

Company Registration No 06549359 (England and Wales)

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

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CHARACTER WORLD BIDCO LIMITED

COMPANY INFORMATION

Directors	D E Schweiger M Schweiger J E Dillon
Secretary	M Schweiger
Company number	06549359
Registered office	c/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
Statutory auditor	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Business address	Character House 1 Oak Green Stanley Green Business Park Cheadle Hulme Cheshire SK8 6QL
Bankers	National Westminster Bank plc 23 Stamford New Road Altrincham Cheshire WA14 1DB

CHARACTER WORLD BIDCO LIMITED

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CHARACTER WORLD BIDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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 is that of a holding company, and because of this the directors feel it is more appropriate to include their business review of the trading subsidiary in this report. The principal activity of its trading subsidiary is the marketing and sale 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.

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 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 licenced products.

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

The group 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.

Results and dividends

The results for the year are set out on page 5.

Directors

The following directors have held office since 1 January 2010.

D E Schweiger

M Schweiger

J E Dillon

CHARACTER WORLD BIDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

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 BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHARACTER WORLD BIDCO LIMITED

We have audited the directors report and the financial statements of Character World Bidco Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 14. 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 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CHARACTER WORLD BIDCO LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CHARACTER WORLD BIDCO LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or



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

24 August 2011

Statutory Auditor

100 Barbirolli Square
Manchester
M2 3EY

CHARACTER WORLD BIDCO LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Administrative expenses		(5,108)	(11,606)
Operating loss	2	(5,108)	(11,606)
Interest payable and similar charges	3	(1,125,100)	(1,187,802)
Loss on ordinary activities before taxation		(1,130,208)	(1,199,408)
Tax on loss on ordinary activities	4	-	-
Loss for the year	10	(1,130,208)	(1,199,408)

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 BIDCO LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2010

	Notes	2010		2009	
		£	£	£	£
Fixed assets					
Investments	5		19,997,927		19,997,927
Current assets					
Debtors	6	-		1,125	
Cash at bank and in hand		402		8,333	
		<u>402</u>		<u>9,458</u>	
Creditors: amounts falling due within one year	7	<u>(1,344,857)</u>		<u>(1,321,540)</u>	
Net current liabilities			<u>(1,344,455)</u>		<u>(1,312,082)</u>
Total assets less current liabilities			18,653,472		18,685,845
Creditors: amounts falling due after more than one year	8		<u>(21,993,238)</u>		<u>(20,895,403)</u>
			<u>(3,339,766)</u>		<u>(2,209,558)</u>
Capital and reserves					
Called up share capital	9		1		1
Profit and loss account	10		<u>(3,339,767)</u>		<u>(2,209,559)</u>
Shareholders' funds	11		<u>(3,339,766)</u>		<u>(2,209,558)</u>

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


D E Schweiger
Director

Company Registration No 06549359

CHARACTER WORLD BIDCO LIMITED

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

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The financial statements have been prepared under the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. During the year ended 31 December 2010 the company made a loss before taxation of £1,130,208 (2009 - £1,199,408) and at that date its liabilities exceeded its assets by £3,339,766 (2009 - £2,209,558). If the company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values to their recoverable amount and to provide for future liabilities that may arise and to reclassify fixed assets as current assets.

The directors believe that it is appropriate for the financial statements to be prepared on a going concern basis, given the continued support of other group companies.

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 (except as otherwise stated).

1.3 Investments

Fixed asset investments are stated at cost less provision for impairment.

1.4 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.

1.5 Interest-bearing loans and borrowings

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.

2 Operating loss	2010	2009
	£	£
Operating loss is stated after charging		
Auditors' remuneration (including expenses and benefits in kind)	-	4,000
	<u> </u>	<u> </u>

CHARACTER WORLD BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

3 Interest payable	2010	2009
	£	£
Bank loan interest paid	241,989	352,638
FRS 4 finance costs amortisation	82,710	109,177
Intercompany interest	800,401	725,987
	<u>1,125,100</u>	<u>1,187,802</u>
	<u>1,125,100</u>	<u>1,187,802</u>

4 Taxation	2010	2009
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	<u>(1,130,208)</u>	<u>(1,199,408)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	(316,458)	(335,834)
Effects of Group relief	<u>316,458</u>	<u>335,834</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

CHARACTER WORLD BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

5 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 January 2010 & at 31 December 2010	19,997,927
Net book value	
At 31 December 2010	19,997,927
At 31 December 2009	19,997,927

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	Class	Shares held %
Subsidiary undertakings			
Character World Limited	England and Wales	Ordinary	100 00
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

		Capital and reserves 2010 £	Profit/(loss) for the year 2010 £
	Principal activity		
Character World Limited	Marketing and sale of licensed products and textiles	10,283,989	2,023,034
T D S Enterprises Limited	Dormant	2	-

The shares in T D S Enterprises Limited are held by Character World Limited

6 Debtors	2010 £	2009 £
Other debtors	-	1,125

CHARACTER WORLD BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

7 Creditors: amounts falling due within one year	2010 £	2009 £
Bank loans and overdrafts	1,400,000	1,400,000
FRS 4 finance costs	(56,243)	(82,710)
Accruals and deferred income	1,100	4,250
	<u>1,344,857</u>	<u>1,321,540</u>

CHARACTER WORLD BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

8 Creditors. amounts falling due after more than one year	2010	2009
	£	£
Loan note interest accrued	209,980	190,458
Bank loans	2,100,000	3,500,000
Parent company loan notes	8,399,209	7,618,330
FRS 4 finance costs	(34,738)	(90,981)
Amounts owed to parent and subsidiary undertakings	11,318,787	9,677,596
	<u>21,993,238</u>	<u>20,895,403</u>
Analysis of loans *		
Not wholly repayable within five years	19,927,976	17,486,384
Wholly repayable within five years	<u>3,409,019</u>	<u>4,726,309</u>
	23,336,995	22,212,693
Included in current liabilities	<u>(1,343,757)</u>	<u>(1,317,290)</u>
	<u>21,993,238</u>	<u>20,895,403</u>
Loan maturity analysis *		
Within one year	1,343,575	1,317,290
In more than one year but not more than two years	1,370,224	1,343,757
In more than two years but not more than five years	695,038	2,065,262
In more than five years	<u>19,927,976</u>	<u>17,486,384</u>

* net of finance costs and including loan note interest accrued

Bank loans are subject to interest based on LIBOR and are secured by an unlimited cross guarantee between the company and all other UK subsidiaries in the group, a debenture containing fixed and floating charges over the assets of the group and an assignment over keyman insurance policies of D E Schweiger and M Schweiger

Included in creditors are unamortised finance costs amounting to £90,981 (2009 - £173,691) which are being released to the profit and loss account over 5 years using the actuarial method. Total finance costs released to the profit and loss account during the year were £82,710 (2009 - £109,177)

Amounts owed to parent and fellow subsidiary undertakings include £7,103,520 (2009 - £7,103,520) due to the parent company, Character World Holdco Limited on which there is no interest charged and no fixed repayment date, a loan due to Character World Limited, a wholly owned subsidiary amounting to £4,215,267 (2009 - £2,574,076) on which there is no interest charged and no fixed repayment date and loan notes due to Character World Holdco Limited amounting to £8,399,209 (2009 - £7,618,330). The principal amount of the loan notes was £6,581,000 on which interest is payable at 10% per annum and is added to principal loan balance at March and September each year. Interest added to the principal at 31 March 2010 amounted to £380,917 (2009 - £345,502) and the interest added at 30 September 2010 amounted to £399,962 (2009 - £362,778). The loan notes are repayable in 2017.

CHARACTER WORLD BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

9 Share capital	2010	2009
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and unpaid		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>
10 Statement of movements on profit and loss account		Profit and loss account
		£
Balance at 1 January 2010		(2,209,559)
Loss for the year		<u>(1,130,208)</u>
Balance at 31 December 2010		<u>(3,339,767)</u>
11 Reconciliation of movements in shareholders' funds	2010	2009
	£	£
Loss for the financial year	(1,130,208)	(1,199,408)
Opening shareholders' funds	<u>(2,209,558)</u>	<u>(1,010,150)</u>
Closing shareholders' funds	<u>(3,339,766)</u>	<u>(2,209,558)</u>

12 Employees

Number of employees

There were no employees during the year apart from the directors

13 Control

RJD Partners are considered to be the ultimate controlling party by virtue of their majority shareholding in the ultimate parent company. The immediate and ultimate parent company is Character World Holdco Limited, a company registered in England and Wales.

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

CHARACTER WORLD BIDCO LIMITED

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

14 Related party relationships and transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company