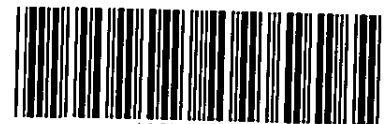


Group Financial Statements Character World Holdco Limited

For the year ended 31 December 2012

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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

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Report of the directors

The directors present their report together with financial statements of the group for the year ended 31 December 2012

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 £2,176,221. The consolidated profit and loss account for the year is 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 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 group's trading results and cash flows.

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 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.

Report of the directors

Directors

The following directors have held office since 1 January 2011

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

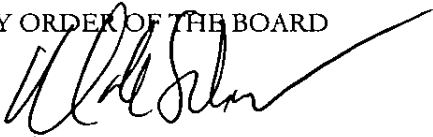
Charitable donations

Contributions by the group during the year to United Kingdom charities amounted to £nil (2011 £nil)

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

Date 2.5.13

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 2012 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 2012 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

Date *2.5.13*

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

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.

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 2012. 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

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.

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.

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 2012

	Note	2012 £	2011 £
Turnover - continuing operations	1	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>(4,670,777)</u>	<u>(4,529,685)</u>
Operating profit – continuing operations	2	2,146,467	1,271,325
Interest payable and similar charges	3	<u>(2,132,394)</u>	<u>(2,133,800)</u>
Profit/(loss) on ordinary activities before taxation	1	14,073	(862,475)
Tax on profit/(loss) on ordinary activities	5	<u>(512,178)</u>	<u>(268,856)</u>
Loss on ordinary activities after taxation	18	(498,105)	(1,131,331)

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 2012

	Note	Group		Company	
		2012 £	2011 £	2012 £	2011 £
Fixed assets					
Intangible assets	7	12,568,377	13,392,533	-	-
Tangible assets	8	348,363	329,848	-	-
Investments	9	-	-	10,236,421	9,287,258
		<u>12,916,740</u>	<u>13,722,381</u>	<u>10,236,421</u>	<u>9,287,258</u>
Current assets					
Stocks	10	3,329,696	2,495,533	-	-
Debtors	11	7,558,664	5,878,277	8,369,702	8,242,963
Cash at bank and in hand		2,176,221	2,842,602	14	74
		<u>13,064,581</u>	<u>11,216,412</u>	<u>8,369,716</u>	<u>8,243,037</u>
Creditors: amounts falling due within one year	12	<u>(6,585,002)</u>	<u>(6,748,657)</u>	<u>(25,663)</u>	<u>(26,749)</u>
Net current assets		<u>6,479,579</u>	<u>4,467,755</u>	<u>8,344,053</u>	<u>8,216,288</u>
Total assets less current liabilities		<u>19,396,319</u>	<u>18,190,136</u>	<u>18,580,474</u>	<u>17,503,546</u>
Creditors: amounts falling due after more than one year	13	<u>(21,316,368)</u>	<u>(19,612,080)</u>	<u>(21,316,368)</u>	<u>(19,262,080)</u>
Net liabilities		<u>(1,920,049)</u>	<u>(1,421,944)</u>	<u>(2,735,894)</u>	<u>(1,758,534)</u>
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	(2,940,049)	(2,441,944)	(3,755,894)	(2,778,534)
Shareholders' deficit	19	<u>(1,920,049)</u>	<u>(1,421,944)</u>	<u>(2,735,894)</u>	<u>(1,758,534)</u>

The financial statements were approved by the Board of Directors on

25.13


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 2012

	Note	2012 £	2011 £
Operating profit		2,146,467	1,271,325
Depreciation		50,400	39,890
Amortisation of intangible fixed assets		824,156	824,156
(Increase)/decrease in stocks		(834,163)	1,362,436
Increase in debtors		(1,489,874)	(640,724)
Increase/(decrease) in creditors		917,733	(652,395)
Net cash inflow from operating activities		<u>1,614,719</u>	<u>2,204,688</u>
Returns on investments and servicing of finance			
Interest paid		<u>(48,331)</u>	<u>(207,477)</u>
Taxation			
UK corporation tax paid		<u>(763,855)</u>	<u>(615,070)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(68,914)</u>	<u>(23,661)</u>
Net cash inflow before management of liquid resources and financing		<u>733,619</u>	<u>1,358,478</u>
Financing			
Repayment of long term bank loan		(1,400,000)	(1,750,000)
Decrease in cash	1,2	<u><u>(661,381)</u></u>	<u><u>(391,520)</u></u>

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 debt

	2012	2011
	£	£
(Decrease) in cash in the year	(661,381)	(391,520)
Cash outflow from decrease in debt	<u>1,400,000</u>	<u>1,750,000</u>
Change in net debt resulting from cash flows	733,619	1,358,480
FRS 4 finance costs released	(101,134)	(127,602)
Accrued interest	<u>(1,982,929)</u>	<u>(1,798,721)</u>
Movement in net debt in the year	(1,350,444)	(567,843)
Opening net debt	(18,134,740)	(17,566,897)
Closing net debt	<u>(19,485,184)</u>	<u>(18,134,740)</u>

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

Notes to the consolidated cash flow statement

Analysis of net debt

	At 1 January 2012 £	Cashflow £	Other non- cash changes £	At 31 December 2012 £
Net cash				
Cash at bank and in hand	2,842,602	(666,381)	-	2,176,221
	<u>2,842,602</u>	<u>(666,381)</u>	<u>-</u>	<u>2,176,221</u>
Debt due within one year				
Bank loans	(1,365,262)	1,400,000	(379,775)	(345,037)
Debt due after one year				
Bank loans	(350,000)	-	350,000	-
Other loans	(19,262,080)	-	(2,054,288)	(21,316,368)
	<u>(20,977,342)</u>	<u>1,400,000</u>	<u>(2,084,063)</u>	<u>(21,661,405)</u>
Net debt	<u>(18,134,740)</u>	<u>733,619</u>	<u>(2,084,063)</u>	<u>(19,485,184)</u>

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The total turnover of the group for the year has been derived from its principal activity and all but an insignificant amount of which arose within the United Kingdom

2 Operating profit

Operating profit is stated after charging/ (crediting)

	2012	2011
	£	£
Amortisation of intangible assets	824,156	824,156
Depreciation of tangible assets	50,400	39,890
Operating lease commitments		
- land and buildings	225,432	208,760
Auditors' remuneration		
- audit services	24,600	24,200
- taxation services	6,150	5,800
Foreign exchange gains	<u>(92,168)</u>	<u>(71,208)</u>

3 Interest payable and similar charges

	2012	2011
	£	£
On bank loans and overdrafts	48,332	207,477
FRS 4 finance costs released	101,134	127,602
Other loan interest	1,982,928	1,798,721
	<u>2,132,394</u>	<u>2,133,800</u>

Notes to the financial statements

4 Directors and employees

Staff costs during the year were as follows

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

The average number of employees during the year was

	2012	2011
	Number	Number
Directors	4	4
Administrators and design	48	45
	<u>52</u>	<u>49</u>

	2012	2011
	£	£
Emoluments for qualifying services	<u>393,777</u>	<u>339,938</u>
The highest paid director	<u>177,033</u>	<u>149,969</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to £nil (2011 £nil)

Notes to the financial statements

5 Tax on profit/(loss) on ordinary activities

The taxation charge is based on the profit/(loss) for the year and represents

	2012	2011
	£	£
Current tax		
UK Corporation tax	702,693	466,103
Adjustment for prior years	-	1,181
	<u>702,693</u>	<u>467,284</u>
Deferred tax		
Other timing differences originating in the period	(251,567)	(240,290)
Change in tax rates	61,052	41,862
	<u>512,178</u>	<u>268,856</u>

Factors affecting tax for the year:

	2012	2011
	£	£
Profit/(loss) on ordinary activities before taxation	<u>14,073</u>	<u>(862,475)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 24.5% (2011: 26.5%)	<u>3,449</u>	<u>(228,471)</u>
Effect of		
Non deductible expenses	21,601	13,437
Difference between depreciation and capital allowances	1,939	(3,683)
Goodwill amortisation	189,941	208,339
Adjustments to previous periods	-	1,181
Unpaid loan note interest – temporary timing difference	262,912	257,907
Unpaid loan note interest – permanent timing difference	222,851	218,574
	<u>699,244</u>	<u>695,755</u>
Current tax for the year	<u>702,693</u>	<u>467,284</u>

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 2012 is £977,360 (2010 £869,509)

7 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2012 & at 31 December 2012	<u>16,483,117</u>
Amortisation	
At 1 January 2012	3,090,584
Amortisation for the year	824,156
At 31 December 2012	<u>3,914,740</u>
Net book value	
At 31 December 2012	<u>12,568,377</u>
At 31 December 2011	<u>13,392,533</u>

8 Tangible fixed assets

Group	Alterations to leasehold £	Fixtures, fitting & equipment £	Total £
Cost			
At 1 January 2012	380,700	307,493	688,193
Additions	-	68,914	68,914
At 31 December 2012	<u>380,700</u>	<u>376,407</u>	<u>757,107</u>
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	<u>120,422</u>	<u>288,322</u>	<u>408,744</u>
Net book value			
At 31 December 2012	<u>260,278</u>	<u>88,085</u>	<u>348,363</u>
Net book value			
At 31 December 2011	<u>284,719</u>	<u>45,129</u>	<u>329,848</u>

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 2012	27,130	9,260,128	9,287,258
Additions	-	949,163	949,163
At 31 December 2012	<u>27,130</u>	<u>10,209,291</u>	<u>10,236,421</u>
Net book value			
At 31 December 2011	<u>27,130</u>	<u>9,260,128</u>	<u>9,287,258</u>
At 31 December 2012	<u>27,130</u>	<u>10,209,291</u>	<u>10,236,421</u>

At 31 December 2012, 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

	2012 £	Group 2011 £	2012 £	Company 2011 £
Finished goods and goods for resale	<u>3,329,696</u>	<u>2,495,533</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

11 Debtors

	2012 £	Group 2011 £	2012 £	Company 2011 £
Trade debtors	5,735,779	4,936,630	-	-
Amounts owed by group undertakings	-	-	7,384,256	7,440,134
Other debtors	793	8,258	-	-
Deferred taxation asset (see note 14)	953,691	763,178	985,446	802,829
Prepayments and accrued income	868,401	170,211	-	-
	<u>7,558,664</u>	<u>5,878,277</u>	<u>8,369,702</u>	<u>8,242,963</u>

12 Creditors : amounts falling due within one year

	2012 £	Group 2011 £	2012 £	Company 2011 £
Bank loan and overdraft	350,000	1,400,000	-	-
Unamortised debt issuance costs	(4,963)	(34,738)	-	-
Trade creditors	2,676,976	2,428,044	5,663	5,402
Corporation tax	404,939	466,102	20,000	20,247
Social security and other taxes	475,370	644,053	-	-
Proceeds of factored debt	1,168,874	1,028,709	-	-
Other creditors	988,570	473,786	-	-
Accruals and deferred income	525,236	342,701	-	1,100
	<u>6,585,002</u>	<u>6,748,657</u>	<u>25,663</u>	<u>26,749</u>

Notes to the financial statements

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Accrued other loan note interest	520,251	471,884	520,251	471,884
Bank loans	-	350,000	-	-
Other loans	20,809,887	18,875,325	20,809,887	18,875,325
Unamortised debt issuance costs	(13,770)	(85,129)	(13,770)	(85,129)
	<u>21,316,368</u>	<u>19,612,080</u>	<u>21,316,368</u>	<u>19,262,080</u>

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 2012, interest of £943,766 (2011 - £856,026) was added to the principal. At 30 September 2012, interest of £990,955 (2011 - £898,825) was added to the principal.

Of the £20,809,887 loan notes, £9,546,106 are due to D E Schweiger and M Schweiger, directors of the group. The remaining loan notes of £11,263,781 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 its trading subsidiaries.

Analysis of loans

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Not wholly repayable within 5 years by instalments	-	6,449,070	-	6,449,070
Wholly repayable within 5 years	21,661,405	14,528,272	21,316,368	12,813,010
	<u>21,661,405</u>	<u>20,977,342</u>	<u>21,316,368</u>	<u>19,262,080</u>
Included within current liabilities	(345,037)	(1,365,262)	-	-
	<u>21,316,368</u>	<u>19,612,080</u>	<u>21,316,368</u>	<u>19,262,080</u>
Instalments not due within five years	-	6,449,070	-	6,449,070

Loan maturity analysis

Within one year	345,037	1,293,903	-	(71,359)
More than one year, not more than two	-	336,230	-	(13,770)
More than two years, not more than five	21,316,368	12,898,139	21,316,368	12,898,139
More than five years	-	6,449,070	-	6,449,070
	<u>21,316,368</u>	<u>19,612,080</u>	<u>21,316,368</u>	<u>19,262,080</u>

Notes to the financial statements

13 Creditors: amounts falling due after more than one year (continued)

The group bank loan of £350,000 at 31 December 2012 (2011 £1,750,000) 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.

14 Deferred taxation

	Group £	Company £
At 1 January 2011	763,178	802,829
Credited to the profit and loss account (note 5)	190,513	182,617
At 31 December 2011	<u>953,691</u>	<u>985,446</u>

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

	2012 £	Group 2011 £	2012 £	Company 2011 £
Accelerated capital allowances	(34,659)	(39,651)	-	-
Other timing differences	<u>988,350</u>	<u>802,829</u>	<u>985,446</u>	<u>802,829</u>
	<u>953,691</u>	<u>763,178</u>	<u>985,446</u>	<u>802,829</u>

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.

Notes to the financial statements

15 Financial Instruments (continued)

Interest rate risk

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

	2012	2011
	£	£
Floating rate financial assets – GBP	1,270,772	29,575
Floating rate financial assets – USD	631,993	3,137,563
Floating rate financial assets – EUR	245,885	33,859
Floating rate financial assets – RMB	27,621	26,872
	<u>2,176,221</u>	<u>3,227,569</u>
Floating rate financial liabilities – GBP	<u>345,037</u>	<u>2,100,229</u>
Fixed rate financial liabilities – GBP	<u>21,316,368</u>	<u>19,262,080</u>

The weighted average interest rate for the fixed rate financial liabilities is 10% (2011 10%) for a period of 5 (2011 6) 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.

At the year end, the company had an undrawn overdraft facility of £3,000,000 (2011 £1,937,766). 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.

Notes to the financial statements

15 Financial Instruments (continued)

Currency rate risk

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

	2012	2011
	£	£
Net monetary assets and liabilities – USD	69,649	2,615,741
Net monetary assets and liabilities – EUR	398,070	59,739
	<u>467,719</u>	<u>2,675,480</u>

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

	2012	2011
	£	£
In one year or less or on demand	350,000	1,784,967
In more than one year but not more than two years	-	350,000
In more than two years but not more than five years	21,330,138	12,898,139
In more than five years	-	6,449,070
	<u>21,680,138</u>	<u>21,482,176</u>

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.

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.

	2012	2011
	£	£
Contributions payable by the group for the year	<u>2,210</u>	<u>1,900</u>

Notes to the financial statements

17 Share capital

	Group and Company	
	2012	2011
	£	£
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
	<u>102,000</u>	<u>102,000</u>

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 2012	918,000	(2,441,944)
Profit for the year	-	(498,105)
At 31 December 2012	<u>918,000</u>	<u>(2,940,049)</u>
Company	Share premium account	Profit and loss account
	£	£
At 1 January 2012	918,000	(2,778,534)
Loss for the year	-	(977,360)
At 31 December 2012	<u>918,000</u>	<u>(3,755,894)</u>

19 Reconciliation of movements in equity shareholders' deficit

Group	2012	2011
	£	£
Loss for the financial year	(498,105)	(1,131,331)
Opening shareholders' deficit	(1,421,944)	(290,613)
Closing shareholders' deficit	<u>(1,920,049)</u>	<u>(1,421,944)</u>
Company	2012	2011
	£	£
Loss for the financial year	(977,360)	(869,509)
Opening shareholders' deficit	(1,758,534)	(889,025)
Closing shareholders' deficit	<u>(2,735,894)</u>	<u>(1,758,534)</u>

Notes to the financial statements

20 Financial commitments

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

	Land and buildings		Other	
	2012	2011	2012	2011
Expiry date	£	£	£	£
Within one year	-	-	3,892	-
Between two and five years	-	-	26,137	22,282
In over five years	225,425	225,425	460	-
	<u>225,425</u>	<u>225,425</u>	<u>30,489</u>	<u>22,282</u>

At 31 December 2012, Character World Limited had entered into and was bound by, forward contracts to purchase foreign currency amounting to approximately 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

21 Capital Commitments

Group and Company

There were no outstanding capital commitments at 31 December 2012 or 2011

22 Related party transactions

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

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)

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