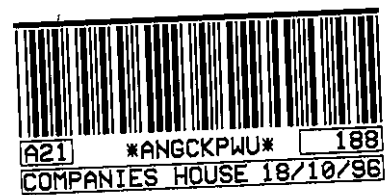


THE DISNEY STORE LIMITED
(Registered Number: 2523767)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1995



THE DISNEY STORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1995 (Registered Number: 2523767)

The directors submit their annual report and the accounts of the company for the year ended 30 September 1995.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company during the year was the retail of Disney merchandise. The company will continue to promote its principal activity.

On 25 September 1996, the company received £38,961,000 in capital contribution from Walt Disney Holdings (UK) Limited in exchange for one ordinary share of £1 par value at a premium of £38,960,999.

RESULTS AND DIVIDENDS

The loss after tax for the year amounts to £3,295,000 (1994: £5,830,000). The continuing losses are due to the start-up nature of the operation. In the face of the continuing recession, the development of the business is satisfactory.

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors of the company who served during the year and since the year end were as follows:

Barton K Boyd	(Appointed 30 April 1996)
Clive JG Lewis	
Sanford M Litvack	
Mark R Lilly	
Richard D Nanula	(Appointed 27 February 1995) (Resigned 6 February 1996)
Marsha L Reed	
Paul S Pressler	(Resigned 27 February 1995)
John S Masters	(Appointed 10 February 1995)
David C Davies	(Appointed 30 April 1996)
Thomas Heyman	(Appointed 1 February 1996)

None of the directors had a beneficial interest in the shares of the company.

FIXED ASSETS

The movement in the company's tangible fixed assets during the year is disclosed in Note 6 to the accounts.

DISABLED EMPLOYEES

The Company is an Equal Opportunity Employer - no Cast Member or job applicants 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 benefits, facilities, promotion and training by the Management, Cast and its agents.

THE DISNEY STORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1995 **(Registered Number: 2523767)**

EMPLOYEE COMMUNICATIONS

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and the company magazine.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those 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 accounting standards have been followed, subject to any material departures being 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

By Order of the Board



David Davies
Director

15 October 1996



AUDITORS' REPORT TO THE MEMBERS OF THE DISNEY STORE LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 judgements 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 as at 30 September 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

15 October 1996

THE DISNEY STORE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1995

	12 months to 30 September 1995 £'000	12 months to 1 October 1994 £'000
TURNOVER - Continuing activities (Note 2)	46,415	33,069
COST OF SALES	<u>20,653</u>	<u>15,203</u>
GROSS PROFIT	25,762	17,866
Distribution costs	(2,027)	(2,308)
Administration expenses	<u>(24,160)</u>	<u>(19,818)</u>
OPERATING LOSS - Continuing activities	(425)	(4,260)
LOSS ON SALE OF FIXED ASSETS	<u>(12)</u>	<u>(30)</u>
OPERATING LOSS BEFORE INTEREST	(437)	(4,290)
Interest payable	(3,121)	(1,649)
Interest receivable	<u>263</u>	<u>109</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	<u>(3,295)</u>	<u>(5,830)</u>
Taxation (Note 5)		
LOSS FOR THE PERIOD	(3,295)	(5,830)
RETAINED LOSS BROUGHT FORWARD	<u>(17,581)</u>	<u>(11,751)</u>
RETAINED LOSS CARRIED FORWARD	<u>(20,876)</u>	<u>(17,581)</u>

There were no other recognised gains and losses in the accounting period.

The notes on pages 6 to 12 form part of these accounts.

THE DISNEY STORE LIMITED

BALANCE SHEET - 30 SEPTEMBER 1995

	30 September 1995		1 October 1994	
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Tangible assets (Note 6)		15,694		12,872
CURRENT ASSETS				
Stocks (Note 7)	14,555		9,982	
Debtors (Note 8)	12,600		15,708	
Cash at bank and in hand	<u>6,076</u>		<u>2,081</u>	
	33,231		27,771	
CREDITORS (amounts falling due within one year) (Note 9)	<u>(11,993)</u>		<u>(7,235)</u>	
NET CURRENT ASSETS		<u>21,238</u>		<u>20,536</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		36,932		33,408
CREDITORS (amounts falling due after more than one year) (Note 10)		<u>(57,808)</u>		<u>(50,989)</u>
		<u>(20,876)</u>		<u>(17,581)</u>
CAPITAL AND RESERVES				
Called up share capital (Note 14)		<u>(20,876)</u>		<u>(17,581)</u>
Profit and loss account		<u>(20,876)</u>		<u>(17,581)</u>

Approved by the Board of Directors on 15 October 1996 and signed on their behalf by:



David Davies
Director

The notes on pages 6 to 12 form part of these accounts.

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995

1 ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(1) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets over their estimated useful lives. The principal annual rates in use are:

Leasehold improvements	- over the remaining term of the lease
Office equipment, furniture fixtures and fittings	- 5 to 7 years

(2) Deferred taxation

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes, unless such timing differences are likely to give rise to a taxation liability in the foreseeable future.

(3) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the appropriate rates ruling at the balance sheet date. Translation and other foreign exchange gains or losses are taken to the profit and loss account.

(4) Leased assets

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

(5) Pension commitments

The company makes pension contribution to employees' individual pension plans. The company contribution is a £1 to £1 match up to a limit of 4% or 6% of employee salaries depending on the employee's position in the company. Contributions to the individual pension plans are charged to the profit and loss account in the year paid. The total amount relating to these plans for the year ending 30 September 1995 was £94,015 (1994: £53,991).

(6) Stocks

Stocks are valued at the lower of costs and net realisable value.

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(7) Intangible fixed assets

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

(8) Cash flow statement

The company is a wholly owned subsidiary of Walt Disney Holdings (UK) Limited. In accordance with the provisions of Financial Reporting Standard 1 "Cash Flow Statements" the company has elected not to produce a cash flow statement.

2 TURNOVER

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

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	12 months to 30 September 1995 £'000	12 months to 1 October 1994 £'000
Staff Costs:		
Wages and salaries	8,964	5,954
Social security costs	660	471
Pension costs	94	54
Depreciation of tangible fixed assets	2,594	1,791
Auditors' remuneration	13	13
Operating lease rental - land and buildings	<u>5,439</u>	<u>3,913</u>

The average number of employees:

Administration	106	82
Retail - full time	164	105
- part time	895	590
Distribution	<u>68</u>	<u>51</u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

4 DIRECTORS' EMOLUMENTS

Emoluments (excluding pension contributions) of the Chairman and highest paid director were £324,551.

Other directors' emoluments were as follows:

	<u>Number</u>
£95,000 - £100,000	1

5 TAXATION

The charge for taxation is based upon the taxable profit for the period and comprises:

	12 months to 30 September <u>1995</u>	12 months ended 1 October <u>1994</u>
UK corporation tax at 33% (1994 - 33%)	<u>£Nil</u>	<u>£Nil</u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

6 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Office equipment, furniture, fixtures and fittings £'000	Construction in Progress £'000	Total £'000
<u>Cost</u>				
At 1 October 1994	7,731	7,315	1,526	16,572
Additions	3,362	3,535	(1,447)	5,450
Disposals	-	(82)	-	(82)
At 30 September 1995	<u>11,093</u>	<u>10,768</u>	<u>79</u>	<u>21,940</u>
<u>Depreciation</u>				
At 1 October 1994	1,400	2,300	-	3,700
Charge during the period	1,066	1,528	-	2,594
Disposals	-	(48)	-	(48)
At 30 September 1995	<u>2,466</u>	<u>3,780</u>	<u>-</u>	<u>6,246</u>
<u>Net Book Value</u>				
At 30 September 1995	<u>8,627</u>	<u>6,988</u>	<u>79</u>	<u>15,694</u>
At 1 October 1994	<u>6,331</u>	<u>5,015</u>	<u>1,526</u>	<u>12,872</u>

Future capital expenditure approved by the Board amounted to £2,064,482 for which orders placed amounted to £440,000.

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

7	STOCKS	<u>1995</u> £'000	<u>1994</u> £'000
	Consumables	580	386
	Goods for resale	<u>13,975</u>	<u>9,596</u>
		<u>14,555</u>	<u>9,982</u>
8	DEBTORS	<u>1995</u> £'000	<u>1994</u> £'000
	Amounts owed by fellow subsidiary undertakings	9,093	13,460
	Other debtors	1,759	646
	Prepayments	1,559	1,602
	VAT	<u>189</u>	<u>-</u>
		<u>12,600</u>	<u>15,708</u>
9	CREDITORS (amounts falling due within one year)	<u>1995</u> £'000	<u>1994</u> £'000
	Trade creditors	8,106	6,048
	Amounts owed to fellow subsidiary undertakings	889	3
	VAT	-	68
	Accruals	<u>2,998</u>	<u>1,116</u>
		<u>11,993</u>	<u>7,235</u>
10	CREDITORS (amounts falling due after more than one year)	<u>1995</u> £'000	<u>1994</u> £'000
	Amounts owed to parent undertaking	37,244	50,989
	Amounts owed to fellow subsidiary undertakings	<u>20,564</u>	<u>-</u>
	Amounts owed to the parent are repayable by 31 July 2000 and accrue interest at the LIBOR rate semi-annually.	<u>57,808</u>	<u>50,989</u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

11 LEASE OBLIGATIONS

Annual operating lease commitments on land and buildings by expiry date:

	<u>1995</u> £'000	<u>1994</u> £'000
After five years	4,574	2,290

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

12 RECONCILIATION OF MOVEMENTS SHAREHOLDERS' FUNDS

	12 months to 30 September <u>1995</u> £'000	12 months to 1 October <u>1994</u> £'000
Retained deficit for the year	(3,295)	(5,830)
Opening shareholders' funds	<u>(17,581)</u>	<u>(11,751)</u>
Closing shareholders' funds	<u>(20,876)</u>	<u>(17,581)</u>

13 DEFERRED TAXATION

Due to the availability of carried forward tax losses, no provision has been made for deferred taxation. There is a potential deferred tax liability in respect of capital allowances being in excess of accumulated depreciation amounting to £1,280,000 at 30 September 1995 (1994: an asset of £203,000).

14 CALLED UP SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
Authorised, allotted and fully paid: 100 Ordinary Shares of £1 each	£100	£100

On 25 September 1996, the company received £38,961,000 in capital contribution from Walt Disney Holdings (UK) Limited in exchange for one ordinary share of £1 par value at a premium of £38,960,999.

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1995 (CONTINUED)

15 ULTIMATE PARENT UNDERTAKING

a) Ultimate parent

The ultimate parent is The Walt Disney Company incorporated in The United States of America.

The ultimate parent has confirmed its intention to continue to provide financial support to the company to enable it to meet its liabilities as they fall due.

b) Parent Undertaking

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

	Largest	Smallest
Name	The Walt Disney Company	Walt Disney Holdings (UK) Limited
Country of Incorporation	United States of America	England
Address from where copies of the group accounts can be obtained	500 Buena Vista Street Burbank California, 91521	Beaumont House Kensington Village Avonmore Road London W14