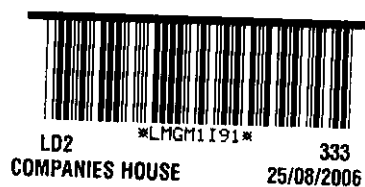


**The Disney Store Limited**  
**(Registered Number 2523767)**

**Directors' Report and Financial Statements**  
**Year ended 30 September 2005**



# **The Disney Store Limited**

## **Directors' Report For The Year Ended 30 September 2005**

The directors present their report and the audited financial statements of the company for the year ended 30 September 2005.

### **Principal activities, review of business and future developments**

The company's principal activity during the year was the speciality retail of Disney merchandise. Sales decreased year over year from 2004 due to a general decline in the UK retail industry.

The loss for the period after taxation amounted to £14,925,000 (2004 loss of £9,416,000). The directors do not recommend that a dividend is paid for the year ended 30 September 2005 (2004: £nil).

### **Directors**

The directors who held office during the year are given below:

Marsha L Reed	
John C. Davies	(Appointed on 3 <sup>rd</sup> November 2003, Resigned on 1 <sup>st</sup> April 2005)
Sue L. Shepherd	(Appointed on 5 <sup>th</sup> April 2004, Resigned on 9 <sup>th</sup> May 2005)
Nigel Cook	(Appointed on 1 <sup>st</sup> April 2005)
John Hobson	(Appointed on 9 <sup>th</sup> May 2005)

No director had an interest in the share capital of the company or any other company within the Walt Disney Company group during the year requiring disclosure under the Companies Act 1985.

### **Company Secretary**

Peter L Wiley	(Resigned 3 <sup>rd</sup> November 2004)
Sue L. Shepherd	(Appointed 3 <sup>rd</sup> November 2004, Resigned on 9 <sup>th</sup> May 2005)
Nigel Cook	(Appointed 9 <sup>th</sup> May 2005)

### **Employment policy**

The company is an Equal Opportunity Employer – no cast member or job applicant will receive less favourable treatment on the grounds of race, colour, religion, ethnic or national origins, sex, age or disability.

This policy will be applied in the context of all conditions of work, including selection, employment, pay and benefit, facilities, promotion and training by the management, cast and its agents.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

# **The Disney Store Limited**

## **Directors' Report**

**For The Year Ended 30 September 2005** (Continued)

### **Employment policy (continued)**

The company places considerable value in the involvement of its employees and has continued its previous practice of keeping them well informed on matters affecting them as employees and the financial and economic performance of their business units and of the company as a whole. This is achieved through formal and informal meetings and the company magazine.

### **Statement of directors' responsibilities**

#### **Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

#### **Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'N Cook', is written over a horizontal line.

**N Cook**

**28 July 2006**

## **Independent Auditors' Report To The Members Of The Disney Store Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

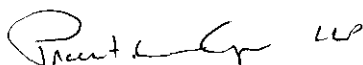
### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6RH

28 July 2006

# The Disney Store Limited

## Profit And Loss Account For The Year Ended 30 September 2005

	Note	2005 £'000	2004 £'000
<b>Turnover</b>	1	95,262	99,931
<b>Cost of sales</b>		(45,274)	(47,628)
<b>Gross profit</b>		49,988	52,303
Distribution costs		(6,319)	(5,894)
Administrative costs		(57,354)	(55,786)
<b>Operating loss</b>	2	(13,685)	(9,377)
Interest receivable and similar income	5	209	295
Interest payable and similar charges	5	(1,701)	(766)
<b>Loss on ordinary activities before taxation</b>		(15,177)	(9,848)
Taxation on loss on ordinary activities	6	252	432
<b>Loss for the financial year</b>	15	(14,925)	(9,416)
<b>Opening reserves</b>		(37,248)	(27,832)
<b>Closing reserves</b>		(52,173)	(37,248)

All of the above transactions relate to continuing operations.

There were no recognised gains and losses for the year, other than the loss for the current and prior years, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The notes on pages 7 to 16 represent an integral part of the financial statements.

# The Disney Store Limited


## Balance Sheet

As at 30 September 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	7	6,936	9,928
<b>Current assets</b>			
Stock	8	20,932	30,663
Debtors	9	11,273	13,709
Cash at bank and in hand		6,527	2,706
		<b>38,732</b>	<b>47,078</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(40,880)</b>	<b>(37,293)</b>
<b>Net current assets</b>		<b>(2,148)</b>	<b>9,785</b>
<b>Total assets less current liabilities</b>		<b>4,788</b>	<b>19,713</b>
<b>Creditors: amounts falling due after more than one year</b>	11	<b>(18,000)</b>	<b>(18,000)</b>
		<b>(13,212)</b>	<b>1,713</b>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Share premium account	15	38,961	38,961
Profit and loss account	15	(52,173)	(37,248)
<b>Total equity shareholders' funds</b>		<b>(13,212)</b>	<b>1,713</b>

The notes on pages 7 to 16 represent an integral part of the financial statements.

The financial statements on pages 5 to 16 were approved by the board of directors on 28 July 2006 and were signed on its behalf by:



N Cook

28 July 2006

# **The Disney Store Limited**

## **Notes to the Financial Statements For The Year Ended 30 September 2005**

### **1 Accounting Policies**

#### **Basis of preparation**

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards on a consistent basis with prior year. The principal accounting policies are set out below.

#### **Cash flow statement**

The company is a wholly-owned subsidiary of the Walt Disney Company, and is included in the consolidated financial statements of the Walt Disney Company, which are publicly available. In accordance with the provisions of Financial Reporting Standard 1 (revised 1996) 'Cash Flow Statements' the company has elected not to produce a cash flow statement.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over their estimated useful lives as follows:

Leasehold improvements:	the lesser of 10 years or the remaining term of the lease
Office equipment, furniture, fixtures and fittings	3 -10 years

Depreciation is not provided on construction in progress.

#### **Leased assets**

Operating lease payments are charged to the profit and loss account as incurred.

#### **Impairment of fixed assets**

Fixed assets are assessed for impairment by comparing their carrying values to the future discounted cash flows expected to be generated by these assets, whenever events or changes in circumstances indicate that an impairment may exist. For the purpose of this assessment, the smallest grouping of assets in respect of which separately identifiable and largely independent cash flows can be identified is considered to be an individual store.

#### **Stock**

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

#### **Pre-opening costs**

Expenditure other than on tangible fixed assets, incurred in relation to individual store sites prior to store opening is written off as incurred.

# **The Disney Store Limited**

## **Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)**

### **1 Accounting Policies (Continued)**

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **Translation of foreign currencies**

Assets and liabilities in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the rates ruling at the balance sheet date or at the contracted rate where the underlying exposure has been hedged. All exchange differences thus arising are reported as part of the profit and loss account for the year.

#### **Pensions**

The company makes pension commitments to employee's individual pension plans. The company contribution is to match employee contributions up to a limit of 4% or 6% of employee salaries depending on the employee's position in the company. Contributions to individual pension plans are charged to the profit and loss account in the year they fall due. The total amount relating to these plans for the year ended 30 September 2005 was £159,021 (2004: £179,004).

#### **Turnover**

Turnover represents the amounts receivable for goods supplied to customers during the period exclusive of value added tax.



# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 2 Operating loss

Operating loss is stated after charging/(crediting):

	2005 £'000	2004 £'000
Auditors' remuneration – audit services	61	35
– other services	-	3
Depreciation of owned assets	3,349	3,266
Loss on disposal of tangible fixed assets	57	20
Operating lease rentals		
- Land and buildings	14,375	14,010
- Plant and equipment	111	91

### 3 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	171	341
Pension contributions	8	30
	179	371

The emoluments of the highest paid director were £100,328 (2004: £279,839) in respect of salaries, fees, bonuses and benefits and £4,034 (2004: £27,124) in respect of pension contributions.

Retirement benefits are accruing in relation to 3 directors (2004: 2 directors) under a money purchase scheme.

During the year no directors (2004:nil) exercised options over company shares in Walt Disney Company Inc.

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 4 Staff costs (including directors' emoluments)

	2005 £'000	2004 £'000
Wages and salaries	17,114	16,557
Social security costs	988	992
Other pension costs	159	179
	<b>18,261</b>	<b>17,728</b>

The average number of employees during the year was made up as follows:

	2005	2004
Administration	149	170
Retail - full time	187	176
- part time	1,030	943
Distribution	155	157
	<b>1,521</b>	<b>1,446</b>

### 5 Interest receivable and payable

#### Interest receivable

	2005 £'000	2004 £'000
Bank interest receivable	209	295
	<b>209</b>	<b>295</b>

#### Interest payable

	2005 £'000	2004 £'000
Interest due on group loan	1,462	763
Other interest	239	3
	<b>1,701</b>	<b>766</b>

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 6 Tax on loss on ordinary activities

The credit for taxation based upon the taxable loss for the year is comprised of:

	2005 £'000	2004 £'000
<b>Current tax</b>		
UK Corporation tax at 30% (2003: 30%)	-	-
Prior year adjustment	24	(142)
<b>Total Current Tax</b>	<b>24</b>	<b>(142)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences		
Current year	(513)	(290)
Prior year	237	-
<b>Total deferred tax (note 12)</b>	<b>(276)</b>	<b>(290)</b>
<b>Tax credit on loss on ordinary activities</b>	<b>(252)</b>	<b>(432)</b>

### Factors affecting the tax credit for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
<b>Loss on ordinary activities before tax</b>	<b>(15,177)</b>	<b>(9,848)</b>
Loss on ordinary activities		
multiplied by the standard rate in the UK of 30% (2004: 30%)	(4,553)	(2,954)
Effects of:		
Expenses not deductible for tax purposes	209	498
Accelerated capital allowances and other timing differences	723	286
Losses surrendered as group relief	3,621	2,170
Prior year adjustment	24	(142)
<b>Current tax charge / (credit) for period</b>	<b>24</b>	<b>(142)</b>

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 7 Tangible assets

	Leasehold Improvements £'000	Office equipment, furniture, fixtures and fittings £'000	Construction In Process £'000	Total £'000
<b>Cost</b>				
At 1 October 2004	17,445	23,792	1,300	42,537
Additions	-	-	414	414
Disposals	(382)	(20)	-	(402)
Transfers	-	1,607	(1,607)	-
<b>At 30 September 2005</b>	<b>17,063</b>	<b>25,379</b>	<b>107</b>	<b>42,549</b>
<b>Depreciation</b>				
At 1 October 2004	(13,022)	(19,587)	-	(32,609)
Charge for the year	(1,370)	(1,979)	-	(3,349)
Disposals	341	4	-	345
<b>At 30 September 2005</b>	<b>(14,051)</b>	<b>(21,562)</b>	<b>-</b>	<b>(35,613)</b>
<b>Net book amount</b>				
<b>At 30 September 2005</b>	<b>3,012</b>	<b>3,817</b>	<b>107</b>	<b>6,936</b>
At 1 October 2004	4,423	4,205	1,300	9,928

### 8 Stocks

	2005 £'000	2004 £'000
Consumables	350	341
Goods for resale	20,582	30,322
	<b>20,932</b>	<b>30,663</b>

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 9 Debtors

	2005 £'000	2004 £'000
Amounts due from group undertakings	4,905	7,988
Other debtors	1,245	1,440
Prepayments and accrued income	4,779	4,213
Deferred tax asset	344	68
	<b>11,273</b>	<b>13,709</b>

### 10 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	12,288	12,813
Amounts owed to group undertakings	23,548	20,202
Taxes and social security costs	288	334
Accruals and deferred income	4,756	3,944
	<b>40,880</b>	<b>37,293</b>

### 11 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
<b>Amounts payable within two to five years:</b>		
Amounts owed to group undertaking	18,000	18,000
	<b>18,000</b>	<b>18,000</b>

The £18,000,000 due to group undertaking bears interest at 4.74%, is unsecured and has no fixed repayment date.

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 12 Deferred tax

Deferred tax is provided in the accounts as follows:

	2005 £'000	2004 £'000
Accelerated capital allowances	(130)	210
Short term timing differences	(214)	(278)
	<u>(344)</u>	<u>(68)</u>
At 1 October 2004	(68)	222
Charge to the profit and loss account		
Current year	(513)	(290)
Prior year	237	-
	<u>(344)</u>	<u>(68)</u>
Deferred tax provided at 30 September 2005	(344)	(68)

A potential deferred tax asset of £3,287,731 (2004: £3,287,731) relating to unutilised losses has not been recognised. These losses will be off settable against taxable profits and currently the timing of the recoverability of the asset is relatively uncertain.

# The Disney Store Limited

## Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)

### 13 Lease obligations

Annual operating lease commitments in the next financial year under non-cancellable operating leases on land and buildings by expiry date:

	2005 £'000	2004 £'000
The maturity of these amounts is as follows:		
Within one year	4,506	-
Within two to five years	9,524	4,637
After five years	311	9,496
	<b>14,341</b>	<b>14,133</b>

Other operating lease commitments in relation to store sites, are based on a percentage of the stores' sales and are not subject to a minimum annual amount.

Annual operating lease commitments in the next financial year on plant and machinery by expiry date:

	2005 £'000	2004 £'000
The maturity of these amounts is as follows:		
Within one year	13	15
Within two to five years	56	52
	<b>69</b>	<b>67</b>

### 14 Called up share capital

	2005 £	Authorised 2004 £	Allotted and fully paid 2005 £	2004 £
Equity				
Ordinary Shares of £1 each	<b>101</b>	101	<b>101</b>	101

### 15 Reconciliation of movements in equity shareholders' funds

	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 October 2004	38,961	(37,248)	1,713
Loss for the year	-	(14,925)	(14,925)
At 30 September 2005	<b>38,961</b>	<b>(52,173)</b>	<b>(13,212)</b>

There have been no movements in shareholders' funds for the period other than as shown above.

# **The Disney Store Limited**

## **Notes to the Financial Statements For The Year Ended 30 September 2005 (Continued)**

### **16 Ultimate Parent Undertaking**

The intermediate parent undertaking is Walt Disney International (UK) Limited, a company registered in England.

The ultimate parent undertaking and the largest company for which group accounts are drawn up and of which the company is a member is The Walt Disney Company, incorporated in the United States of America. Accounts can be requested from:

The Walt Disney Company  
500 Buena Vista Street  
Burbank, CA 91521  
USA

The group accounts of Walt Disney International (UK) Limited represent the smallest group for which accounts, including the company, are prepared. Accounts can be requested from:

Walt Disney International (UK) Limited  
3 Queen Caroline Street  
Hammersmith  
London W6 9PE

### **17 Related Party Transactions**

As a wholly owned subsidiary of The Walt Disney Company, the company has taken advantage of the exemption contained within Financial Reporting Standard No 8 (Related Party Transactions) not to disclose related party transactions with other members of The Walt Disney Company group of companies which are at least 90% owned by the ultimate parent. There were no other related party transactions during the year.