China Industries Limited trading as Wow! Stuff

Directors' report and consolidated financial statements

Registered number 04989385

For the year ended 31 January 2013

Contents

Company information

Directors

RD North	
K McAndrew	
GJ Taylor	
JG Birch	
EK Gibb	
K Pacey	(Resigned 1 November 2013)
AJ Brew	(Resigned 27 January 2014)
DI Whittle	(Appointed 25 March 2013)
R Burdett	(Appointed 27 January 2014)
I Downing	(Appointed 27 January 2014)

Secretary

SJ Burton

Registered office

Creative Industries Centre
Wolverhampton Science Park
Wolverhampton
West Midlands
WV10 9TG

Auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Bankers

HSBC Bank plc

Directors' report

The directors present their annual report and financial statements for the year ended 31 January 2013

Principal activities

The principal activity of the group is the design and supply of toys and gifts to major retailers

Review of the business

The period to January 2013 was a challenging year with a fall in revenue in FY2013 to £10 0 million *(2012 £17 3 million)* We have built a strong relationship with private equity investor Business Growth Fund plc ("BGF") who have helped us as we sought to implement a new toy led international growth product strategy against a background of continued general economic uncertainty

BGF investment in March 2013 resulted in a £3 5m funds injection which allowed us to invest in internal capabilities including our supply chain in Asia through our newly set up Hong Kong subsidiary Wow! Stuff HK Limited, new products and brands such as Combat Creatures Attacknids ™ – the world's first Radio controlled battling robotics and Real FX ™ amongst others This required the creation of a 2 year plus development cycle and this stretch combined with some product launch delays in 2013 and our focus on obtaining the refinancing deal to ensure that the strategy could be properly implemented meant that the ranges of products and our ability to refresh core gift brands was compromised whilst our new toy products were in the development phase

This strategy and funding will allow us to address the industry wide challenge posed by new competition from consumer electronics and app enabled electronic mobile devices With the support of our investors, we have begun to refresh our core gift ranges and the company has created and registered a suite of intellectual property (IP) assets including several patents for new products We are incorporating these new innovations into both the still-existing and recently refreshed for 2014 Gift range and a small focused range of potentially transformational Toy products

As such, for the year to January 2013 this resulted in creation of some fantastic opportunities for the future but a substantial financial loss We are delighted to draw on the expertise and support of our new Chairman, Roger Burdett, and on the BGF network, and have also recruited a new Managing director, David Whittle, in March 2013

Current trading outlook

Following a difficult trading period, the year into January 2014 will continue to be a challenge, but out investors have continued to support us as we work to bring our new products to market In particular, we are developing three highly innovative projects, each backed by patent technology, with a small number of major global media and toy distribution companies who are all either a global brand leader or number one in their respective fields

In March 2013 BGF and the directors between them invested £1 million in the business and there was a further injection of BGF funds in December 2013 This allows us the capability to fully exploit the commercial potential of these projects, and to continue to refresh our core gift range and develop new brands or sub brands such as txJuice ™ , Scientific Curiosities as part of the Science Museum brand, and re-launch of our Mensa products

In addition, in December 2013 we acquired Kablamm Limited, an innovative toy and IP development company with unique electronic, robotics and related gift and toy engineering capabilities The acquisition of these new brands, assets and capabilities has allowed us to create a suite of products for 2014 and 2015 to which we have already seen extremely encouraging feedback from potential markets and customers, both in the UK and overseas We expect that these new products, combined with the investment in internal capabilities, allow us to fully exploit the markets we have worked hard to gain initial entry to during 2013 in North America, Australia, Europe, the Middle East and most recently Russia and parts of Asia As a result, we foresee substantial recovery of revenues and profitability, with our core business developing to the point where approximately 40% of our revenues will come from Overseas markets in future

Directors' report *(continued)*

Strategy

The business continues in its strategic mission to

1 Maintain a healthy platform of stable licensed brands while not investing more than we can afford on 'hit or miss' fad, movie or TV show driven brands

2 Develop a small number of innovative IP led toy assets (brand, IP or product) in which we will have substantial ownership stake with global Toy and Media players to leverage our innovation on to a global stage

3 Be an international gift and toy business focussing on relationships direct to retail

In order to deliver on the above 3 points the business operates under three pillars of strength which, when combined, create our 'Defensible Competitive Advantage' and thus provide differentiation from other toy companies These are

1 Create 'WOW!' factor gifts and toys

2 Support these with 'Brought to Life!' marketing (video screens and online viral videos)

3 Develop brands from the appropriate 'WOW!' factor gifts or toys (e g Combat Creatures ™, txJuice ™)

The company continues to attract hugely positive publicity from its success in national awards and as each year brings new wins the networking opportunities stemming from this increases

We continue to work to open up new our products to new markets – in addition to North America and Europe, we have sold in Australia, Japan, Russia, South Asia and UAE

Key Performance Indicators

The directors use a number of key performance indicators to monitor the performance of the business These include sales, gross margin %, new product development ("NPD") timelines, EBITDA and cash flow measures

Employees

All the successes and ability to move the business in new directions detailed above do not come without the contribution of a dedicated team of staff, and the directors wish to thank all employees for their contribution towards these achievements All staff have the necessary skills to take the business forward and we will continue to invest strategically and add resource as required We have recruited a new Chairman and a new MD, and continue to work closely with our private equity partners BGF

Employment policies

It is the policy of the company that there should be no unfair discrimination, and all employees are given equal opportunities for career development We constantly look for ways to involve the employees in all aspects of the business

Environmental policy

The Board recognises its responsibility in ensuring that the company contributes where possible to careful and responsible use of resources in packaging design, recycling of waste and efficient transport options

Corporate Social Responsibility

As a signatory to SEDEX and being highly committed to ethical sourcing, the company works closely with factories in the Far East to ensure ethical and socially responsible practices and that factories adhere to responsible employment practice We work proactively with our Brand holders to ensure these policies are applied and perform regular factory audits and quality checks We adhere to the code of conduct set out in ICTI (International Council of Toy Industries)

Directors' report *(continued)*

Principal risks and uncertainties

The management of the business face a number of risks, related to the nature of the Retail supply market and ensuring timely development of new product The principal issues, together with the steps taken by management to mitigate risk are set our below

- Currency exposure – the directors ensure the currency exposure related to paying overseas factories (in US$) is hedged by invoicing all our customers in the same US$ currency, creating a natural hedge to margin level Remaining exchange risk is managed by use of currency management contract in conjunction with our finance providers, principally HSBC
- Production and supply chain risk – the directors ensure that products have multiple sources on our most popular lines where this is possible The business also works with local partners in the Orient to visit, audit and monitor all suppliers regularly We have also increased staff in this area, including recruiting senior staff with significant experience of sourcing and supply chain control in China and Far East, who report direct to our new UK managing director
- Continued uncertain retail environment hampering growth – our innovative approach, continued investment in research and development and IP and the extension of our product categories into new overseas geographies (Europe, North America Australia, Russia and Asia in particular) give us continued room for significant organic sales-led growth We have also developed a broad network of inventors and collaborations to continue to feed new product launches
- Controlling and implementing new product development and launch to demanding timescales Lead by our UK managing director and new product development director, we have implemented new product development procedures and cycles to ensure we avoid delays and learn from errors made in 2013 on some product launches This is enhanced by recent acquisition of new in house NPD capabilities

Dividends

No dividends were paid during the year *(2012 £nil)*

Directors

The directors who held office during the year were as follows

RD North	
K McAndrew	
GJ Taylor	
JG Birch	
EK Gibb	
K Pacey	(Resigned 1 November 2013)
AJ Brew	(Resigned 27 January 2014)
DI Whittle	(Appointed 25 March 2013)
R Burdett	(Appointed 27 January 2014)
I Downing	(Appointed 27 January 2014)

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors report confirm that, so far as they are aware, there is no relevant audit information of which the Company s auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

EK Gibb
Director

Creative Industries Centre
Wolverhampton Science Park
Wolverhampton
WV10 9TG

27 January 2014

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK 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 of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of China Industries Limited trading as Wow! Stuff

We have audited the financial statements of China Industries Limited trading as Wow! Stuff for the year ended 31 January 2013 set out on pages 8 to 24 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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

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/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK 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

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

LCrossland

Lindsey Crossland (Senior Statutory Auditor) 27 January 2014

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW
United Kingdom

Consolidated profit and loss account
for the year ended 31 January 2013

	Note	**2013**	2012
		£	£
Turnover		**10,044,321**	17,326,226
Cost of sales		**(7,835,207)**	(11,543,364)
Gross profit		**2,209,114**	5,782,862
Distribution costs		**(1,514,582)**	(1,692,594)
Administrative expenses		**(3,730,282)**	(3,271,940)
Operating (loss)/profit	*2*	**(3,035,750)**	818,328
Interest receivable and similar income	*3*	**31**	-
Interest payable and similar charges	*4*	**(223,899)**	(28,292)
(Loss)/profit on ordinary activities before taxation		**(3,259,618)**	790,036
Tax on (loss)/profit on ordinary activities	*7*	**243,314**	(53,565)
(Loss)/profit for the financial year	*18*	**(3,016,304)**	736 471

Consolidated balance sheet
as at 31 January 2013

	Note	2013 £	2013 £	As restated (see note 1) 2012 £	2012 £
Fixed assets					
Intangible assets	8		**485,088**		262,578
Tangible assets	9		**842,513**		941,230
			1,327,601		1,203,808
Current assets					
Stock	11	**1,142,925**		405,665	
Debtors	12	**1,883,756**		858,185	
Cash at bank and in hand		**766,801**		624,848	
		3,793,482		1,888,698	
Creditors: amounts falling due within one year	13	**(2,390,321)**		(577,623)	
Net current assets			**1,403,161**		1,311,075
Total assets less current liabilities			**2,730,762**		2,514,883
Creditors amounts falling due after more than one year	14		**(1,930,173)**		-
Net assets			**800,589**		2,514,883
Capital and reserves					
Called up share capital	17		**11,839**		10,000
Share premium	18		**1,300,171**		-
Profit and loss account	18		**(511,421)**		2,504,883
Equity shareholders' funds			**800,589**		2,514,883

These financial statements were approved by the board of directors on 27 January 2014 and were signed on its behalf by

EK Gibb
Director

Company registered number 04989385

Company balance sheet
as at 31 January 2013

	Note	2013 £	2013 £	As restated (see note 1) 2012 £	2012 £
Fixed assets					
Intangible assets	*8*		**485,088**		262,578
Tangible assets	*9*		**749,647**		930,354
Investments	*10*		**798**		-
			1,235,533		1,192,932
Current assets					
Stock	*11*	**1,093,176**		405,665	
Debtors	*12*	**1,887,496**		870,604	
Cash at bank and in hand		**711,299**		622,067	
		3,691,971		1,898,336	
Creditors: amounts falling due within one year	*13*	**(2,196,630)**		(576,273)	
Net current assets			**1,495,341**		1,322,063
Total assets less current liabilities			**2,730,874**		2,514,995
Creditors amounts falling due after more than one year	*14*		**(1,930,173)**		-
Net assets			**800,701**		2,514,995
Capital and reserves					
Called up share capital	*17*		**11,839**		10,000
Share premium	*18*		**1,300,171**		-
Profit and loss account	*18*		**(511,309)**		2,504,995
Equity shareholders' funds			**800,701**		2,514,995

These financial statements were approved by the board of directors on 27 January 2014 and were signed on its behalf by

EK Gibb
Director

Company registered number 04989385

Consolidated cash flow statement
for the year ended 31 January 2013

Cash flow statement

	Note	2013 £	2012 £
Cash flow from operating activities	20	**(1,579,489)**	1,529,316
Returns on investments and servicing of finance	21	**(29,709)**	(28,292)
Taxation paid		**(236,252)**	(165,147)
Capital expenditure and financial investment	21	**(1,050,668)**	(992,359)
Cash (outflow)/inflow before management of liquid resources and financing		**(2,896,118)**	343,518
Financing	21	**3,038,024**	-
Translation differences		**47**	530
Increase in cash in the period		**141,953**	344,048

Reconciliation of net cash flow to movement in net (debt)/funds

	2013 £	2012 £
Increase in cash in the period	**141,953**	344,048
Cash inflow from increase in debt financing	**(1,736,014)**	-
Change in net debt resulting from cash flows	**(1,594,061)**	344,048
Amortisation of capitalised debt issue costs	**(48,881)**	-
Interest rolled up on debt	**(145,278)**	-
Movement in net debt in the period	**(1,788,220)**	344,048
Net cash at the start of the period	**624,848**	280,800
Net (debt)/cash at the end of the period	**(1,163,372)**	624,848

Notes
(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 January 2013 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Going concern

The company meets its day to day working capital requirements through a combination of an invoice discounting facility with HSBC Invoice Finance Limited, which was renewed in July 2013 This facility is due for renewal in July 2014 In March 2013 and then in December 2013 the directors raised additional finance of approximately £550,000 and £1,500,000 respectively through a mixture of loan notes and equity, to fund expansion of the business With this in place the directors have considered the going concern assumption and have prepared cash flow forecasts which indicate that the company expects to operate within the facilities currently agreed The Company will open negotiations in due course in respect of renewal of the current facilities however at this stage has not sought written commitment However, the Directors are not aware of any indications that facilities will not be made available at that time Accordingly the Directors consider that these financial statements should be prepared on a going concern basis

Turnover

Turnover represents the invoiced value of sales of goods, net of value added tax

Investments

In the Company's financial statements, investment in the subsidiary undertaking is stated at cost less amounts written off

Prior period adjustment

During the year the Directors have reclassified tooling used for the production of specific products and components from debtors to tangible fixed assets Had tooling been classified within the Group's tangible fixed assets at the previous year end the balance of debtors would have been £858,185 and the balance of tangible fixed assets would have been £842,513 These amounts have now been recognised in the prior year by restatement of comparatives This has had the effect of decreasing debtors and increasing tangible fixed assets in the 2012 balance sheets of both the Group and the Company by £529,337 There is no impact on the Group's or Company's reserves or profit and loss account following this reclassification The assets held in debtors were previously amortised over the assumed useful life and this policy is unchanged following the reclassification

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land 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 like, as follows

Fixtures and fittings	-	25% to 50% straight line basis
Computer equipment	-	50% straight line basis
Tooling	-	50% straight line basis

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements Deferred tax assets and liabilities are not discounted

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account

The assets and liabilities of the overseas subsidiary undertaking are translated at the closing exchange rates The profit and loss account of the undertaking is consolidated at the average rates of exchange during the year Gains and losses arising on these translations are taken to reserves

Stocks

Stocks are stated at the lower of cost and net realisable value

Research and development expenditure and intangible fixed assets

Expenditure on pure and applied research is written off to the profit and loss account in the year in which it is incurred Expenditure on development of new products and services is capitalised as an intangible fixed asset and amortised over the period in which the products created from the development expenditure are expected to be sold In accordance with SSAP 13, such expenditure is only capitalised to the extent that it relates to a clearly defined project, the expenditure is clearly and separately identifiable, and the outcome of the project is certain as to its future commercial success and commercial benefits

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Notes to the profit and loss account

	2013 £	2012 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)·		
Foreign currency(gains)/losses	**(123,046)**	83,229
Capitalised development cost amortisation	**306,553**	177,795
Depreciation of tangible fixed assets	**609,108**	482,028
Loss/(profit) on sale of fixed assets	**11,167**	(3,700)
Hire of premises and equipment - operating leases	**251,951**	204,626
Auditors' remuneration		
Audit of these financial statements pursuant to legislation	**22,000**	22,000
Other services relating to taxation	**5,700**	4,400

3 Interest receivable and similar income

	2013 £	2012 £
Bank interest received	**31**	-
	31	-

4 Interest payable and similar charges

	2013 £	2012 £
On bank overdrafts	**255**	28,292
Interest payable on loan notes	**223,645**	-
	223,899	28,292

5 Directors' emoluments

The directors' emoluments for the year are as follows

	2013 £	2012 £
Directors' emoluments (including benefits in kind)	**665,605**	622,069

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £150,391 *(2012 £149,895)*

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees 2013	2012
Sales and support	**23**	14
Administration and back office	**18**	17
Administration – overseas support	**7**	-
	48	31

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**1,539,678**	1,433,071
Social security costs	**155,745**	153,388
	1,695,423	1,586,459

7 Taxation

Analysis of charge in year

	2013 £	2012 £
UK corporation tax		
Current tax on income for the year	-	229,763
Prior year adjustment and claims for Research and Development tax credit	**(101,653)**	(170,755)
Total current tax charge	**(101,653)**	59,008
Deferred tax		
Origination and reversal of timing differences	**(159,601)**	(6,014)
Effect of change in tax rate	-	(43)
Adjustment in respect of prior years	**17,940**	98
Total current tax charge	**(141,661)**	(5,959)
Total tax on (loss)/profit on ordinary activities	**(243,314)**	53,049

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2012 lower)* than the effective rate of corporation tax in the UK of 24 33% *(2012 26 32%)* The differences are explained below

	2013	2012
	£	£
(Loss) / Profit on ordinary activities before taxation	**(3,259,618)**	788,838
Current tax of 24 33% *(2012 26 32%)*	**(792,996)**	207,648
Effects of		
Expenses not deductible for tax purposes	**39,737**	15,783
Fixed asset timing differences	**41,405**	6,332
Losses carried back	**63,426**	-
Additions to tax losses carried forward	**648,428**	-
Adjustments to tax in respect of previous years and R+D credits	**(101,653)**	(170,755)
Total current tax charge as above	**(101,653)**	59,008

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013

This will reduce the company's future current tax charge and the deferred tax asset at 31 January 2013 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date) accordingly

8 Intangible assets

Group and Company	**Development costs**
	£
Cost	
At beginning of year	440,373
Additions	529,063
At end of year	969,436
Amortisation	
At beginning of year	177,795
Charge for year	306,553
At end of year	481 438
Net book value	
At 31 January 2013	**485,088**
At 31 January 2012	262,578

Notes *(continued)*

9 Tangible fixed assets

Group

	Plant and equipment	Office fixtures and fittings	Computer equipment	Tooling	Total
	£	£	£	£	£
Cost					
At beginning of year	205,141	52,682	834,394	-	1,292,217
Adjustment	-	-	-	1,028,237	1,028,237
Restated balance brought forward	205,141	52,682	834,394	1,028,237	2,120,454
Additions	70,161	1,037	150,235	334,655	556,088
Disposals	(44,980)	-	(7,643)	-	(52,623)
Foreign exchange movements	-	(20)	(43)	-	(63)
At end of year	230,322	53,699	976,943	1,362,892	2,623,856
Depreciation					
At beginning of year	103,827	27,884	548,613	-	680,324
Adjustment	-	-	-	498,900	498,900
Restated balance brought forward	103,827	27,884	548,613	498,900	1,179,224
Charge for the year	67,680	11,668	196,567	333,193	609,108
Disposals	(5,620)	-	(1,353)	-	(6,973)
Foreign exchange movements	-	(4)	(12)	-	(16)
At end of year	165,887	39,548	743,815	832,093	1,781,343
Net book value					
At 31 January 2013	**64,435**	**14,151**	**233,128**	**530,799**	**842,513**
At 31 January 2012 (as restated)	101,314	24,798	285,781	529,337	941,230

The prior year balances have been restated to reflect the reclassification of tooling from debtors to tangible fixed assets as disclosed in note 1

Notes *(continued)*

9 Tangible fixed assets *(continued)*

Company

	Plant and equipment	Office fixtures and fittings	Computer equipment	Tooling	Total
	£	£	£	£	£
Cost					
At beginning of year	205,141	48,052	824,443	-	1,077,636
Adjustment	-	-	-	1,028,237	1,028,237
Restated balance brought forward	205,141	48,052	824,443	1,028,237	2 105,873
Additions	70,161	1,037	148,196	251,292	470,686
Disposals	(44,980)	-	(7,643)	-	(52,623)
At end of year	230,322	49,089	964,996	1,279,529	2,523,936
Depreciation					
At beginning of year	103,827	26,992	545,800	-	676,619
Adjustment	-	-	-	498,900	498,900
Restated balance brought forward	103,827	26,992	545,800	498,900	1,175,519
Charge for the year	67,680	11,009	193,861	333,193	605,743
Disposals	(5,620)	-	(1,353)	-	(6,973)
At end of year	165,887	38,001	738,308	832,093	1,774,289
Net book value					
At 31 January 2013	**64,435**	**11,088**	**226,688**	**447,436**	**749,647**
At 31 January 2012 (as restated)	101,314	21,060	278,643	529,337	930,354

The prior year balances have been restated to reflect the reclassification of tooling from debtors to tangible fixed assets as disclosed in note 1

10 Fixed asset investments

Company

	Interest in subsidiary undertaking
	£
Cost	
At beginning of year	-
Additions	798
At end of year	798

During the year the company set up Wow Stuff (H K) Limited, a subsidiary in Hong Kong

Notes *(continued)*

10 Fixed asset investments *(continued)*

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows

	Country of Incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Wow! Stuff (H K) Limited	Hong Kong	Supply Chain Services provider to the Group	100% Ordinary share capital
Wow Stuff USA LLC	USA	Toy Design to the Group	100% Ordinary share capital
WowTown com Limited	England and Wales	Dormant	100% Ordinary share capital
Txt4vid Limited	England and Wales	Dormant	100% Ordinary share capital
NextTopToy Limited	England and Wales	Dormant	100% Ordinary share capital

11 Stock

	Group 2013 £	2012 £	Company 2013 £	2012 £
Component stocks	**699,241**	301,322	**699,241**	301,322
Finished goods and goods held for resale	**443,684**	104,343	**393,935**	101,343
	1,142,925	405,665	**1,093,176**	405,665

12 Debtors

	Group 2013 £	2012 £ As restated	Company 2013 £	2012 £ As restated
Trade debtors	**1,131,881**	471,059	**1,131,881**	471,059
Other debtors	**37,358**	12,008	**35,220**	11,787
Prepayments and accrued income	**174,877**	359,614	**166,679**	357,161
Directors' loan accounts	**38,130**	3,981	**38,130**	3,981
Social security and other taxes	**52,271**	4,287	**52,271**	4,287
Corporation tax repayable	**300,342**	-	**300,342**	
Deferred tax asset (see note 16)	**148,897**	7,236	**148,897**	7,236
Amounts due by group undertakings	**-**	-	**14,076**	15,093
	1,883,756	858,185	**1,887,496**	870,604

During the year the Directors have reclassified tooling balances to with tangible fixed assets This change has been reflected in the comparative numbers for both the Group and Company via a prior year adjustment as disclosed in note 1

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Trade creditors	**1,998,289**	245,387	**1,732,797**	245,350
Corporation tax	**-**	36,251	**-**	36,251
Accruals and deferred income	**392,032**	295,985	**368,733**	294,672
Amounts owed to group undertakings	**-**	-	**95,100**	-
	2,390,321	577,623	**2,196,630**	576,273

14 Creditors: amounts falling due after more than one year

	Group 2013 £	2012 £	Company 2013 £	2012 £
Loan notes	**1,930,173**	-	**1,930,173**	-

15 Analysis of debt

	Group 2013 £	2012 £	Company 2013 £	2012 £
Within one year	**-**	-	**-**	-
In the second to fifth years	**1,930,173**	-	**1,930,173**	-
Over five years	**-**	-	**-**	-
Less capitalised debt issue costs	**-**	-	**-**	-
	1,930,173	-	**1,930,173**	-

Bank loans and overdrafts are secured on the assets of the business

The loans (net of issues costs amortisation) relate to £2m 8% loan notes (interest being rolled up and repayable with capital) in favour of the Business Growth fund, repayable February 2017

Notes *(continued)*

16 Provisions for liabilities

Group and Company

	Deferred tax
	£
At beginning of year liability	(7,236)
Credit to the profit and loss account	(141,661)
Deferred tax asset (see note 12)	**(148,897)**

Deferred tax

Deferred tax is provided at 23% *(2012 25%)*

	2013	2012
	£	£
Accelerated capital allowances asset	**(29,297)**	(7,236)
Tax losses	**(119,600)**	-
	(148,897)	(7,236)

The company has identified an additional deferred tax asset of £493,382 *(2012 £nil)* relating to unrelieved tax losses which has not been recognised due to the forecast timing of sufficient taxable profits in the future, against which the underlying timing differences can be deducted cannot be seen with reasonable certainty

17 Called up share capital

	2013	2012
	£	£
Allotted, called up and fully paid – Ordinary shares		
10,000 ordinary shares of £1 each	**10,000**	10,000
Allotted, called up and fully paid – A Ordinary shares		
1,839 A ordinary shares of £1 each	**1,839**	-

During the year the Company issued 1,839 of a new class of £1 A Ordinary shares for a consideration of £1,500,000, settled in cash

18 Share premium and reserves

Group	Share premium account	Profit and loss account
	£	£
At beginning of year	-	2,504,883
Issue of Ishares	1,300,171	-
Loss for the year	-	(3,016,304)
At end of year	**1,300,171**	**(511,421)**

Notes *(continued)*

18 Share premium and reserves *(continued)*

Company	Share premium account £	Profit and loss account £
At beginning of year	-	2,504,995
Issue of shares	1,300,171	-
Loss for the year	-	(3,016,304)
At end of year	**1,300,171**	**(511,309)**

There were no dividends paid during the year *(2012 £nil)*

19 Related party disclosures

Group

Controlling party

The Group was controlled by R North by virtue of his interest in a majority of the called up share capital

Related party transactions

During the year the company rented warehouse storage space on commercial terms for 5 months from R North The total value of rental, rates and associated payments paid to R North was £15,000

At 31 January 2012 R North had given personal guarantees of £700,000 to secure the companies borrowings Following restructuring of the company's funding with the investment in the business by the Business Growth Fund plc these guarantees were cancelled

Directors' loan accounts

The following balances owed by/(to) the directors were outstanding at the year end

	2013 £	2012 £
R North	-	(20,180)
GJ Taylor	-	14,706
K McAndrew	-	(23,429)
J Birch	**38,130**	32,884
	38,130	3,981

Notes *(continued)*

20 Reconciliation of operating (loss) / profit to operating cash flows

Group

	2013 £	2012 £
Operating (loss)/profit	**(3,035,750)**	818,328
Depreciation, amortisation	**915,661**	662,833
Loss/(profit) on sale of fixed assets	**11,167**	(3,700)
Increase in stocks	**(737,260)**	(260,105)
(Increase)/decrease in debtors	**(582,256)**	1,157,694
Increase/(decrease) in creditors	**1,848,949**	(845,734)
Net cash (outflow)/inflow from operating activities	**(1,579,489)**	1,529,316

21 Analysis of cash flows

	Note	2013 £	2013 £	2012 £	2012 £
Returns on investment and servicing of finance					
Interest received		**31**		-	
Interest paid		**(29,740)**		(28,292)	
			(29,709)		(28,292)
Capital expenditure and financial investment					
Purchase of tangible and intangible fixed assets		**(1,085,151)**		(1,017,477)	
Sale of tangible fixed assets		**34,483**		25,118	
			(1,050,668)		(992,359)
Financing					
Issue of A ordinary share capital net of fees paid		**1,302,010**		-	
New borrowings net of fees paid		**1,736,014**		-	
			3,038,024		-

Notes *(continued)*

22 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	624,848	141,953	-	**766,801**
Debt due after one year	-	(1,736,014)	(194,159)	**(1,930,173)**
Total	624,848	(1,594,061)	(194,159)	**(1,163,372)**

23 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2013 Land and buildings	**Other**	2012 Land and buildings	Other
Group and company	**£**	**£**	£	£
Operating leases which expire				
Within one year	**22,192**	**45,359**	46,519	21 571
In the second to fifth years inclusive	**47,325**	**23,590**	-	62,137
	69,516	**68,949**	46,519	83,708

24 Post balance sheet events

On 6 March 2013 the company raised further loans from directors (£550,000 – 5% interest and capital repayable February 2015), and from the minority investor the Business Growth Fund (£450,000 – 10% interest repayable February 2015)

On 10 December 2013 the business raised an additional £1 55m investment from the minority investor as a mixture of loan notes (£1 54m) and A Ordinary shares £0 01m These new 10% loan notes are repayable in 2 tranches in 2015 (£0 89m) and 2017 (£0 65m)

Also on 10 December 2013 the business acquired 100% of the share capital of Kablamm Limited, a toy design and intellectual property company The company was acquired for cash consideration of £206,000

None of these events is considered by the directors to be adjusting post-balance sheet events