

23 Controlling party

RJD Private Equity Fund II LP is considered to be the ultimate controlling party by virtue of its majority shareholding in the company