



Financial Statements Character World Limited

For the year ended 31 December 2011



Registered number: 04160087

Character World Limited

Company Information

Directors	D E Schweiger M Schweiger G Davies A Howarth R Rowlands
Company secretary	J Glennon
Company 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
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 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities

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

Results and dividends

The financial position at year end was considered by the directors to be healthy. The cash position stood at £2,815,174. The profit and loss account for the year is set out on page 6. The directors do not propose a dividend for the year.

Principal risks and review of business

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.

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 company's trading results and cash flows.

A Supply Chain director was appointed in 2010 to co-ordinate supply chain process improvements and make cost base improvements. The company has also geographically relocated a significant amount of production.

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

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 UK's leading retailers and developed a webstore for sales to the public.

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. 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.

Directors' report

For the year ended 31 December 2011

Directors

The directors who served during the year were

D E Schweiger
M Schweiger
G Davies
A Howarth
R Rowlands

Directors' responsibilities statement

The directors are responsible for preparing 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 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.

Results

The profit for the year, after taxation, amounted to £1,570,726 (2010 - £2,023,034)

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 company is in the process of implementing the use of a bonded warehouse which will improve working capital and cash flow.

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

Directors' report

For the year ended 31 December 2011

Provision of information to auditor

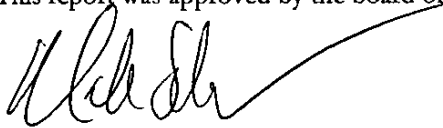
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- 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 information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 20 April 2012 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 2011, 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 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 Auditing Practices Board'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 2011 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 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

20 April 2012

Profit and loss account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	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		(3,693,865)	(3,551,791)
Operating profit	3	2,107,145	2,649,323
Interest receivable and similar income		-	1,351
Interest payable and similar charges	7	(89,164)	(26,645)
Profit on ordinary activities before taxation		2,017,981	2,624,029
Tax on profit on ordinary activities	8	(447,255)	(600,995)
Profit for the financial year	17	1,570,726	2,023,034

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 8 to 18 form part of these financial statements

Balance sheet

As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Intangible assets	9		488,038		536,842
Tangible assets	10		329,849		346,077
Investments	11		2		2
			<u>817,889</u>		<u>882,921</u>
Current assets					
Stocks	12	2,495,533		3,857,969	
Debtors	13	10,201,873		7,658,677	
Cash at bank		2,815,174		3,233,722	
		<u>15,512,580</u>		<u>14,750,368</u>	
Creditors amounts falling due within one year	14	(4,436,703)		(5,310,467)	
Net current assets			<u>11,075,877</u>		<u>9,439,901</u>
Total assets less current liabilities			<u>11,893,766</u>		<u>10,322,822</u>
Provisions for liabilities					
Deferred tax	15		(39,651)		(39,433)
Net assets			<u>11,854,115</u>		<u>10,283,389</u>
Capital and reserves					
Called up share capital	16		765,003		765,003
Profit and loss account	17		11,089,112		9,518,386
Shareholders' funds	18		<u>11,854,115</u>		<u>10,283,389</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2012



M Schweiger
 Director

The notes on pages 8 to 18 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2011

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 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. The following criteria must also be met before revenue is recognised:

Sale of goods

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

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 being 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:

L/Term Leasehold Property	-	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.

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

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 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Character World Holdco Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

1.12 Derivative instruments

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

The company 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.

1.13 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.

2. Turnover

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

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Amortisation - intangible fixed assets	48,804	48,804
Depreciation of tangible fixed assets		
- owned by the company	39,891	53,414
Auditors' remuneration	24,200	30,905
Auditors' remuneration - non-audit	5,800	7,500
Operating lease rentals - land and buildings	208,760	201,361
(Gain) / loss on foreign exchange transactions	(71,208)	429,229

Notes to the financial statements

For the year ended 31 December 2011

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	1,835,200	2,086,256
Social security costs	204,414	202,463
Other pension costs	1,900	3,150
	<u>2,041,514</u>	<u>2,291,869</u>

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

	2011	2010
	No.	No.
Directors	5	5
Administration & Design	44	48
	<u>49</u>	<u>53</u>

5. Directors' remuneration

	2011	2010
	£	£
Remuneration for qualifying services	<u>611,115</u>	<u>651,992</u>

The highest paid director received remuneration of £149,969 (2010 - £174,250)

Pension contributions paid on behalf of directors amounted to £Nil (2010 £Nil)

6. Transactions with directors

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 £208,760 (2010 - £201,360) and property service charges of £10,983 (2010 - £7,057)

Included in other creditors is two amounts of £Nil (2010 - £16,225) owned to D E Schweiger and M Schweiger. The amount relate to unpaid remuneration and do not attract interest

Notes to the financial statements

For the year ended 31 December 2011

7. Interest payable

	2011	2010
	£	£
On bank loans and overdrafts	89,164	19,197
On overdue tax	-	2,679
Other interest	-	4,769
	<u>89,164</u>	<u>26,645</u>

8. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	445,856	592,890
Adjustments in respect of prior periods	1,181	1,817
Total current tax	<u>447,037</u>	<u>594,707</u>
Deferred tax		
Accelerated capital allowances	3,476	6,288
Effect of increased tax rate on opening liability	(2,893)	-
Adjustments in respect of prior periods	(365)	-
Total deferred tax (see note 15)	<u>218</u>	<u>6,288</u>
Tax on profit on ordinary activities	<u>447,255</u>	<u>600,995</u>

Notes to the financial statements

For the year ended 31 December 2011

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26.49% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>2,017,981</u>	<u>2,624,029</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 - 28%)	534,563	734,728
Effects of:		
Non deductible expenses	19,627	5,126
Depreciation add back	2,914	14,956
Capital allowances	(3,683)	(20,531)
Goodwill add back	-	13,665
Tax credit	53	-
Adjustments to previous periods	1,181	1,817
Group relief	(107,618)	(155,054)
Current tax charge for the year (see note above)	<u>447,037</u>	<u>594,707</u>

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2011 and 31 December 2011	<u>976,078</u>
Amortisation	
At 1 January 2011	439,236
Charge for the year	48,804
At 31 December 2011	<u>488,040</u>
Net book value	
At 31 December 2011	<u>488,038</u>
At 31 December 2010	<u>536,842</u>

Notes to the financial statements

For the year ended 31 December 2011

10. Tangible fixed assets

	L/Term Leasehold Property £	Fixtures & fittings £	Total £
Cost			
At 1 January 2011	379,465	285,065	664,530
Additions	1,235	22,428	23,663
At 31 December 2011	<u>380,700</u>	<u>307,493</u>	<u>688,193</u>
Depreciation			
At 1 January 2011	70,947	247,506	318,453
Charge for the year	25,034	14,857	39,891
At 31 December 2011	<u>95,981</u>	<u>262,363</u>	<u>358,344</u>
Net book value			
At 31 December 2011	<u>284,719</u>	<u>45,130</u>	<u>329,849</u>
At 31 December 2010	<u>308,518</u>	<u>37,559</u>	<u>346,077</u>

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2011 and 31 December 2011	<u>772,464</u>
Impairment	
At 1 January 2011 and 31 December 2011	<u>772,462</u>
Net book value	
At 31 December 2011	<u>2</u>
At 31 December 2010	<u>2</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies (incorporated in England and Wales)

Name	Class of shares	Holding
T D S Enterprise Limited	Ordinary	100%

Notes to the financial statements

For the year ended 31 December 2011

12. Stocks

	2011	2010
	£	£
Finished goods and goods for resale	<u>2,495,533</u>	<u>3,857,969</u>

13. Debtors

	2011	2010
	£	£
Due after more than one year		
Amounts owed by group undertakings	6,110,737	4,215,267
Due within one year		
Trade debtors	3,788,689	3,239,302
Other debtors	132,237	-
Prepayments and accrued income	170,210	204,108
	<u>10,201,873</u>	<u>7,658,677</u>

Despite the company's customers being major retailers, the credit risks to the company is reduced by maintaining a relatively diverse portfolio of customers and taking out credit insurance against all debts. At the year end only one customer accounted for more than 10% of the total trade debts.

14. Creditors:

Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	2,428,044	3,583,248
Amounts owed to group undertakings	105,115	193,946
Corporation tax	445,855	592,888
Social security and other taxes	644,057	447,246
Other creditors	473,786	215,978
Accruals and deferred income	339,846	277,161
	<u>4,436,703</u>	<u>5,310,467</u>

Notes to the financial statements

For the year ended 31 December 2011

15. Deferred taxation

	2011 £	2010 £
At beginning of year	39,433	33,145
Charge for year	218	6,288
At end of year	<u>39,651</u>	<u>39,433</u>

The provision for deferred taxation is made up as follows

	2011 £	2010 £
Accelerated capital allowances	<u>39,651</u>	<u>39,433</u>

16. Share capital

	2011 £	2010 £
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>

17. Reserves

	Profit and loss account £
At 1 January 2011	9,518,386
Profit for the year	1,570,726
At 31 December 2011	<u>11,089,112</u>

Notes to the financial statements

For the year ended 31 December 2011

18. Reconciliation of movement in shareholders' funds

	2011	2010
	£	£
Opening shareholders' funds	10,283,389	8,260,355
Profit for the year	1,570,726	2,023,034
Closing shareholders' funds	<u>11,854,115</u>	<u>10,283,389</u>

19. Contingent liabilities

The bank has an inter-company guarantee between Character World Holdco, Character World Bidco Limited, Character World Limited and T D S Enterprises Limited dated 4 April 2008. At 31 December 2011, the maximum potential liability under this guarantee was £1,750,000 (2010 - £3,500,000)

Notes to the financial statements

For the year ended 31 December 2011

20. 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.

	2011	2010
	£	£
Contributions payable by the company for the year	<u>1,900</u>	<u>3,150</u>

21. Financial commitments

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

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Expiry date:				
Within 1 year	-	-	19,383	3,499
Between 2 and 5 years	-	-	81,330	13,256
After more than 5 years	<u>225,425</u>	<u>201,360</u>	<u>4,420</u>	-

As at 31 December 2011 Character World Limited had entered into, and was bound by, forward contracts to purchase foreign currency amounting to £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.

22. Control

RJD Partners are 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.