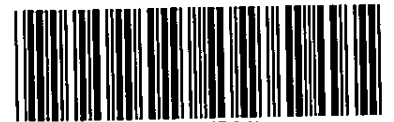


Financial Statements Character World Limited

For the year ended 31 December 2012

Registered number: 04160087

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COMPANIES HOUSE

Company Information

Directors	D E Schweiger M Schweiger G Davies A Howarth W T Boyd (appointed 19 November 2012) T R Kilby (appointed 1 June 2012)
Company secretary	J Glennon
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 2012

The directors present their report and the financial statements for the year ended 31 December 2012

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 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 and dividends

The financial position at year end was considered by the directors to be healthy. The cash position stood at £2,147,353. The profit and loss account for the year is set out on page 5. The directors do not propose a dividend for the year.

Results

The profit for the year, after taxation, amounted to £2,287,847 (2011 - £1,570,726).

Directors

The directors who served during the year were

D E Schweiger

M Schweiger

G Davies

A Howarth

W T Boyd (appointed 19 November 2012)

T R Kilby (appointed 1 June 2012)

Directors' report

For the year ended 31 December 2012

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 2012, 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.

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 direct to consumers through its webstore.

Future developments

During 2012 the group acquired an additional pan-European license, One Direction, and this will give the company the ability to further expand on a successful European launch.

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.

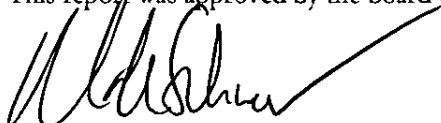
Auditor

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

2.5.13

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 2012, 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 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 2012 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
Date 25 13

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,2	22,268,989	19,271,779
Cost of sales		<u>(14,993,008)</u>	<u>(13,022,189)</u>
Gross profit		7,275,981	6,249,590
Distribution costs		(458,737)	(448,580)
Administrative expenses		<u>(3,836,799)</u>	<u>(3,693,865)</u>
Operating profit	3	2,980,445	2,107,145
Interest payable and similar charges	7	<u>(17,802)</u>	<u>(89,164)</u>
Profit on ordinary activities before taxation		2,962,643	2,017,981
Tax on profit on ordinary activities	8	<u>(674,796)</u>	<u>(447,255)</u>
Profit for the financial year	17	<u><u>2,287,847</u></u>	<u><u>1,570,726</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 7 to 16 form part of these financial statements

Balance sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	9		439,234		488,038
Tangible assets	10		348,363		329,849
Investments	11		2		2
			<u>787,599</u>		<u>817,889</u>
Current assets					
Stocks	12	3,329,696		2,495,533	
Debtors	13	14,195,304		11,230,582	
Cash at bank		2,147,353		2,815,174	
		<u>19,672,353</u>		<u>16,541,289</u>	
Creditors: amounts falling due within one year	14	(6,286,235)		(5,465,412)	
Net current assets			<u>13,386,118</u>		<u>11,075,877</u>
Total assets less current liabilities			<u>14,173,717</u>		<u>11,893,766</u>
Provisions for liabilities					
Deferred tax	15		(31,755)		(39,651)
Net assets			<u>14,141,962</u>		<u>11,854,115</u>
Capital and reserves					
Called up share capital	16		765,003		765,003
Profit and loss account	17		13,376,959		11,089,112
Shareholders' funds	18		<u>14,141,962</u>		<u>11,854,115</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 13



M Schweiger
 Director

The notes on pages 7 to 16 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2012

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 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. For the year ended 31 December 2011 proceeds of factored debt of £1,028,709 were previously offset against trade debtors. These have been reclassified and separately presented within amounts falling due within one year. This reclassification has had no impact on reported net assets or profit.

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 being 20 years.

1.4 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 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 2012

1. Accounting policies (continued)

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.

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.

1.12 Derivative instruments

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

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies (continued)

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 but an insignificant amount of turnover arose within the United Kingdom

3. Operating profit

The operating profit is stated after charging/(crediting)

	2012	2011
	£	£
Amortisation - intangible fixed assets	48,804	48,804
Depreciation of tangible fixed assets		
- owned by the company	50,400	39,891
Auditor's remuneration	24,600	24,200
Auditor's remuneration - non-audit	6,150	5,800
Operating lease rentals - land and buildings	225,432	208,760
Gain on foreign exchange transactions	(92,168)	(71,208)

Notes to the financial statements

For the year ended 31 December 2012

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012	2011
	£	£
Wages and salaries	2,046,451	1,835,200
Social security costs	222,770	204,414
Other pension costs	2,210	1,900
	<u>2,271,431</u>	<u>2,041,514</u>

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

	2012	2011
	No.	No.
Directors	5	5
Administration & Design	47	44
	<u>52</u>	<u>49</u>

5. Directors' remuneration

	2012	2011
	£	£
Remuneration for qualifying services	<u>624,846</u>	<u>550,056</u>

The highest paid director received remuneration of £177,033 (2011 - £149,969)

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 £225,432 (2011 - £208,760) and property service charges of £6,718 (2011 - £10,983). Amounts due to TDM Properties Limited at 31 December 2012 was £1,550 (2011 - £68,706).

7. Interest payable

	2012	2011
	£	£
On bank loans and overdrafts	<u>17,802</u>	<u>89,164</u>

Notes to the financial statements

For the year ended 31 December 2012

8. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	682,692	445,856
Adjustments in respect of prior periods	-	1,181
Total current tax	<u>682,692</u>	<u>447,037</u>
Deferred tax		
Accelerated capital allowances	(4,723)	3,476
Effect of increased tax rate on opening liability	(3,173)	(2,893)
Adjustments in respect of prior periods	-	(365)
Total deferred tax (see note 15)	<u>(7,896)</u>	<u>218</u>
Tax on profit on ordinary activities	<u><u>674,796</u></u>	<u><u>447,255</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.49% (2011 - 26.49%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>2,962,643</u>	<u>2,017,981</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.49% (2011 - 26.49%)	725,751	534,563
Effects of		
Non deductible expenses	19,119	19,627
Depreciation add back	3,887	2,914
Capital allowances	1,938	(3,683)
Tax credit	-	53
Adjustments to previous periods	-	1,181
Other timing differences leading to an increase in taxation	3,092	-
Group relief	(71,095)	(107,618)
Current tax charge for the year (see note above)	<u><u>682,692</u></u>	<u><u>447,037</u></u>

Notes to the financial statements

For the year ended 31 December 2012

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2012 and 31 December 2012	976,078
Amortisation	
At 1 January 2012	488,040
Charge for the year	48,804
At 31 December 2012	536,844
Net book value	
At 31 December 2012	439,234
At 31 December 2011	488,038

10. Tangible fixed assets

	L/Term Leasehold Property £	Fixtures & fittings £	Total £
Cost			
At 1 January 2012	380,700	307,493	688,193
Additions	-	68,914	68,914
At 31 December 2012	380,700	376,407	757,107
Depreciation			
At 1 January 2012	95,981	262,363	358,344
Charge for the year	24,441	25,959	50,400
At 31 December 2012	120,422	288,322	408,744
Net book value			
At 31 December 2012	260,278	88,085	348,363
At 31 December 2011	284,719	45,130	329,849

Notes to the financial statements

For the year ended 31 December 2012

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2012 and 31 December 2012	772,464
Impairment	
At 1 January 2012 and 31 December 2012	772,462
Net book value	
At 31 December 2012	2
At 31 December 2011	2

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%

12. Stocks

	2012 £	2011 £
Finished goods and goods for resale	3,329,696	2,495,533

13. Debtors

	2012 £	2011 £
Due after more than one year		
Amounts owed by group undertakings	7,603,779	6,110,737
Due within one year		
Trade debtors	5,735,779	4,936,633
Other debtors	793	13,002
Prepayments and accrued income	854,953	170,210
	<u>14,195,304</u>	<u>11,230,582</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.

Notes to the financial statements

For the year ended 31 December 2012

**14. Creditors:
Amounts falling due within one year**

	2012	2011
	£	£
Trade creditors	2,665,159	2,428,044
Amounts owed to group undertakings	78,087	105,115
Corporation tax	384,939	445,855
Social security and other taxes	475,370	644,057
Proceeds of factored debts	1,168,874	1,028,709
Other creditors	996,543	473,785
Accruals and deferred income	517,263	339,847
	<u>6,286,235</u>	<u>5,465,412</u>

15. Deferred taxation

	2012	2011
	£	£
At beginning of year	39,651	218
(Released during)/charge for year	(7,896)	39,433
	<u>31,755</u>	<u>39,651</u>

The provision for deferred taxation is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	34,659	39,433
Short term timing differences	(2,904)	218
	<u>31,755</u>	<u>39,651</u>

Notes to the financial statements

For the year ended 31 December 2012

16. Share capital

	2012 £	2011 £
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 2012	11,089,112
Profit for the year	2,287,847
	<u>13,376,959</u>
At 31 December 2012	<u>13,376,959</u>

18. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	11,854,115	10,283,389
Profit for the year	2,287,847	1,570,726
	<u>14,141,962</u>	<u>11,854,115</u>
Closing shareholders' funds	<u>14,141,962</u>	<u>11,854,115</u>

19. Contingent liabilities

The bank has an inter-company guarantee between Character World Holdco Limited, Character World Bidco Limited, Character World Limited and T D S Enterprises Limited dated 4 April 2008. At 31 December 2012, the maximum potential liability under this guarantee was £350,000 (2011 - £1,750,000)

Notes to the financial statements

For the year ended 31 December 2012

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.

21. Financial commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within 1 year	-	-	3,892	-
Between 2 and 5 years	-	-	26,137	22,282
After more than 5 years	225,425	225,425	460	-
	<u>225,425</u>	<u>225,425</u>	<u>460</u>	<u>-</u>

As at 31 December 2012 Character World Limited had entered into, and was bound by, forward contracts to purchase foreign currency amounting to US\$9,650,000 (2011 - US\$Nil). The fair value of these contracts was a liability of £47,766 (2011 - £Nil). The contracts have a maturity date of less than 12 months, therefore the unrecognised losses of £47,766 (2011 - £Nil) are expected to be recognised in the next accounting period.

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.