

THE DISNEY STORE LIMITED
(Registered Number: 2523767)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 1997



THE DISNEY STORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Registered Number: 2523767)

The directors present their annual report and accounts of the company for the year ended 30 September 1997.

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.

RESULTS AND DIVIDENDS

The business continued to grow at a satisfactory level in 1997 throughout the year and it is anticipated that this growth will be maintained in 1998.

A profit of £670,000 (1996: loss of £775,000) was reported for the year.

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors held office during the year:

Philippe Bourguignon	(Appointed 1 December 1996, resigned 28 February 1997)
Barton K Boyd	
Clive JG Lewis	
Sanford M Litvack	
Mark R Lilly	
Marsha L Reed	
Steve J Masters	
David C Davies	(Resigned 30 May 1997)
Thomas Heymann	
Anne Asquith	(Appointed 30 May 1997)
Peter Morris	

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

THE DISNEY STORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997 (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.

EMPLOYEE COMMUNICATIONS

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

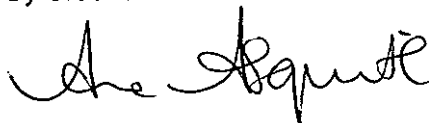
DIRECTORS' RESPONSIBILITIES

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



Anne Asquith
Director
19 June 1998



AUDITORS' REPORT TO THE MEMBERS OF THE DISNEY STORE LIMITED

We have audited the financial statements on pages 4 to 13 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 1997 and of its profit 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
19 June 1998

Southwark Towers
32 London Bridge Street
London
SE1 9SY

THE DISNEY STORE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1997

Results from Continuing Operations	12 months to 30 September 1997 £'000	12 months to 30 September 1996 £'000
TURNOVER (Note 2)	74,109	57,116
Cost of sales	<u>(33,629)</u>	<u>(24,251)</u>
GROSS PROFIT	40,480	32,865
Distribution costs	(2,819)	(2,394)
Administration expenses	<u>(36,797)</u>	<u>(29,119)</u>
OPERATING PROFIT	864	1,352
Profit on sale of fixed assets	<u>207</u>	<u>5</u>
OPERATING PROFIT BEFORE INTEREST AND TAXATION	1,071	1,357
Interest payable and similar charges (Note 5)	(538)	(2,585)
Other interest receivable and similar income	<u>137</u>	<u>453</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	670	(775)
Taxation (Note 6)	<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX AND AMOUNT TRANSFERRED TO RESERVES	670	(775)
RETAINED LOSS BROUGHT FORWARD	<u>(21,651)</u>	<u>(20,876)</u>
RETAINED LOSS CARRIED FORWARD	<u>(20,981)</u>	<u>(21,651)</u>

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

The notes on pages 6 to 13 form part of these accounts.

THE DISNEY STORE LIMITED

BALANCE SHEET - 30 SEPTEMBER 1997

	30 September 1997		30 September 1996	
	£'000	£'000	£'000	£'000
FIXED ASSETS				
Tangible assets (Note 7)		18,079		16,340
CURRENT ASSETS				
Stocks (Note 8)	24,710		19,058	
Debtors (Note 9)	9,164		10,339	
Cash at bank and in hand	<u>574</u>		<u>3,452</u>	
	34,448		32,849	
CREDITORS (amounts falling due within one year) (Note 10)	<u>(18,714)</u>		<u>(20,204)</u>	
NET CURRENT ASSETS		<u>15,734</u>		<u>12,645</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		33,813		28,985
CREDITORS (amounts falling due after more than one year) (Note 11)		<u>(15,833)</u>		<u>(11,675)</u>
		17,980		17,310
		<u> </u>		<u> </u>
CAPITAL AND RESERVES				
Called up share capital (Note 15)		-		-
Share premium account (Note 15)		38,961		38,961
Profit and loss account		<u>(20,981)</u>		<u>(21,651)</u>
EQUITY SHAREHOLDERS FUNDS		17,980		17,310
		<u> </u>		<u> </u>

Approved by the Board of Directors on 19 June 1998 and signed on their behalf by:



Anne Asquith
Director

The notes on pages 6 to 13 form part of these accounts.

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997

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 shorter of 10 years or 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 contributions to employees' individual pension plans. The company contribution is a £1 for £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 they are paid. The total amount relating to these plans for the year ended 30 September 1997 was £144,352 (1996: £107,111).

(6) Stocks

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

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (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 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	12 months to 30 September <u>1997</u> £'000	12 months to 30 September <u>1996</u> £'000
Staff Costs:		
Wages and salaries	13,169	11,029
Social security costs	1,032	844
Pension costs	144	107
Depreciation of tangible fixed assets	3,977	3,178
Auditors' remuneration - audit	13	13
- other services	20	7
Operating lease rental - land and buildings	8,133	5,791
- plant and equipment	<u>127</u>	<u>-</u>

The average number of employees:

	Number	Number
Administration	144	123
Retail - full time	235	178
- part time	1,051	1,058
Distribution	<u>93</u>	<u>80</u>
	<u>1,523</u>	<u>1,439</u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

4 DIRECTORS' EMOLUMENTS

Aggregate directors emoluments comprise:

	<u>1997</u>	<u>1996</u>
	£	£
Salary, fees bonuses and benefits	660,632	396,519
Pension contributions	<u>25,441</u>	<u>20,278</u>
	686,073	416,797
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £247,128 (1996: £184,183) in respect of salaries, fees, bonuses and benefits and £10,800 (1996: £8,278) in respect of pension contributions.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	12 months to 30 September <u>1997</u>	12 months to 30 September <u>1996</u>
	£'000	£'000
Bank interest	135	354
Interest due on group loan	<u>403</u>	<u>2,231</u>
	538	2,585
	<u> </u>	<u> </u>

6 TAXATION

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

	12 months to 30 September <u>1997</u>	12 months to 30 September <u>1996</u>
UK corporation tax at 32% (1996 - 33%)	<u>£Nil</u>	<u>£Nil</u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

7 TANGIBLE FIXED ASSETS

	Leasehold improvements	Office equipment, furniture, fixtures and fittings	Construction in Progress	Total
	£'000	£'000	£'000	£'000
<u>Cost</u>				
At 30 September 1996	12,007	13,204	529	25,740
Additions	1,747	3,533	678	5,958
Disposals	(276)	(301)	-	(577)
Transfers	112	692	(804)	-
At 30 September 1997	13,590	17,128	403	31,121
<u>Depreciation</u>				
At 30 September 1996	3,637	5,763	-	9,400
Charge during the year	1,347	2,630	-	3,977
Disposals	(130)	(205)	-	(335)
At 30 September 1997	4,854	8,188	-	13,042
<u>Net Book Value</u>				
At 30 September 1997	8,736	8,940	403	18,079
At 30 September 1996	8,370	7,441	529	16,340

Future capital expenditure approved by the Board amounted to £1,500,000 (1996: £1,019,000) for which orders placed amounted to £1,007,000 (1996: £336,270).

8 STOCKS

	1997 £'000	1996 £'000
Consumables	546	694
Goods for resale	24,164	18,364
	24,710	19,058

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

9 DEBTORS

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Amounts owed by fellow subsidiary undertakings	6,764	7,500
Other debtors	852	1,018
Prepayments	1,446	1,406
VAT	<u>102</u>	<u>415</u>
	9,164	10,339
	<u> </u>	<u> </u>

10 CREDITORS (amounts falling due within one year)

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Bank overdraft	259	5,170
Trade creditors	11,725	8,457
Amounts owed to fellow subsidiary undertakings	2,935	3,455
Tax and social security	326	267
Accruals and deferred income	<u>3,469</u>	<u>2,855</u>
	18,714	20,204
	<u> </u>	<u> </u>

11 CREDITORS (amounts falling due after more than one year)

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Repayable between two and five years		
Amounts owed to parent undertaking	10,681	11,675
Amounts owed to fellow subsidiary undertakings	<u>5,152</u>	<u>-</u>
	15,833	11,675
	<u> </u>	<u> </u>

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

12 LEASE OBLIGATIONS

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

	<u>1997</u>	<u>1996</u>
	£'000	£'000
After five years	6,080	4,921
	<u> </u>	<u> </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:

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Within one year	42	-
Between one and five years	120	-
	<u> </u>	<u> </u>
	162	-
	<u> </u>	<u> </u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months to 30 September <u>1997</u>	12 months to 30 September <u>1996</u>
	£'000	£'000
Retained profit/(deficit) for the year	670	(775)
Opening shareholders' funds	<u>(21,651)</u>	<u>(20,876)</u>
Closing shareholders' funds	<u>(20,981)</u>	<u>(21,651)</u>

14 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 £253,000 at 30 September 1997 (1996: £1,310,000).

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Authorised		
101 Ordinary Shares of £1 each (1996: 101)	£101	£101
	=====	=====
Allotted and fully paid		
101 Ordinary Shares of £1 each (1996: 101)	£101	£101
	=====	=====
	<u>1997</u>	<u>1996</u>
	£'000	£'000
Share premium account	38,961	38,961
	=====	=====

16 ULTIMATE PARENT UNDERTAKING

a) Ultimate parent

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

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

THE DISNEY STORE LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (CONTINUED)

17 RELATED PARTY TRANSACTIONS

Related Party transactions were executed throughout the year between The Disney Store Limited and Euro Disney SCA, in which Disney Enterprises Inc (a wholly owned subsidiaries of The Walt Disney Company) holds a 39.248% interest.

During the year ended 30 September 1997 the Disney Store Limited purchased £560,000 of theme park tickets from Euro Disney SCA. The balance owing to Euro Disney SCA at 30 September 1997 was £122,000 (1996: £20,000).

As permitted by Financial Reporting Standard 8 ("Related Party Disclosures"), transactions with other related parties within the Walt Disney Holdings (UK) Limited group are not disclosed.