

Company Registration No. 04160087 (England and Wales)

**CHARACTER WORLD LIMITED**  
**DIRECTORS' REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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# CHARACTER WORLD LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	D E Schweiger M Schweiger G Davies A Howarth R Rowlands
<b>Secretary</b>	J Glennon
<b>Company number</b>	04160087
<b>Registered office</b>	c/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
<b>Statutory auditor</b>	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
<b>Business address</b>	Character House 1 Oak Green Stanley Green Business Park Cheadle Hulme Cheshire SK8 6QL
<b>Bankers</b>	National Westminster Bank plc 23 Stamford New Road Altrincham Cheshire WA14 1DB

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# CHARACTER WORLD LIMITED

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# CHARACTER WORLD LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2010

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The directors present their report and financial statements for the year ended 31 December 2010

#### **Principal activities and review of the business**

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

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 2010 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 groups trading results and cash flows. For further commentary on credit risk management see note 11 to the accounts

In response to the rising material and freight costs an operations director has been appointed to co-ordinate supply chain process improvements and make cost base improvements. The company has also sourced a new raw material and geographically relocated a significant amount of production

Our financial risk management objective is to ensure sufficient working capital for the 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 licenced products

During the year the company expanded its range of licenced product lines and continued the development of Toddler and single beds which became available in 2010. The company has also developed a bunk bed to add to the range

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. Despite economic uncertainty which affected the total UK market during 2010 the company experienced a 10.3% increase in turnover

#### **Financial position at the year end**

The financial position at year end was considered, by the directors, to be healthy. The cash position stood at £3,233,722 and shareholders' funds at £10,283,989

#### **Future developments**

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

# **CHARACTER WORLD LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2010***

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### **Going concern**

The company's business activities, current financial position, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1

The company has considerable financial resources, a positive cash flow and licence agreements over a number of brands and products. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources 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.

### **Results and dividends**

The results for the year are set out on page 6

The directors do not recommend payment of a dividend

### **Directors**

The following directors have held office since 1 January 2010

D E Schweiger

M Schweiger

G Davies

S Farris

(Resigned 2 March 2010)

A Howarth

(Appointed 29 March 2010)

R Rowlands

### **Charitable donations**

Contributions by the company during the year to United Kingdom charities amounted to £7,346 (2009 - £14,994)

# CHARACTER WORLD LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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### Statement of directors' responsibilities

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 judgements and accounting 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 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.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



D E Schweiger

Director

24 August 2011

# **CHARACTER WORLD LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CHARACTER WORLD LIMITED**

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We have audited the directors report and the financial statements of Character World Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 25. 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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, including APB Ethical Standard - Provisions Available for Small Entities (Revised), in the circumstances set out in note to the financial statements.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2010 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.

# CHARACTER WORLD LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

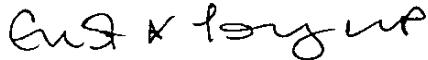
### TO THE MEMBERS OF CHARACTER WORLD LIMITED

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#### 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



**Alastair Nuttall (Senior Statutory Auditor)**  
for and on behalf of Ernst & Young LLP

**Statutory Auditor**

24 August 2011

100 Barbican Square  
Manchester  
M2 3EY



# CHARACTER WORLD LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

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	Notes	2010 £	2009 £
Turnover	2	21,568,926	19,543,829
Cost of sales		(14,877,693)	(12,635,995)
<b>Gross profit</b>		<b>6,691,233</b>	<b>6,907,834</b>
Distribution costs		(490,119)	(335,174)
Administrative expenses		(3,551,791)	(3,358,998)
<b>Operating profit</b>	3	<b>2,649,323</b>	<b>3,213,662</b>
Other interest receivable and similar income	4	1,351	1,285
Interest payable and similar charges	5	(26,645)	(1,040)
<b>Profit on ordinary activities before taxation</b>		<b>2,624,029</b>	<b>3,213,907</b>
Tax on profit on ordinary activities	6	(600,995)	(707,829)
<b>Profit for the year</b>	16	<b>2,023,034</b>	<b>2,506,078</b>

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

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

# CHARACTER WORLD LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	7		536,842		585,646
Tangible assets	8		346,077		351,256
Investments	9		2		2
			<u>882,921</u>		<u>936,904</u>
<b>Current assets</b>					
Stocks	10	3,857,969		1,470,085	
Debtors	11	7,658,677		6,768,590	
Cash at bank and in hand		3,233,722		2,615,298	
		<u>14,750,368</u>		<u>10,853,973</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(5,310,467)</u>		<u>(3,497,377)</u>	
<b>Net current assets</b>			<u>9,439,901</u>		<u>7,356,596</u>
<b>Total assets less current liabilities</b>			<u>10,322,822</u>		<u>8,293,500</u>
<b>Provisions for liabilities</b>	13		<u>(39,433)</u>		<u>(33,145)</u>
			<u>10,283,389</u>		<u>8,260,355</u>
<b>Capital and reserves</b>					
Called up share capital	15		765,003		765,003
Profit and loss account	16		9,518,386		7,495,352
<b>Shareholders' funds</b>	17		<u>10,283,389</u>		<u>8,260,355</u>

Approved by the Board and authorised for issue on 24 August 2011

  
D E Schweiger  
Director

Company Registration No 04160087

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is included in the consolidated cash flow statement of Character World Holdco Limited, the ultimate parent company

#### 1.2 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

#### 1.3 Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. 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 dispatch of the goods

#### 1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life, being 20 years

#### 1.5 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 less estimated residual value of each asset over its expected useful life, as follows

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

#### 1.6 Leasing

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

#### 1.7 Investments

Fixed asset investments are stated at cost less provision for impairment

#### 1.8 Stock

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

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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### 1 Accounting policies

(continued)

#### 1.9 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.

#### 1.10 Foreign currency translation

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 a contracted rate. All differences are taken to profit and loss account.

#### 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.

The company considers its derivative instruments qualify for hedge accounting when certain criteria are met.

##### *Forward foreign currency contracts*

The criteria for forward foreign currency contracts are

- the instrument must be related to expected purchases in foreign currency,
- it must involve the same currency as the hedged item, and
- it must reduce the risk of foreign currency exchange movements on the company's operations.

Such instruments are used to hedge expected future transactions, and are not recognised until the transaction occurs.

#### 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 licence requires royalties to be paid in advance, this is initially deferred and allocated to cost of sales as the associated revenue is recognised.

Certain licences require a guaranteed level of royalties to be paid. Where the forecast level of sales associated with a licence is anticipated to result in a loss on the licence, provision is made immediately for the anticipated loss.

### 2 Turnover

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

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>3</b>	<b>Operating profit</b>	<b>2010</b>	<b>2009</b>
		£	£
	Operating profit is stated after charging		
	Amortisation of intangible assets	48,804	48,804
	Depreciation of tangible assets	53,414	76,339
	Loss on foreign exchange transactions	429,229	-
	Operating lease rentals - land and buildings	201,361	172,200
	Auditor remuneration		
	-audit of the company	30,905	41,325
	-taxation services	7,500	8,830
	and after crediting		
	Profit on foreign exchange transactions	-	(46,372)
		<u>          </u>	<u>          </u>
<b>4</b>	<b>Investment income</b>	<b>2010</b>	<b>2009</b>
		£	£
	Bank interest	1,351	1,285
		<u>          </u>	<u>          </u>
		1,351	1,285
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2010</b>	<b>2009</b>
		£	£
	On bank loans and overdrafts	19,197	867
	On overdue tax	2,679	-
	Other interest	4,769	173
		<u>          </u>	<u>          </u>
		26,645	1,040
		<u>          </u>	<u>          </u>

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

6 Taxation	2010 £	2009 £
<b>Domestic current year tax</b>		
UK corporation tax	592,890	719,749
Adjustment for prior years	1,817	(15,446)
<b>Total current tax</b>	<u>594,707</u>	<u>704,303</u>
<b>Deferred tax</b>		
Accelerated capital allowances	6,288	3,526
	<u>600,995</u>	<u>707,829</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>2,624,029</u>	<u>3,213,907</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	<u>734,728</u>	<u>899,894</u>
<b>Effects of</b>		
Non deductible expenses	5,126	7,981
Depreciation add back	14,956	21,375
Capital allowances	(20,531)	(23,105)
Goodwill add back	13,665	13,665
Adjustments to previous periods	1,817	(15,446)
Group relief	(155,054)	(197,843)
Other tax adjustments	-	(2,218)
	<u>(140,021)</u>	<u>(195,591)</u>
<b>Current tax charge for the year</b>	<u>594,707</u>	<u>704,303</u>

### Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. A number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax from 27% to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. Expected reductions that had not been substantively enacted at the balance sheet date have not been included in these financial statements.

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 7 Intangible fixed assets

	<b>Goodwill £</b>
<b>Cost</b>	
At 1 January 2010 & at 31 December 2010	976,078
<b>Amortisation</b>	
At 1 January 2010	390,432
Charge for the year	48,804
At 31 December 2010	439,236
<b>Net book value</b>	
At 31 December 2010	536,842
At 31 December 2009	585,646

### 8 Tangible fixed assets

	<b>Alteration to leasehold £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2010	351,711	264,584	616,295
Additions	27,754	20,481	48,235
At 31 December 2010	379,465	285,065	664,530
<b>Depreciation</b>			
At 1 January 2010	47,405	217,634	265,039
Charge for the year	23,542	29,872	53,414
At 31 December 2010	70,947	247,506	318,453
<b>Net book value</b>			
At 31 December 2010	308,518	37,559	346,077
At 31 December 2009	304,306	46,950	351,256

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 9 Fixed asset investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 January 2010 & at 31 December 2010	772,464
<b>Provisions for diminution in value</b>	
At 1 January 2010 & at 31 December 2010	772,462
<b>Net book value</b>	
At 31 December 2010	2
At 31 December 2009	2

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
T D S Enterprises Limited	England and Wales	Ordinary	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital and reserves	Profit/(loss) for the year
		2010	2010
T D S Enterprises Limited	Dormant	£ 2	£ -

### 10 Stocks

	2010	2009
	£	£
Finished goods and goods for resale	3,857,969	1,470,085



# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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<b>11 Debtors</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade debtors	3,239,302	4,023,973
Amounts owed by parent and fellow subsidiary undertakings	4,215,267	2,574,076
Prepayments and accrued income	204,108	170,541
	<u>7,658,677</u>	<u>6,768,590</u>

Amounts falling due after more than one year and included in the debtors above are

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	<u>4,215,267</u>	<u>2,574,076</u>

Despite the company's customers being major retailers, the credit risk 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.

<b>12 Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Trade creditors	3,583,248	2,103,460
Amounts owed to parent	193,946	270,073
Corporation tax	592,888	116,287
Other taxes and social security costs	447,246	393,924
Other creditors	215,978	409,342
Accruals and deferred income	277,161	204,291
	<u>5,310,467</u>	<u>3,497,377</u>

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 13 Provision for deferred tax

	<b>Deferred tax liability</b>
	<b>£</b>
Balance at 1 January 2010	33,145
Profit and loss account	6,288
	<hr/>
Balance at 31 December 2010	<u>39,433</u>

The deferred tax liability is made up as follows:

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>39,433</u>	<u>33,145</u>

### 14 Pension and other post-retirement benefit commitments

#### Defined contribution

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.

Pension contributions paid on behalf of directors amounted to £nil (2009 - £nil)

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	<u>3,150</u>	<u>6,900</u>

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>15 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
234,999 Ordinary shares of £1 each	234,997	234,997
255,003 Ordinary A shares of £1 each	255,003	255,003
255,000 Ordinary B shares of £1 each	255,000	255,000
255,000 Ordinary C shares of £1 each	255,000	255,000
	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
255,003 Ordinary A shares of £1 each	255,003	255,003
255,000 Ordinary B shares of £1 each	255,000	255,000
255,000 Ordinary C shares of £1 each	255,000	255,000
	<u>765,003</u>	<u>765,003</u>
<b>16 Statement of movements on profit and loss account</b>		<b>Profit and loss account £</b>
Balance at 1 January 2010		7,495,352
Profit for the year		<u>2,023,034</u>
Balance at 31 December 2010		<u>9,518,386</u>
<b>17 Reconciliation of movements in shareholders' funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	2,023,034	2,506,078
Opening shareholders' funds	<u>8,260,355</u>	<u>5,754,277</u>
Closing shareholders' funds	<u>10,283,389</u>	<u>8,260,355</u>

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

### 18 Contingent liabilities

The company has entered into a number of contracts which guarantee minimum levels of future royalty payments. These guarantees apply where minimum levels of sales on which royalties are paid are not reached. In circumstances where the directors consider that payments under the guarantees will be required, full provision for these payments has been made in the financial statements. However, where the directors consider that minimum levels of sales required by contracts will be reached, no provision for payments under the guarantees has been made. Should future levels of sales be less than anticipated by the directors further provisions for liabilities under these contracts may be required.

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 2010, the maximum potential liability under this guarantee was £3,500,000 (2009 - £4,900,000).

### 19 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2011:

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Operating leases which expire				
Within one year	-	-	3,499	-
Between two and five years	-	-	13,256	11,090
In over five years	201,360	200,425	-	-
	<u>201,360</u>	<u>200,425</u>	<u>16,755</u>	<u>11,090</u>

As at 31 December 2010 Character World Limited had entered into, and was bound by, forward contracts to purchase foreign currency amounting to £9,470,305 (2009 - £5,240,358). The fair value of these contracts was £215,126 (2009 - £118,852). The contracts have a maturity date of less than 12 months, therefore the unrecognised gains of £215,126 (2009 - £118,852) are expected to be recognised in the next accounting period.

### 20 Capital commitments

	2010	2009
	£	£
At 31 December 2010 the company had capital commitments as follows		
Authorised but not contracted for	-	15,000

# CHARACTER WORLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

<b>21 Directors' remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	<u>651,992</u>	<u>573,067</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2009 - 0)

Remuneration disclosed above include the following amounts paid to the highest paid director

Remuneration for qualifying services	<u>174,250</u>	<u>176,900</u>
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### 22 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 £201,360 (2009 - £172,200) and property service charges of £7,057 (2009 - £14,683)

Included in other creditors is two amounts of £16,225 (2009 - £nil) owed to D E Schweiger and M Schweiger. The amounts relate to unpaid remuneration and do not attract interest.

### 23 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Directors	5	4
Administration & Design	48	48
	<u>53</u>	<u>52</u>

#### Employment costs

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,086,256	1,877,634
Social security costs	202,463	198,343
Other pension costs	3,150	6,900
	<u>2,291,869</u>	<u>2,082,877</u>

# **CHARACTER WORLD LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010**

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### **24 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.

### **25 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 the ultimate parent company or any wholly owned subsidiary undertaking of the group.