

Financial Statements Character World Limited

For the year ended 31 December 2013

Registered number: 04160087



Company Information

Directors	D E Schweiger M Schweiger G Davies A Howarth W T Boyd (resigned 31 July 2013) T R Kilby M Lacey (appointed 2 September 2013)
Company secretary	M Schweiger
Registered number	04160087
Registered office	c/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
Business address	Character House 1 Oak Green Stanely Green Business Park Cheadle Hulme Cheshire SK8 6QL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	National Westminster Bank Plc 23 Stamford New Road Altrincham Cheshire WA14 1DB

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Directors' report

For the year ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Principal activities

The principal activity of the company continued to be the marketing and sales of licensed products and textiles.

Results

The profit for the year, after taxation, amounted to £4,429,325 (2012 - £2,287,847).

Directors

The directors who served during the year were:

D E Schweiger
M Schweiger
G Dávies
A Howarth
W T Boyd (resigned 31 July 2013)
T R Kilby
M Lacey (appointed 2 September 2013)

Directors' report

For the year ended 31 December 2013

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 June 2014 and signed on its behalf.



M Schweiger
Director

Strategic report

For the year ended 31 December 2013

Business review

The directors closely monitor the popularity of current stock lines and continue to identify new products and licences which will generate future revenues. During 2013, a number of new licences 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 company's trading results and cash flows.

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

The company has continued to distribute to the leading retailers and increased revenue in 2013 to £29,203,780 (2012: £22,268,989).

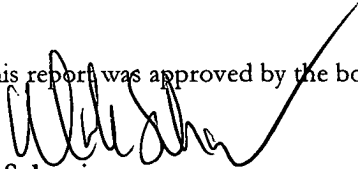
Principal risks and uncertainties

The principal risks and uncertainties facing the company 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.

Future developments

Shortly after the year end the company renewed a multi year contract with Disney UK which will give the company the ability to further expand its business.

This report was approved by the board on 23 June 2014 and signed on its behalf.



M Schweiger
Director

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

We have audited the financial statements of Character World Limited for the year ended 31 December 2013, which comprise the Profit and loss account, the Balance sheet 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 directors and auditor

As explained more fully in the Directors' responsibilities statement, 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 Financial Reporting Council'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 company's affairs as at 31 December 2013 and of its profit 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 Strategic report and the Directors' report 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 Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
Chartered Accountants
Statutory Auditor
Manchester
Date: *8 JULY 2014.*

Profit and loss account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	1,2	29,203,780	22,268,989
Cost of sales		<u>(19,789,403)</u>	<u>(14,993,008)</u>
Gross profit		9,414,377	7,275,981
Distribution costs		(557,555)	(458,737)
Administrative expenses		<u>(4,584,071)</u>	<u>(3,836,799)</u>
Operating profit	3	4,272,751	2,980,445
Interest payable and similar charges	6	<u>(44,105)</u>	<u>(17,802)</u>
Profit on ordinary activities before taxation		4,228,646	2,962,643
Tax on profit on ordinary activities	7	<u>200,679</u>	<u>(674,796)</u>
Profit for the financial year	16	<u><u>4,429,325</u></u>	<u><u>2,287,847</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

Balance sheet

As at 31 December 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Intangible assets	8		390,430		439,234
Tangible assets	9		355,150		348,363
Investments	10		-		2
			<u>745,580</u>		<u>787,599</u>
Current assets					
Stocks	11	3,692,290		3,329,696	
Debtors	12	20,041,996		14,195,304	
Cash at bank		1,173,368		2,147,353	
		<u>24,907,654</u>		<u>19,672,353</u>	
Creditors: amounts falling due within one year	13	(7,067,703)		(6,286,235)	
Net current assets			<u>17,839,951</u>		<u>13,386,118</u>
Total assets less current liabilities			<u>18,585,531</u>		<u>14,173,717</u>
Provisions for liabilities					
Deferred tax	14		(14,244)		(31,755)
Net assets			<u>18,571,287</u>		<u>14,141,962</u>
Capital and reserves					
Called up share capital	15		765,003		765,003
Profit and loss account	16		17,806,284		13,376,959
Shareholders' funds	17		<u>18,571,287</u>		<u>14,141,962</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



23 June 2014

M Schweiger
 Director

The notes on pages 8 to 17 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life of 20 years.

1.4 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Alterations to leasehold	-	5% / 10% straight line
Fixtures & fittings	-	10% - 33.3% straight line

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 Leasing and hire purchase

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

1.7 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.

Notes to the financial statements

For the year ended 31 December 2013

1. Accounting policies (continued)

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if 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.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

1.12 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 require 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.

1.13 Invoice discounting facility

The company operates an invoice discounting facility for the settlement of certain trade debtors. The facility provides the lender with full recourse for invoices which remain uncollected at their due date.

Notes to the financial statements

For the year ended 31 December 2013

2. Turnover

The whole of the turnover is attributable to the marketing and sales of licensed products and textiles.

A geographical analysis of turnover is as follows:

	2013	2012
	£	£
United Kingdom	26,660,596	21,196,647
Rest of European Union	2,543,184	1,072,342
	<u>29,203,780</u>	<u>22,268,989</u>

3. Operating profit

The operating profit is stated after charging/(crediting):

	2013	2012
	£	£
Amortisation - intangible fixed assets	48,804	48,804
Depreciation of tangible fixed assets:		
- owned by the company	69,345	50,400
Auditor's remuneration	24,600	24,600
Auditor's remuneration - non-audit	25,650	6,150
Operating lease rentals - land and buildings	225,432	225,432
Loss/(gain) on foreign exchange transactions	47,344	(92,168)
Restructuring costs	147,046	-
	<u> </u>	<u> </u>

Notes to the financial statements

For the year ended 31 December 2013

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013	2012
	£	£
Wages and salaries	2,531,593	2,046,451
Social security costs	275,129	222,770
Other pension costs	469	2,210
	<u>2,807,191</u>	<u>2,271,431</u>

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

	2013	2012
	No.	No.
Directors	6	5
Administration & Design	55	47
	<u>61</u>	<u>52</u>

5. Directors' remuneration

	2013	2012
	£	£
Remuneration for qualifying services	<u>831,875</u>	<u>624,846</u>

The highest paid director received remuneration of £181,257 (2012 - £177,033).

The total directors remuneration above includes compensation for loss of office of £23,657.

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to £nil (2012: £nil).

6. Interest payable

	2013	2012
	£	£
On bank loans and overdrafts	<u>44,105</u>	<u>17,802</u>

Notes to the financial statements

For the year ended 31 December 2013

7. Taxation

	2013	2012
	£	£
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	682,692
Adjustments in respect of prior periods	(183,168)	-
	<u>(183,168)</u>	<u>682,692</u>
Total current tax	<u>(183,168)</u>	<u>682,692</u>
Deferred tax		
Accelerated capital allowances	(14,321)	(4,723)
Effect of increased tax rate on opening liability	(4,285)	(3,173)
Adjustments in respect of prior periods	1,095	-
	<u>(17,511)</u>	<u>(7,896)</u>
Total deferred tax (see note 14)	<u>(17,511)</u>	<u>(7,896)</u>
Tax on profit on ordinary activities	<u>(200,679)</u>	<u>674,796</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before tax	<u>4,228,646</u>	<u>2,962,643</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	983,160	725,751
Effects of:		
Non deductible expenses	22,069	19,119
Fixed asset differences	15,985	5,825
Adjustments to previous periods	(183,168)	-
Other timing differences leading to an increase in taxation	3,516	3,092
Group relief	(1,024,730)	(71,095)
	<u>(183,168)</u>	<u>682,692</u>
Current tax (credit)/charge for the year (see note above)	<u>(183,168)</u>	<u>682,692</u>

Notes to the financial statements

For the year ended 31 December 2013

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2013 and 31 December 2013	976,078
Amortisation	
At 1 January 2013	536,844
Charge for the year	48,804
At 31 December 2013	585,648
Net book value	
At 31 December 2013	390,430
At 31 December 2012	439,234

9. Tangible fixed assets

	Alterations to leasehold £	Fixtures & fittings £	Total £
Cost			
At 1 January 2013	380,700	376,407	757,107
Additions	-	76,132	76,132
At 31 December 2013	380,700	452,539	833,239
Depreciation			
At 1 January 2013	120,422	288,322	408,744
Charge for the year	24,442	44,903	69,345
At 31 December 2013	144,864	333,225	478,089
Net book value			
At 31 December 2013	235,836	119,314	355,150
At 31 December 2012	260,278	88,085	348,363

Notes to the financial statements

For the year ended 31 December 2013

10. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2013	2
Disposals	(2)
At 31 December 2013	<u>-</u>

The company held 100% of the share capital in T D S Enterprise Limited (incorporated in England and Wales) which was struck off in 2013.

As at 31 December 2013, the company held 100% of the ordinary share capital of Character World China Holdings Limited (a company registered in England and Wales) and Character World Shanghai Limited (a company registered in China).

11. Stocks

	2013 £	2012 £
Finished goods and goods for resale	<u>3,692,290</u>	<u>3,329,696</u>

12. Debtors

	2013 £	2012 £
Due after more than one year		
Amounts owed by group undertakings	12,192,009	7,603,779
Due within one year		
Trade debtors	7,418,572	5,735,779
Other debtors	1,367	793
Prepayments and accrued income	248,045	854,953
Tax recoverable	182,003	-
	<u>20,041,996</u>	<u>14,195,304</u>

Notes to the financial statements

For the year ended 31 December 2013

13. Creditors:

Amounts falling due within one year

	2013	2012
	£	£
Bank overdraft	1,463,152	-
Trade creditors	2,331,414	2,665,159
Amounts owed to group undertakings	-	78,087
Corporation tax	-	384,939
Other taxation and social security	791,692	475,370
Proceeds of invoice discounted debt.	1,136,399	1,168,874
Other creditors	684,672	996,543
Accruals and deferred income	660,374	517,263
	<u>7,067,703</u>	<u>6,286,235</u>

The bank overdraft is secured by a debenture over all assets of the company.

14. Deferred taxation

	2013	2012
	£	£
At beginning of year	31,755	39,651
Released during year (P&L)	(17,511)	(7,896)
At end of year	<u>14,244</u>	<u>31,755</u>

The provision for deferred taxation is made up as follows:

	2013	2012
	£	£
Accelerated capital allowances	18,860	34,659
Short term timing differences	(4,616)	(2,904)
	<u>14,244</u>	<u>31,755</u>

Notes to the financial statements

For the year ended 31 December 2013

15. Share capital

	2013 £	2012 £
Authorised		
234,997 Ordinary shares shares of £1 each	234,997	234,997
255,003 Ordinary A shares shares of £1 each	255,003	255,003
255,000 Ordinary B shares shares of £1 each	255,000	255,000
255,000 Ordinary C shares shares of £1 each	255,000	255,000
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
255,003 Ordinary A shares shares of £1 each	255,003	255,003
255,000 Ordinary B shares shares of £1 each	255,000	255,000
255,000 Ordinary C shares shares of £1 each	255,000	255,000
	<u>765,003</u>	<u>765,003</u>

All shares rank pari passu.

16. Reserves

	Profit and loss account £
At 1 January 2013	13,376,959
Profit for the financial year	4,429,325
At 31 December 2013	<u>17,806,284</u>

17. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	14,141,962	11,854,115
Profit for the financial year	4,429,325	2,287,847
Closing shareholders' funds	<u>18,571,287</u>	<u>14,141,962</u>

18. Contingent liabilities

The bank held an inter-company guarantee between Character World Holdco Limited, Character World Bidco Limited and Character World Limited dated 4 April 2008. At 31 December 2013, the maximum potential liability under this guarantee was £Nil (2012 - £350,000).

Notes to the financial statements

For the year ended 31 December 2013

19. Pension and other post-retirement benefit commitments

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

20. Financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		2013	Other
	2013	2012		
	£	£	£	£
Expiry date:				
Within 1 year	-	-	1,778	3,892
Between 2 and 5 years	-	-	26,900	26,137
After more than 5 years	225,425	225,425	-	460
	<u>225,425</u>	<u>225,425</u>	<u>-</u>	<u>460</u>

At 31 December 2013, Character World Limited had entered into and was bound by, forward contracts to purchase foreign currency amounting to approximately US\$10,775,000 (2012: US\$9,650,000). The fair value of these contracts was a liability of £353,785 (2012: £47,766).

21. Related Party Transactions

D E Schweiger and M Schweiger are interested in TDM Properties Limited as directors and shareholders. During the year, Character World Limited paid rent to TDM Properties Limited of £225,432 (2012: £225,432) and property service charges of £8,296 (2012 - £6,718). Amounts due to TDM Properties Limited at 31 December 2013 was £nil (2012 - £1,550).

22. Control

RJD Private Equite Fund II LP is considered to be the ultimate controlling party by virtue of their majority shareholding in the ultimate parent company. The immediate parent company is Character World Bidco Limited. The ultimate parent company is Character World Holdco Limited.

Character World Holdco Limited prepares group financial statements and copies can be obtained from Character House, 1 Oak Green, Stanley Green Business Park, Cheadle Hulme, Cheshire, SK8 6QL.