Group Financial Statements Character World Holdco Limited

For the year ended 31 December 2013

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

Index to the financial statements

Report of the directors

The directors present their report together with the financial statements of the group for the year ended 31 December 2013.

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 consolidated profit and loss account for the year is set out on page 11. The overdraft position stood at £(288,635) (2012 : cash £2,176,221). The directors do not propose a dividend for the year.

Directors

The following directors have held office since 1 January 2013:

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 and in the Strategic report. 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, Strategic 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 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 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

Report of the directors

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

BY ORDER OF THE BOARD

M Schweiger
Director

Date: 23 June 2014

Strategic report

Business review

The directors closely monitor the popularity of current stock lines and continue to identify new products and licences which will generate future revenues. During 2013, a number of new licences were signed to ensure continuity of turnover. The directors also monitor LIBOR and foreign currency markets to ensure that fluctuations in interest and currency rates have the smallest possible effect on the group's results and cash flows.

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 leading retailers and increased revenue in 2013 to £29,203,780 (2012: £22,268,989).

Principle risks and uncertainties

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.

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.

Future developments

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

BY ORDER OF THE BOARD

M Schweiger
Director

Date: 23 June 2014

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 2013 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 3-4, 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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
8 JULY 2014

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.

Invoice discounting facility

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

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 2013. 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

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.

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 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.

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 2013

	Note	2013 £	2012 £
Turnover - continuing operations	1	**29,203,780**	22,268,989
Cost of sales		**(19,789,403)**	(14,993,008)
Gross profit		**9,414,377**	7,275,981
Distribution costs		**(557,555)**	(458,737)
Administrative expenses		**(5,428,072)**	(4,670,777)
Operating profit – continuing operations	2	**3,428,750**	2,146,467
Interest payable and similar charges	3	**(2,178,584)**	(2,132,394)
Profit on ordinary activities before taxation	1	**1,250,166**	14,073
Tax on profit on ordinary activities	5	**(768,724)**	(512,178)
Profit/(loss) on ordinary activities after taxation	18	**481,442**	(498,105)

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 2013

		Group		Company	
		2013	2012	**2013**	2012
	Note	**£**	£	**£**	£
Fixed assets					
Intangible assets	7	**11,858,612**	12,568,377	**-**	-
Tangible assets	8	**355,150**	348,363	**-**	-
Investments	9	**-**	-	**11,282,874**	10,236,421
		12,213,762	12,916,740	**11,282,874**	10,236,421
Current assets					
Stocks	10	**3,692,290**	3,329,696	**-**	-
Debtors	11	**7,994,446**	7,558,664	**7,413,226**	8,369,702
Cash at bank and in hand		**1,174,518**	2,176,221	**28**	14
		12,861,254	13,064,581	**7,413,254**	8,369,716
Creditors: amounts falling due within one year	12	**(7,178,028)**	(6,585,002)	**(12,060)**	(25,663)
Net current assets		**5,683,226**	6,479,579	**7,401,194**	8,344,053
Total assets less current liabilities		**17,896,988**	19,396,319	**18,684,068**	18,580,474
Creditors: amounts falling due after more than one year	13	**(19,326,348)**	(21,316,368)	**(23,489,248)**	(21,316,368)
Provisions for liabilities					
Deferred taxation	14	**(9,247)**	-	**-**	-
Net liabilities		**(1,438,607)**	(1,920,049)	**(4,805,180)**	(2,735,894)
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	**(2,458,607)**	(2,940,049)	**(5,825,180)**	(3,755,894)
Shareholders' deficit	19	**(1,438,607)**	(1,920,049)	**(4,805,180)**	(2,735,894)

The financial statements were approved by the Board of Directors on 23 June 2014

M Schweiger
Director

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

Consolidated cash flow statement
For the year ended 31 December 2013

	Note	2013 £	2012 £
Operating profit		**3,428,750**	2,146,467
Depreciation		**69,345**	50,400
Amortisation of intangible fixed assets		**830,175**	824,156
Increase in stocks		**(362,594)**	(834,163)
Increase in debtors		**(1,194,153)**	(1,489,874)
(Decrease)/increase in creditors		**(242,831)**	917,733
Net cash inflow from operating activities		**2,528,692**	1,614,719
Returns on investments and servicing of finance			
Interest paid		**(63,641)**	(48,331)
Taxation			
UK corporation tax paid		**(403,775)**	(763,855)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(76,132)**	(68,914)
Net cash inflow before management of liquid resources and financing		**1,985,144**	733,619
Financing			
Repayment of long term bank loan		**(350,000)**	(1,400,000)
Repayment of loan notes		**(4,100,000)**	-
		(4,450,000)	(1,400,000)
Decrease in cash	1,2	**(2,464,856)**	(661,381)

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

	2013	2012
	£	£
Decrease in cash in the year	**(2,464,856)**	(661,381)
Cash outflow from decrease in debt	**4,450,000**	1,400,000
Change in net debt resulting from cash flows	**1,985,144**	733,619
FRS 4 finance costs released	**(18,733)**	(101,134)
Accrued interest	**(2,096,210)**	(1,982,929)
Movement in net debt in the year	**(129,799)**	(1,350,444)
Opening net debt	**(19,485,184)**	(18,134,740)
Closing net debt	**(19,614,983)**	(19,485,184)

Notes to the consolidated cash flow statement

Analysis of net debt

	At 1 January 2013	Cashflow	Other non-cash changes	**At 31 December 2013**
	£	£	£	**£**
Net cash				
Bank overdraft	-	(1,463,153)		**(1,463,152)**
Cash at bank and in hand	2,176,221	(1,001,703)	-	**1,174,518**
	2,176,221	(2,464,856)	-	**(288,635)**
Debt due within one year				
Bank loans	(345,037)	350,000	(4,963)	-
Debt due after one year				
Other loans	(21,316,368)	4,100,000	(2,109,980)	**(19,326,348)**
	(21,661,405)	4,450,000	(2,114,493)	**(19,326,348)**
Net debt	(19,485,184)	1,985,144	(2,114,943)	**(19,614,983)**

The £2,109,980 of non-cash changes in other loans relates to the accrued loan interest on outstanding loan notes.

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

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

A geographical analysis of turnover is as follows:

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

2 Operating profit

Operating profit is stated after charging/ (crediting):

	2013	2012
	£	£
Amortisation of intangible assets	**830,175**	824,156
Depreciation of tangible assets	**69,345**	50,400
Restructuring costs	**147,046**	-
Operating lease commitments		
- land and buildings	**225,432**	225,432
Auditors' remuneration		
– audit services	**24,600**	24,600
– non audit	**25,650**	6,150
Foreign exchange losses/(gains)	**47,344**	(92,168)

3 Interest payable and similar charges

	2013	2012
	£	£
On bank loans and overdrafts	**63,641**	48,332
FRS 4 finance costs released	**18,733**	101,134
Other loan interest	**2,096,210**	1,982,928
	2,178,584	2,132,394

Notes to the financial statements

4 Directors and employees

Staff costs during the year were as follows:

	2013	2012
	£	£
Wages and salaries	**2,531,593**	2,046,451
Social security costs	**275,129**	222,770
Pension costs	**469**	2,210
	2,807,191	2,271,431

The average number of employees during the year was:

	2013	2012
	Number	Number
Directors	**4**	4
Administrators and design	**55**	48
	59	52

	2013	2012
	£	£
Emoluments for qualifying services	**402,514**	393,777
The highest paid director	**181,257**	177,033

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

Notes to the financial statements

5 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents:

	2013	2012
	£	£
Current tax		
UK Corporation tax	-	702,693
Adjustment for prior years	(194,214)	-
Total current tax	(194,214)	702,693
Deferred tax		
Other timing differences originating in the period	626,042	(251,567)
Adjustments in respect of prior periods	244,377	-
Change in tax rates	92,519	61,052
Total deferred tax	962,938	(190,515)
	768,724	512,178

Factors affecting tax for the year:

	2013	2012
	£	£
Profit on ordinary activities before taxation	1,250,166	14,073
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 23.25% (2012: 24.5%)	290,664	3,449
Effect of:		
Non deductible expenses	10,721	21,601
Fixed asset differences	15,985	1,939
Goodwill amortisation	193,016	189,941
Adjustments in respect of prior periods	(194,214)	-
Unpaid loan note interest – temporary timing difference	(740,906)	262,912
Unpaid loan note interest – permanent timing difference	230,520	222,851
	(484,878)	699,244
Current tax for the year	(194,214)	702,693

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 2013 is £2,069,286 (2012: £977,360).

7 Intangible fixed assets

	Goodwill
Group	**£**
Cost	
At 1 January 2013	16,483,117
Additions	120,410
At 31 December 2013	**16,603,527**
Amortisation	
At 1 January 2013	3,914,740
Amortisation for the year	830,175
At 31 December 2013	**4,744,915**
Net book value	
At 31 December 2013	**11,858,612**
At 31 December 2012	12,568,377

8 Tangible fixed assets

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

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 2013	27,130	10,209,291	10,236,421
Additions	-	1,046,453	1,046,453
At 31 December 2013	27,130	11,255,744	11,282,874
Net book value			
At 31 December 2013	**27,130**	**11,255,744**	**11,282,874**
At 31 December 2012	27,130	10,209,291	10,236,421

At 31 December 2013, the company held more than 20% of the ordinary share capital of the following undertakings:

Subsidiary 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
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
Character World China Holdings Limited	- Intermediate holding company
Character World Shanghai Limited	- Quality control and sourcing product

10 Stocks

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Finished goods and goods for resale	**3,692,290**	3,329,696	**-**	-

Notes to the financial statements

11 Debtors

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade debtors	**7,418,572**	5,735,779	**-**	-
Amounts owed by group undertakings	**-**	-	**7,384,913**	7,384,256
Other debtors	**1,367**	793	**-**	-
Amounts due from directors	**10,000**		**10,000**	
Social security and other taxes	**2,270**	-	**2,270**	-
Deferred taxation asset (see note 14)	**-**	953,691	**4,997**	985,446
Corporation tax recoverable	**193,050**	-	**11,046**	-
Prepayments and accrued income	**369,187**	868,401	**-**	-
	7,994,446	7,558,664	**7,413,226**	8,369,702

12 Creditors : amounts falling due within one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Bank loans and overdraft	**1,463,153**	350,000	**-**	-
Unamortised debt issuance costs	**-**	(4,963)	**-**	-
Trade creditors	**2,343,476**	2,676,976	**12,060**	5,663
Corporation tax	**-**	404,939	**-**	20,000
Social security and other taxes	**872,105**	475,370	**-**	-
Proceeds of invoice discounted debt	**1,136,399**	1,168,874	**-**	-
Other creditors	**684,672**	988,570	**-**	-
Accruals and deferred income	**678,223**	525,236	**-**	-
	7,178,028	6,585,002	**12,060**	25,663

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

Notes to the financial statements

13 Creditors: amounts falling due after more than one year

		Group		Company
	2013	2012	**2013**	2012
	£	£	**£**	£
Accrued other loan note interest	**-**	520,251	**-**	520,251
Other loans	**19,326,348**	20,809,887	**23,489,248**	20,809,887
Unamortised debt issuance costs	**-**	(13,770)	**-**	(13,770)
	19,326,348	21,316,368	**23,489,248**	21,316,368

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 2013, interest of £1,035,139 (2012 - £943,766) was added to the principal. At 30 September 2013, interest of £1,093,162 (2012 - £990,955) was added to the principal.

Of the £19,326,348 loan notes, £10,676,240 are due to D E Schweiger and M Schweiger, directors of the group. The remaining loan notes of £8,650,108 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 it's trading subsidiaries.

Analysis of loans

		Group		Company
	2013	2012	**2013**	2012
	£	£	**£**	£
Not wholly repayable within 5 years by instalments	**-**	-	**-**	-
Wholly repayable within 5 years	**19,326,348**	21,661,405	**23,489,248**	21,316,368
Included within current liabilities	**-**	(345,037)	**-**	-
	19,326,348	21,316,368	**23,489,248**	21,316,368
Instalments not due within five years	**-**	-	**-**	-

Loan maturity analysis				
Within one year	**-**	345,037	**-**	-
More than one year, not more than two	**6,377,695**	-	**-**	-
More than two years, not more than five	**12,948,653**	21,316,368	**23,489,248**	21,316,368
More than five years	**-**	-	**-**	-
	19,326,348	21,661,405	**23,489,248**	21,316,368

Notes to the financial statements

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

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

14 Deferred taxation

	Group	Company
	£	£
At 1 January 2013	953,691	985,446
Charged to the profit and loss account (note 5)	(962,938)	(980,449)
At 31 December 2013	**(9,247)**	**4,997**

The provision for deferred taxation/ deferred tax asset provided for in the financial statements is set out below:

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Accelerated capital allowances	**(18,860)**	(34,659)	**-**	-
Other timing differences	**9,613**	988,350	**4,997**	985,446
	(9,247)	953,691	**4,997**	985,446

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:

	2013	2012
	£	£
Floating rate financial assets – GBP	**18,394**	1,270,772
Floating rate financial assets – USD	**1,008,932**	631,993
Floating rate financial assets – EUR	**147,191**	245,885
Floating rate financial assets – RMB	-	27,621
	1,174,518	2,176,221
Floating rate financial liabilities – GBP	**1,463,152**	345,037
Fixed rate financial liabilities – GBP	**19,326,348**	21,316,368

The weighted average interest rate for the fixed rate financial liabilities is 10 % (2012: 10%) for a period of 4 (2012: 5) 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 £2,969,684 (2012: £3,000,000). 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 maximise 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:

	2013	2012
	£	£
Net monetary assets and liabilities – USD	**913,194**	69,649
Net monetary assets and liabilities – EUR	**373,776**	398,070
	1,286,970	467,719

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:

	2013	2012
	£	£
In one year or less or on demand	**1,463,152**	350,000
In more than one year but not more than two years	**6,377,695**	-
In more than two years but not more than five years	**12,948,653**	21,330,138
In more than five years	-	-
	20,789,500	21,680,138

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.

	2013	2012
	£	£
Contributions payable by the group for the year	**469**	2,210

Notes to the financial statements

17 Share capital

	Group and Company 2013 £	2012 £
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
	102,000	102,000

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 2013	918,000	(2,940,049)
Profit for the year	-	481,442
At 31 December 2013	**918,000**	**(2,458,607)**

Company

	Share premium account £	Profit and loss account £
At 1 January 2013	918,000	(3,755,894)
Loss for the year	-	(2,069,286)
At 31 December 2013	**918,000**	**(5,825,180)**

19 Reconciliation of movements in equity shareholders' deficit

Group

	2013 £	2012 £
Profit/(loss) for the financial year	**481,442**	(498,105)
Opening shareholders' deficit	**(1,920,049)**	(1,421,944)
Closing shareholders' deficit	**(1,438,607)**	(1,920,049)

Company

	2013 £	2012 £
Loss for the financial year	**(2,069,286)**	(977,360)
Opening shareholders' deficit	**(2,735,894)**	(1,758,534)
Closing shareholders' deficit	**(4,805,180)**	(2,735,894)

Notes to the financial statements

20 Financial commitments

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

	Land and buildings		Other	
	2013	2012	**2013**	2012
Expiry date	**£**	£	**£**	£
Within one year	-	-	1,778	3,892
Between two and five years	-	-	26,900	26,137
In over five years	225,425	225,425	-	460
	225,425	225,425	28,678	30,489

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

21 Capital Commitments

Group and Company

There were no outstanding capital commitments at 31 December 2013 or 2012.

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 (2012 - £225,432) and property service charges of £8,296 (2012 - £6,718). Amounts due to TDM Properties Limited at 31 December 2012 was £nil (2012 - £1,550).

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.