

The Disney Store Limited
(Registered Number 2523767)

Directors' Report and Financial Statements
Year ended 1 October 2011

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The Disney Store Limited

Contents

| | Page |
|-----------------------------------|-------------|
| Directors' Report | 2 |
| Independent Auditors' Report | 5 |
| Profit and Loss Account | 7 |
| Balance Sheet | 8 |
| Notes to the Financial Statements | 9 |

The Disney Store Limited

Directors' Report

(Registered Number 2523767)

For the year ended 1 October 2011

The Directors present their report and the audited financial statements of The Disney Store Limited (the "Company") for the year ended 1 October 2011

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 2010 due to stronger franchises and capital investment in the store portfolio.

The loss for the period after taxation amounted to £2,396,000 (2010: loss of £649,000). The Directors do not recommend that a dividend is paid for the year ended 1 October 2011 (2010: nil).

The Directors are satisfied with the performance of the Company. The Company will continue to operate its principal activity for the foreseeable future.

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 Company Group ("the Group") and are not managed separately. Accordingly, Walt Disney Company'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 2006. There was no qualifying third party indemnity provision in force, for the benefit of any of the Directors, at any time during the financial year.

Company Secretary

Peter Wiley

Charitable donations

During the year the Company made charitable contributions totalling £277,000 (2010: £189,000) to UK based charities.

The Disney Store Limited

Directors' Report (continued)

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 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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Disney Store Limited

Directors' Report (continued)

Going concern

The Directors confirm that it is appropriate to prepare the financial statements on a going concern basis and that relevant disclosures have been made in the financial statements. In determining the appropriateness of the going concern basis of preparation, the expected sales forecasts and support from fellow group companies, including The Walt Disney Company Limited, for a period of twelve months from the date of approval of these financial statements have been taken into account.

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.

On behalf of the Board on 16 December 2011



Nigel Cook
Director

Registered Office
3 Queen Caroline Street
Hammersmith
London
W6 9PE

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

We have audited the financial statements of The Disney Store Limited (the "Company") for the year ended 1 October 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 October 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

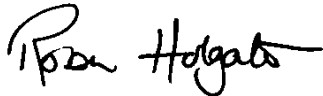
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Robin Holgate (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th December 2011

The Disney Store Limited

(Registered Number 2523767)

Profit and Loss Account

For the year ended 1 October 2011

| | Note | Year ended 1 October 2011 £'000 | Year ended 2 October 2010 £'000 |
|--|------|--|--|
| Turnover | | 120,133 | 111,537 |
| Cost of sales | | (55,751) | (48,038) |
| Gross profit | | 64,382 | 63,499 |
| Distribution costs | | (5,370) | (5,321) |
| Administrative costs | | (64,080) | (59,572) |
| Other Income | | 1,650 | - |
| Operating loss | 2 | (3,418) | (1,394) |
| Loss on sale of fixed assets | | (20) | (204) |
| Interest receivable and similar income | 5 | 36 | 22 |
| Interest payable and similar charges | 5 | (355) | (162) |
| Loss on ordinary activities before taxation | | (3,757) | (1,738) |
| Taxation on loss on ordinary activities | 6 | 1,361 | 1,089 |
| Loss for the financial year | 16 | (2,396) | (649) |

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 year, and therefore no separate statement of total recognised gains and losses has been presented

There is no material 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 9 to 21 represent an integral part of the financial statements

The Disney Store Limited

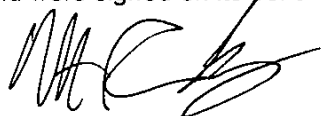
(Registered Number 2523767)

Balance Sheet

As at 1 October 2011

| | Note | Year ended 1 October 2011 £'000 | Year ended 2 October 2010 £'000 |
|--|------|--|--|
| Non-current assets | | | |
| Tangible fixed assets | 7 | 27,090 | 19,330 |
| Investments | 8 | 22 | - |
| Current assets | | | |
| Stock | 9 | 26,732 | 27,080 |
| Debtors | 10 | 32,817 | 23,972 |
| Cash at bank and in hand | | 3,811 | 2,911 |
| | | 63,360 | 53,963 |
| Creditors amounts falling due within one year | 11 | (74,775) | (55,152) |
| Net current (liabilities)/assets | | (11,415) | (1,189) |
| Total assets less current liabilities | | 15,697 | 18,141 |
| Creditors amounts falling due after more than one year | 11 | (2,686) | (2,849) |
| Provisions for liabilities and charges | 12 | (3,781) | (3,666) |
| Net assets | | 9,230 | 11,626 |
| Capital and reserves | | | |
| Called up share capital | 15 | 18,000 | 18,000 |
| Share premium account | 16 | 38,961 | 38,961 |
| Profit and loss account | 16 | (65,731) | (63,335) |
| Capital contribution | 16 | 18,000 | 18,000 |
| Total equity shareholders' funds | 16 | 9,230 | 11,626 |

The financial statements on pages 7 to 21 were approved by the board of directors on 16 December 2011 and were signed on its behalf by



Nigel Cook
Director
3 Queen Caroline Street
Hammersmith
London
W6 9PE

The notes on pages 9 to 21 represent an integral part of the financial statements

The Disney Store Limited

Notes to the Financial Statements For the Year Ended 1 October 2011

1 Accounting policies

a) 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 2006 and applicable accounting standards on a basis consistent with the prior year. The financial statements have been prepared on a going concern basis as a fellow group company, The Walt Disney Company 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.

b) 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.

c) Segmental reporting

The Directors take the decision that reporting the split of revenue by class of business and geographical segment would not be of benefit to the users of the financial statements due to the simple nature of the business, that being the sale of Disney branded merchandise in the United Kingdom.

d) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 2006 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 1 October 2011 has been adopted for the current year.

The financial year represents the 52 weeks ended Saturday 1 October 2011 (prior year the 52 weeks ended 2 October 2010).

e) Cash at bank and in hand

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

f) 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.

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

1 Accounting policies (continued)

g) Asset retirement cost

An obligation to incur asset retirement costs occurs when the Company enters a lease, legally obligating the Company to restore the condition of the leased space to the original state at the end of the lease. Asset retirement costs are estimated on the basis of the terms of the store leases and past experience. The costs are provided for upon entering a new lease and capitalised into the cost of the related asset. These costs are charged in the profit and loss account through depreciation of the asset. Depreciation is included in operating costs.

h) Leased assets

Leased assets primarily represent rental of retail space. Operating lease payments, where substantially all the risks and benefits remain with the lessor, are charged to the profit and loss account as incurred.

i) Lease incentives

Lease incentives primarily include up-front cash receipts or rent-free periods. Lease incentives are capitalised and spread over the shorter of the lease term and period to the next market rent review.

j) 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 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.

k) Stock

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

l) 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 (continued) For The Year Ended 1 October 2011

1 Accounting policies (continued)

m) Taxation

Corporation tax payable is provided on taxable profits at the current rate. 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 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.

n) Translation of foreign currencies

Transactions in foreign currencies are translated using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at the appropriate rates ruling at the balance sheet date. All foreign exchange gains and losses are taken to the profit and loss account.

o) 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.

p) Turnover

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

q) Dilapidation provisions

Provisions for dilapidation are estimated on the basis of the terms of the lease and independent advice or management's best estimate of total liabilities. The costs are provided for upon entering the lease and the provision is recognised in the balance sheet initially, with the costs taken through the profit and loss account.

r) Other income

Other income relates to amounts received that are not part of the company's principle business activities. Other income includes amounts received relating to leasehold property.

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

2 Operating loss on ordinary activities before taxation

Operating loss is stated after charging/(crediting)

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Depreciation and impairment of owned assets | 3,766 | 2,912 |
| Operating lease rentals | | |
| - Land and buildings | 17,621 | 15,987 |
| - Plant and equipment | 124 | 95 |
| Foreign exchange loss/(gain) | (171) | 943 |
| Amortisation of leasehold incentives | (897) | (4,149) |

Auditors' remuneration is paid by other group entities and not recharged to the company

3 Directors' emoluments

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Aggregate emoluments (excluding shares) | 315 | 294 |
| Company contributions paid to pension scheme | 28 | 28 |
| Highest paid director | | |
| Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes | 315 | 284 |
| Company contributions paid to pension schemes | 28 | 27 |

Retirement benefits are accruing in relation to one director (2010 two directors) under a money purchase scheme. During the year one director (2010 two directors) received share options under long term incentive schemes and one director (2010 two directors) exercised options over Company shares in The Walt Disney Company. The remaining director has been remunerated by The Walt Disney Company Limited and the details are available in the financial statements of that company.

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

4 Staff costs (including directors' emoluments)

| | 2011 £'000 | 2010 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 23,308 | 21,873 |
| Social security costs | 2,069 | 1,981 |
| Other pension costs | 692 | 655 |
| | <u>26,069</u> | <u>24,509</u> |

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

| | 2011 Number | 2010 Number |
|--------------------|----------------|----------------|
| Administration | 214 | 211 |
| Retail - full time | 198 | 206 |
| - part time | 993 | 987 |
| Distribution | 151 | 119 |
| | <u>1,556</u> | <u>1,523</u> |

5 Interest receivable and payable

Interest receivable

| | 2011 £'000 | 2010 £'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 36 | 22 |
| | <u>36</u> | <u>22</u> |

Interest payable

| | 2011 £'000 | 2010 £'000 |
|---------------------------------------|---------------|---------------|
| Other interest due to group companies | 355 | 162 |
| | <u>355</u> | <u>162</u> |

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

6 Tax on loss on ordinary activities

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

| | 2011 £'000 | 2010 £'000 |
|--|----------------|----------------|
| Current tax | | |
| UK corporation tax at 27% (2010 28%) | (1,490) | (1,147) |
| Prior year adjustment | (145) | 179 |
| Total current tax | (1,635) | (968) |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| Current year | 155 | 151 |
| Prior year | 119 | (272) |
| Total deferred tax (note 13) | 274 | (121) |
| Tax on loss on ordinary activities | (1,361) | (1,089) |

Factors affecting the tax credit for the period

The tax credit assessed for the period is higher than the standard rate of corporation tax in the UK (27%). The differences are explained below

| | 2011 £'000 | 2010 £'000 |
|---|----------------|----------------|
| Loss on ordinary activities before tax | (3,757) | (1,738) |
| Loss on ordinary activities multiplied by the standard rate in the UK of 27% (2010 28%) | (1,014) | (487) |
| Effects of | | |
| Expenses not deductible for tax purposes | 352 | 362 |
| Other permanent differences | (220) | (105) |
| Accelerated capital allowances and other timing differences | (198) | (245) |
| Non taxable income | (410) | (672) |
| Prior year adjustment | (145) | 179 |
| Current tax credit for period | (1,635) | (968) |

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantially enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 26% from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantially enacted on 5 July 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 These further changes had not been substantively enacted at the balance sheet date and, therefore, have not been reflected in these financial statements The changes are not expected to materially impact the financial statements

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

7 Tangible fixed assets

| | Leasehold improvements £'000 | Office equipment, furniture, fixtures and fittings £'000 | Construction in progress £'000 | Total £'000 |
|---------------------------------|------------------------------------|---|--------------------------------------|-----------------|
| Cost | | | | |
| At 2 October 2010 | 30,019 | 18,710 | 1,698 | 50,427 |
| Additions | 20 | 538 | 10,988 | 11,546 |
| Disposals | (2,198) | (665) | - | (2,863) |
| Transfers | 4,398 | 6,880 | (11,278) | - |
| At 1 October 2011 | 32,239 | 25,463 | 1,408 | 59,110 |
| Accumulated depreciation | | | | |
| At 2 October 2010 | (13,239) | (17,858) | - | (31,097) |
| Charge for the year | (1,930) | (1,836) | - | (3,766) |
| Disposals | 2,178 | 665 | - | 2,843 |
| At 1 October 2011 | (12,991) | (19,029) | - | (32,020) |
| Net book amount | | | | |
| At 2 October 2010 | 16,780 | 852 | 1,698 | 19,330 |
| At 1 October 2011 | 19,248 | 6,434 | 1,408 | 27,090 |

The Company has accounted for an asset retirement obligation provision and corresponding asset of £920,000 within Leasehold Improvements, in relation to their stores in the United Kingdom. Refer to note 12 for details of movement in the year.

8 Investments

In 2011, the Company invested £22,000 in TDS (Germany) GmbH with an investment in the entire share capital of TDS (Germany) GmbH.

9 Stock

| | 2011 £'000 | 2010 £'000 |
|------------------|---------------|---------------|
| Consumables | 816 | 738 |
| Goods for resale | 25,916 | 26,342 |
| | 26,732 | 27,080 |

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

10 Debtors

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Amounts due from group undertakings | 24,154 | 15,291 |
| Other debtors | 1,891 | 1,980 |
| Taxes recoverable from group undertakings | 1,459 | 938 |
| Prepayments and accrued income | 5,313 | 5,664 |
| Deferred tax asset (note 13) | - | 99 |
| | 32,817 | 23,972 |

The amounts owed by group undertakings are unsecured, repayable on demand. They do not bear interest.

11 Creditors

Amounts falling due within one year

| | 2011 £'000 | 2010 £'000 |
|------------------------------------|---------------|---------------|
| Bank overdraft | - | 256 |
| Trade creditors | 9,390 | 10,707 |
| Amounts owed to group undertakings | 46,424 | 27,112 |
| Taxes and social security costs | 496 | 473 |
| Accruals and deferred income | 18,465 | 16,604 |
| | 74,775 | 55,152 |

A portion of the amounts owed to fellow subsidiary undertakings (£40.6m, 2010: £17.2m) are unsecured, repayable on demand and interest bearing. The 6 month LIBOR rate is used to calculate interest payable on intercompany balances. The remaining amounts owed to group undertakings (£5.8m, 2010: £9.9m) are unsecured, repayable on demand and interest free.

Amounts falling due after more than one year

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Amounts payable within two to five years: | | |
| Deferred income | 2,686 | 2,849 |

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

12 Provisions for liabilities and charges

| | Deferred tax liability £'000 | Asset retirement obligations £'000 | Property dilapidation £'000 | Total £'000 |
|-------------------|------------------------------------|---|-----------------------------------|----------------|
| At 2 October 2010 | - | 980 | 2,686 | 3,666 |
| Additions | 175 | 20 | - | 195 |
| Utilised in year | - | (80) | - | (80) |
| At 1 October 2011 | 175 | 920 | 2,686 | 3,781 |

The dilapidation provision relates to contractual obligations of the Company on surrender of property leases to reinstate the premises to the same state and condition as before occupancy including making good all damage caused by the removal and this also applies to certain stores

13 Deferred tax (asset)/liability

Deferred tax is provided in the accounts as follows

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Accelerated capital allowances | 524 | 64 |
| Short term timing differences | (349) | (163) |
| | 175 | (99) |
| At 2 October 2010 | (99) | 22 |
| Charge to the profit and loss account | | |
| Current year | 155 | 151 |
| Prior year | 119 | (272) |
| Deferred tax provided at 1 October 2011 | 175 | (99) |

A potential deferred tax asset of £1,556,596 (2010 £1,743,387) 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 (continued) For The Year Ended 1 October 2011

14 Lease obligations

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

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| The maturity of these amounts is as follows | | |
| Within one year | 1,078 | 1,752 |
| Within two to five years | 4,718 | 4,742 |
| After five years | 17,383 | 18,015 |
| | <u>23,179</u> | <u>24,509</u> |

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

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| The maturity of these amounts is as follows | | |
| Within one year | 15 | 52 |
| Within two to five years | 87 | 46 |
| | <u>102</u> | <u>98</u> |

15 Called up share capital

| | 2011 £ | 2010 £ |
|---|------------|------------|
| Authorised | | |
| 18,000,110 Ordinary shares of £1 each (2010 18,000,110) | 18,000,110 | 18,000,110 |
| Allotted and fully paid | | |
| 18,000,110 Ordinary shares of £1 each (2010 18,000,110) | 18,000,110 | 18,000,110 |

16 Reconciliation of movements in equity shareholders' funds

| | Called up share capital £'000 | Capital contribution £'000 | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
|-------------------|--|----------------------------------|--------------------------------------|--|----------------|
| At 2 October 2010 | 18,000 | 18,000 | 38,961 | (63,335) | 11,626 |
| Loss for the year | - | - | - | (2,396) | (2,396) |
| At 1 October 2011 | <u>18,000</u> | <u>18,000</u> | <u>38,961</u> | <u>(65,731)</u> | <u>9,230</u> |

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

17 Share-based payments

Under the Disney Discretionary Stock Option Scheme, certain employees of the Company may be granted options to acquire shares of stock in the ultimate parent company, The Walt Disney Company Inc, at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. Restricted stock units (RSUs) generally vest 50% on each of the second and fourth anniversaries of the grant date. Certain RSUs awarded to senior executives vest based upon the achievement of performance conditions. The share options are settled using the equity instruments of the Company's ultimate parent company The Walt Disney Company Inc. Movements in the number of Disney share options outstanding and their related weighted average exercise prices are as follows:

| | 2011 | | 2010 | |
|------------------------|---|----------|---|-----------|
| | Weighted average exercise price in £ per share | Options | Weighted average exercise price in £ per share | Options |
| At start of the period | 18.24 | 126,773 | 17.58 | 226,956 |
| Granted | 25.36 | 31,553 | 19.70 | 32,563 |
| Forfeited | 20.27 | (7,189) | 20.75 | (31,828) |
| Exercised | 20.57 | (29,803) | 16.25 | (100,918) |
| At end of the period | 19.07 | 121,334 | 18.47 | 126,773 |

Disney share options outstanding at the end of the year have the following terms:

| Exercise Prices £ | Number of Options | Outstanding | Weighted average exercise price in £ per share | Exercisable | |
|-------------------|----------------------|---|--|----------------------|---|
| | | Weighted average remaining years of contractual life | | Number of Options | Weighted average exercise price in £ per share |
| 7.4 – 12.1 | 1,500 | 1.31 | 10.98 | 1,500 | 10.98 |
| 12.2 – 16.0 | 19,195 | 3.62 | 14.01 | 14,646 | 14.22 |
| 16.1 – 25.6 | 45,390 | 5.78 | 21.48 | 28,392 | 20.88 |
| 29.7 – 40.3 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 59.0 – 114.3 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The weighted average share price of Disney options exercised during the year was £20.57

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

17 Share-based payments (continued)

Details of the restricted shares activity is as follows

| | 2011 Number of restricted shares | 2010 Number of restricted shares |
|------------------------|---|---|
| At start of the period | 55,909 | 54,637 |
| Granted | 21,373 | 22,563 |
| Forfeited | (4,455) | (4,432) |
| Exercised | (15,627) | (16,859) |
| At end of the period | 57,200 | 55,909 |

| Year of Vesting | Number of Restricted Shares |
|-----------------|-----------------------------|
| 2011 | 6,549 |
| 2012 | 11,065 |
| 2013 | 16,561 |
| 2014 | 7,171 |
| 2015 | 10,012 |

The restricted stock issued during 2011 vests in two equal parts at 24 months and 48 months from the grant date, respectively, and has a remaining contractual life of ten years. There are no performance conditions attached to the issue.

The liability related to the restricted shares at 1 October 2011 is £390,072 (2010: £321,243).

Valuation assumptions

The valuation assumptions used to estimate the Group's share-based compensation expense for the share option plans are summarised as below:

| £'000 | 2011 | 2010 | 2009 | 2008 |
|--|--------|-------|-------|-------|
| Risk-free interest rate | 3.23% | 3.51% | 2.0% | 3.6% |
| Expected years from grant until exercise | 6.13 | 6.11 | 4.71 | 4.70 |
| Expected volatility | 27.68% | 32% | 47% | 29% |
| Dividend yield | 1.15% | 1.41% | 1.19% | 1.02% |

The volatility assumption considers both historical and implied volatility and may be impacted by the Company's performance as well as changes in economic and market conditions.

The total stock based compensation charge recognised for the year ended 1 October 2011 was £467,396 (2010: £428,889), comprised of share option charge of £77,323 (2010: £107,645) and restricted share charge of £390,072 (2010: £321,243).

The Disney Store Limited

Notes to the Financial Statements (continued) For The Year Ended 1 October 2011

18 Ultimate parent undertaking

The Company's immediate parent Company is Disney Stores Holdings Netherlands B V and its ultimate parent undertaking is The Walt Disney Company, which is incorporated in the United States of America

The parent undertaking of the smallest and largest group for which group financial statements are prepared, and of which The Disney Stores Limited is a member is The Walt Disney Company. Copies of their financial statements can be obtained from 500 South Buena Vista Street, Burbank, California 91521-9722 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

| | |
|--|---|
| Name | The Walt Disney Company |
| Country of incorporation | United States of America |
| Address from where copies of the group accounts can be obtained | 500 South Buena Vista St Burbank, California 91521-9722 USA |

19 Related party transactions

The Company is a wholly owned subsidiary of Disney Stores Holdings Netherlands B V 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.