

The Disney Store Limited
(Registered Number 2523767)

Directors' Report and Financial Statements
Year ended 29 September 2007

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The Disney Store Limited

Directors' Report For The Year Ended 29 September 2007

The directors present their report and the audited financial statements of the Company for the year ended 29 September 2007

Principal activities, review of business and future developments

The company's principal activity during the year was the speciality retail of Disney merchandise. Sales increased year over year from 2006 due to stronger franchises, capital investment in the store portfolio and a general increase in the UK retail industry.

The loss for the period after taxation amounted to £5,348,000 (2006 profit of £983,000). The directors do not recommend that a dividend is paid for the year ended 29 September 2007 (2006 £nil).

The Directors are satisfied with the performance of the Company and look forward to the future with optimism.

Principal risks and uncertainties and future outlook

From the perspective of the company, its principal risks and uncertainties and future outlook are integrated with those of Walt Disney International Limited Group ("the group") and are not managed separately. Accordingly, Walt Disney International Limited's annual report should be referred to in order to gain a more detailed understanding of business performance and related risks and uncertainties.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

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

Marsha L Reed
Nigel Cook
John Hobson

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

Company Secretary

Nigel Cook

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.

The Disney Store Limited

Directors' Report

For The Year Ended 29 September 2007 (Continued)

Employment policy (continued)

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 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.

Provision of Information to Auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report". Each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 29 September 2007 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

An elective resolution has been passed to dispense with the obligation to annually reappoint the auditors, and therefore PricewaterhouseCoopers LLP are deemed to be reappointed for the next financial year.

By order of the board

N Cook



21st May 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE DISNEY STORE LIMITED

We have audited the financial statements of The Disney Store Limited for the year ended 29 September 2007 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

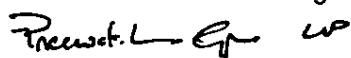
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 September 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21st May 2008

The Disney Store Limited

Profit And Loss Account For The Year Ended 29 September 2007

	Note	2007 £'000	2006 £'000 (as represented)
Turnover	1	91,655	89,246
Cost of sales	2	(37,043)	(36,915)
Gross profit		54,612	52,331
Distribution costs	2	(6,291)	(5,804)
Administrative costs	2	(53,750)	(51,313)
Operating loss	3,5	(5,429)	(4,786)
Interest receivable and similar income	6	229	282
Interest payable and similar charges	6	(1,375)	(1,275)
Loss on ordinary activities before taxation		(6,575)	(5,779)
Taxation on loss on ordinary activities	7	1,227	6,762
(Loss)/ Profit for the financial year	16	(5,348)	983
Opening reserves		(51,190)	(52,173)
Closing reserves		(56,538)	(51,190)

All of the above transactions relate to continuing operations

There were no recognised gains and losses for the year, other than the profit for the current year, 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 17 represent an integral part of the financial statements

The Disney Store Limited

Balance Sheet As At 29 September 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible fixed assets	8	6,127	5,151
Current assets			
Stock	9	20,256	21,039
Debtors	10, 13	17,232	16,629
Cash at bank and in hand		797	2,246
		38,285	39,914
Creditors amounts falling due within one year	11	(43,989)	(39,294)
Net current (liabilities)/ assets		(5,704)	620
Total assets less current liabilities		423	5,771
Creditors: amounts falling due after more than one year	12	(18,000)	(18,000)
Provisions for liabilities and charges		-	-
Net Liabilities		(17,577)	(12,229)
Capital and reserves			
Called up share capital	15	-	-
Share premium account	16	38,961	38,961
Profit and loss account	16	(56,538)	(51,190)
Total equity shareholders' funds		(17,577)	(12,229)

The notes on pages 7 to 17 represent an integral part of the financial statements

The financial statements on pages 5 to 17 were approved by the board of directors on 21st May 2008 and were signed on its behalf by



N Cook

21st May 2008

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

1 Accounting Policies

Basis of preparation

These 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 basis consistent with the prior year. The financial statements have been prepared on a going concern basis as the intermediate parent company, Walt Disney International Limited, has indicated its intention to continue to support the company for a period of twelve months from the date of approval of these financial statements. 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.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand, demand deposits and other cash in transit.

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
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Office equipment, furniture, fixtures and fittings	3 -10 years
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Depreciation is not provided on construction in progress.

Leased assets

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

Lease incentives

Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

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.

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

1 Accounting Policies (Continued)

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

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.

Turnover

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

Change of Accounting Policies

The company has adopted FRS 20 "Share-based payments" during the period. However the impact of adopting this standard was deemed insignificant for the current period financial

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

1 Accounting Policies (Continued)

statements

The company adopted FRS 21 "Events after the Balance Sheet Date", FRS 28 "Corresponding Amounts" and the presentation requirements of FRS 25 "Financial Instruments Disclosure and Presentation", in the 2006 financial statements. The adoption of the standards represent a change in accounting policy which has had no impact on the prior year figures.

2 Comparative Figures

The comparative figures for the cost of sales, distribution costs and administrative expenses have been adjusted to reflect a reclassification between the administrative and distribution activities of the group. The effect is as follows:

	As previously recorded	Transfer	2006 (as represented)
	£'000	£'000	£'000
Cost of Sales	(38,096)	1,181	(36,915)
Distribution costs	(5,820)	16	(5,804)
Administrative Expenses	(50,116)	(1,197)	(51,313)
	(94,032)	-	(94,032)

3 Operating loss on ordinary activities before taxation

Operating loss is stated after charging/(crediting)

	2007 £'000	2006 £'000
Auditors' remuneration – audit services	87	73
– other services	-	-
Depreciation and Impairment of owned assets	2,166	2,363
Loss on disposal of tangible fixed assets	4	13
Operating lease rentals		
- Land and buildings	14,525	13,067
- Plant and equipment	57	40
Foreign exchange losses	1	768

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

4 Directors' emoluments

	2007 £'000	2006 £'000 (as restated)
Aggregate emoluments	341	265
Company contributions paid to pension scheme	15	10
Highest paid Director		
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	327	256
Company contributions paid to pension schemes	14	10

Retirement benefits are accruing in relation to two directors (2006 3 directors) under a money purchase scheme. During the year two directors (2006 2 directors) exercised options over company shares in The Walt Disney Company Limited.

The comparative figures for the Directors' emoluments have been adjusted to reflect the proportion of time spent by each director working for The Disney Stores Limited.

5 Staff costs (including directors' emoluments)

	2007 £'000	2006 £'000
Wages and salaries	18,705	16,892
Social security costs	1,206	981
Other pension costs	297	187
	20,208	18,060

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

	2007 £'000	2006 £'000
Administration	192	154
Retail - full time	162	183
- part time	1,018	921
Distribution	149	152
	1,521	1,410

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

6 Interest receivable and payable

Interest receivable

	2007 £'000	2006 £'000
Bank interest receivable	229	282
	229	282

Interest payable

	2007 £'000	2006 £'000
Interest due on group loan	957	898
Other Interest due to group companies	359	374
External Interest	59	3
	1,375	1,275

7 Tax on profit on ordinary activities

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

	2007 £'000	2006 £'000
Current tax		
UK Corporation tax at 30% (2006 30%)	(1,363)	(1,017)
Prior year adjustment	219	(5,705)
Total Current Tax	(1,144)	(6,722)
Deferred tax		
Origination and reversal of timing differences		
Current year	(271)	(255)
Prior year	188	214
Total deferred tax (note 13)	(83)	(40)
Tax on loss on ordinary activities	(1,227)	(6,762)

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

7 Tax on profit on ordinary activities (Continued)

Factors affecting the tax (credit) charge 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

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(6,575)	(5,779)
Loss on ordinary activities multiplied by the standard rate in the UK of 30% (2006 30%)	(1,973)	(1,733)
Effects of		
Expenses not deductible for tax purposes	149	47
Accelerated capital allowances and other timing differences	461	669
Losses surrendered as group relief		-
Prior year adjustment	219	(5,705)
Current tax (credit) charge for period	(1,144)	(6,722)

The prior year adjustment in 2006 includes the payment received from group companies for the surrender of the company's losses in prior years

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

8 Tangible fixed assets

	Leasehold Improvements £'000	Office equipment, furniture, fixtures and fittings £'000	Construction In Progress £'000	Total £'000
Cost				
At 1 October 2006	16,589	25,227	604	42,420
Additions	903	343	1,900	3,146
Disposals	-	(157)	-	(157)
Transfers	138	258	(396)	-
At 29 September 2007	17,630	25,671	2,108	45,409
Accumulated Depreciation				
At 1 October 2006	(14,530)	(22,739)	-	(37,269)
Charge for the year	(838)	(1,328)	-	(2,166)
Disposals	-	153	-	153
At 29 September 2007	(15,368)	(23,914)	-	(39,282)
Net book amount At 29 September 2007	2,262	1,757	2,108	6,127
At 1 October 2006	2,059	2,488	604	5,151

9 Stock

	2007 £'000	2006 £'000
Consumables	541	424
Goods for resale	19,715	20,615
	20,256	21,039

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

10 Debtors

	2007 £'000	2006 £'000
Amounts due from group undertakings	8,934	9,538
Other debtors	1,652	2,210
Taxes Recoverable from group undertakings	1,345	-
Prepayments and accrued income	4,834	4,497
Deferred tax asset	467	384
	17,232	16,629

A portion of the amounts owed by group undertakings are unsecured, repayable on demand and interest bearing. The remaining amounts owed by group undertakings are unsecured, repayable on demand and interest free.

11 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	15,716	15,202
Amounts owed to group undertakings	22,171	17,243
Taxes and social security costs	454	652
Accruals and deferred income	5,648	6,197
	43,989	39,294

A portion of the amounts owed to fellow subsidiary undertakings are unsecured, repayable on demand and interest bearing. The remaining amounts owed to group undertakings are unsecured, repayable on demand and interest free.

12 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts payable within two to five years		
Amounts owed to group undertaking	18,000	18,000
	18,000	18,000

The £18,000,000 due to group undertaking bears interest at 4.78% (2006: 4.78%), is unsecured and has no fixed repayment date.

The Disney Store Limited

Notes to the Financial Statements For The Year Ended 29 September 2007

13 Deferred Income Tax

Deferred tax is provided in the accounts as follows

	2007 £'000	2006 £'000
Accelerated capital allowances	(467)	(384)
	(467)	(384)
At 1 October 2006	(384)	(344)
Charge to the profit and loss account		
Current year	(271)	(255)
Prior year	188	214
Deferred tax provided at 29 September 2007	(467)	(384)

A potential deferred tax asset of £3,068,549 (2006 £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 29 September 2007

14 Lease obligations

Annual operating lease commitments under non-cancellable operating leases on land and buildings by expiry date

	2007 £'000	2006 £'000
The maturity of these amounts is as follows		
Within one year	1,154	4,136
Within two to five years	10,058	11,011
After five years	111	254
	11,323	15,401

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 on plant and machinery by expiry date

	2007 £'000	2006 £'000
The maturity of these amounts is as follows		
Within one year	19	31
Within two to five years	28	36
	47	67

15 Called up share capital

	Authorised 2007 £	2006 £	Allotted and fully paid 2007 £	2006 £
Equity				
Ordinary Shares of £1 each	101	101	101	101

16 Reconciliation of movements in equity shareholders' funds

	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 October 2006	38,961	(51,190)	(12,229)
Loss for the year	-	(5,348)	(5,348)
At 29 September 2007	38,961	(56,538)	(17,577)

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 29 September 2007

17 Ultimate Parent Undertaking

Ultimate parent

The Walt Disney Company Limited is a wholly owned subsidiary of Walt Disney International Limited whose ultimate parent is the The Walt Disney Company, incorporated in the United States of America

Parent undertaking

The largest and smallest group for which consolidated accounts are prepared and of which the Company is a member are as follows

	Largest	Smallest
Name	The Walt Disney Company	Walt Disney International Limited
Country of Incorporation	United States of America	England
Address from where copies of the group accounts can be obtained	500 South Buena Vista St Burbank, California 91521-9722 USA	3 Queen Caroline St Hammersmith London W6 9PE

18 Related Party Transactions

The Company is a wholly owned subsidiary of Walt Disney International Limited whose ultimate parent is The Walt Disney Company and utilises the exemption contained in FRS 8, Related Party Disclosures, not to disclose any transactions with entities that are included in the consolidated financial statements of The Walt Disney Company. There were no other related party transactions during the year.