

LEGOLAND Windsor Park Limited

Registered No. 2721728

DIRECTORS

C M Nielsen (Chairman)
J Bøndergaard
S A Madsen
R Powell
G Carpenter
R Montgomery
K Kalcher

SECRETARY

R Powell

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

200 Aldersgate Street
London EC1A 4JJ



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The loss for the year amounted to £3,129,000 (1996 - loss of £2,157,000).

The directors do not recommend the payment of a dividend.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is the operation of LEGOLAND Windsor Park. During the year the company also operated the LEGO Media business which develops LEGO software products. Since the year end this business has been transferred to a new company, LEGO Media International Limited. The media activities have therefore been shown as discontinued in the profit and loss account.

FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were those listed on page 1.

No director held any disclosable interest in the shares of the company or any other group undertaking.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by handicapped or disabled persons.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through the newsletters 'LEGO Review' and 'Bric-a-Brac' in which employees have also been encouraged to present their suggestions and views on the company's operations. Quarterly meetings are held between local management and employees to allow a free flow of information and ideas.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 1997, the company had an average of 58 days purchases outstanding in trade creditors.

LEGOLAND Windsor Park Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

18 May 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 period. In preparing those accounts, 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 disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of LEGOLAND Windsor Park Limited

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

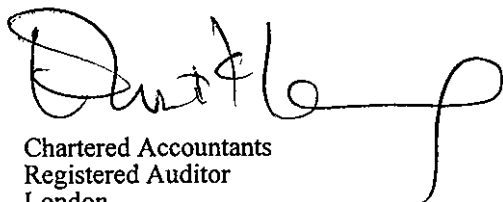
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
London

18 May 1998

LEGOLAND Windsor Park Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
TURNOVER			
Continuing activities	2	23,332	23,438
Discontinued activities		1,237	-
		<u>24,569</u>	<u>23,438</u>
Cost of sales		(4,500)	(4,769)
		<u>20,069</u>	<u>18,669</u>
Gross profit			
Other income		33	50
Administrative expenses:			
Continuing activities		(21,336)	(20,399)
Discontinued activities		(1,125)	(8)
		<u>(22,428)</u>	<u>(20,357)</u>
OPERATING LOSS			
Continuing activities		(2,471)	(1,680)
Discontinued activities		112	(8)
	3	<u>(2,359)</u>	<u>(1,688)</u>
Bank interest receivable		37	269
Interest payable	6	(807)	(738)
		<u>(770)</u>	<u>(469)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,129)</u>	<u>(2,157)</u>
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES FOR THE YEAR		<u><u>(3,129)</u></u>	<u><u>(2,157)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no gains or losses other than those recognised in the profit and loss account.

LEGOLAND Windsor Park Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	8	75,259	76,555
CURRENT ASSETS			
Stocks	9	1,815	890
Debtors	10	2,084	519
Cash		316	459
		4,215	1,868
CREDITORS: amounts falling due within one year	11	16,389	12,209
NET CURRENT LIABILITIES		(12,174)	(10,341)
TOTAL ASSETS LESS CURRENT LIABILITIES		63,085	66,214
CAPITAL AND RESERVES			
Equity share capital	12	77,800	77,800
Profit and loss account	13	(14,715)	(11,586)
		63,085	66,214

Director

Ch. Wylf
18 May 1998

John Bandyard

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES

Basis of preparation

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

Statement of cash flows

The company, being a subsidiary undertaking of an EC parent undertaking, is taking advantage of the exemption in Financial Reporting Standard No. 1 not to present a statement of cash flows.

Stocks

Stocks are stated at the lower of cost incurred in bringing the product to its present location and condition, and net realisable value. Cost represents purchase cost on a first-in, first-out basis.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	25 years
Plant and machinery - including	-	5 - 10 years
Motor vehicles	-	6 years
LEGO models	-	3 years
Fixtures and fittings	-	10 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Related Parties

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the LEGO A/S group.

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1997

2. TURNOVER

Turnover represents income from the company's principal activities as set out in the directors' report (net of VAT).

	1997 £000	1996 £000
United Kingdom	22,217	23,097
Rest of the world	1,115	341
Continuing activities	<u>23,332</u>	<u>23,438</u>

For discontinued activities see note 20.

3. OPERATING LOSS

This is stated after charging/(crediting):

	1997 £000	1996 £000
Auditors' remuneration - audit	31	20
- non audit	47	-
Depreciation of owned assets	6,518	4,787
Operating lease rentals - land and buildings	164	95
Hire of plant and equipment	14	78
Foreign exchange (gain)/loss	(115)	1

4. DIRECTORS' EMOLUMENTS

Only one director received emoluments during the year.

These emoluments were as follows:

	1997 £000	1996 £000
Emoluments	88	90
Company contributions paid to money purchase pension schemes	8	8

5. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	5,812	5,146
Social security costs	469	396
Other pension costs	80	71
	<u>6,361</u>	<u>5,613</u>

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1997

5. STAFF COSTS (continued)

The average number of staff including directors during the year was as follows:

	1997 No.	1996 No.
Manufacturing	37	53
Management and administrative	90	78
Operations	375	448
	<u>502</u>	<u>579</u>

6. INTEREST PAYABLE

	1997 £000	1996 £000
Bank interest	517	21
To connected company	290	717
	<u>807</u>	<u>738</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1997 £000	1996 £000
UK corporation tax at 31.5% (1996 - 33%)	-	-

The company has losses for tax purposes to be carried forward against future profits, which exceed its deferred tax liability in respect of capital allowances received in advance of depreciation. Part of the company's losses have been surrendered to a fellow subsidiary, for which no payment will be made.

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1997

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Assets in the course of construction £000</i>	<i>Total £000</i>
Cost:					
At 1 January 1997	54,341	20,026	5,847	1,464	81,678
Additions	36	205	489	4,757	5,487
Disposals	-	(85)	(18)	-	(103)
Transfers	1,441	1,355	-	(2,796)	-
Adjustment to cost after settlement of retention	(198)	-	-	-	(198)
At 31 December 1997	55,620	21,501	6,318	3,425	86,864
Depreciation:					
At 1 January 1997	1,296	2,931	896	-	5,123
Provided during the year	1,759	3,926	833	-	6,518
Disposals	-	(32)	(4)	-	(36)
At 31 December 1997	3,055	6,825	1,725	-	11,605
Net book value:					
At 31 December 1997	52,565	14,676	4,593	3,425	75,259
At 1 January 1997	53,045	17,095	4,951	1,464	76,555

9. STOCKS

	<i>1997 £000</i>	<i>1996 £000</i>
Raw materials	390	456
Goods for resale	1,425	434
	1,815	890

10. DEBTORS

	<i>1997 £000</i>	<i>1996 £000</i>
VAT recoverable	221	98
Trade debtors	40	15
Other debtors	-	17
Prepayments and accrued income	1,457	68
Amounts owed by parent undertakings	231	240
Amounts owed by fellow subsidiary undertakings	135	81
	2,084	519

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1997

11. CREDITORS: amounts falling due within one year

	1997 £000	1996 £000
Bank loans and overdraft	10,500	5,515
Trade creditors	2,301	1,669
Other creditors	327	288
Corporation tax	-	-
Other taxes and social security costs	124	118
Accruals and deferred income	441	327
Amounts owed to fellow subsidiary undertakings	2,696	-
Amounts owed to connected companies	-	4,292
	<u>16,389</u>	<u>12,209</u>

12. SHARE CAPITAL

	1997 No.	Authorised 1996 No.	Allotted, called up and fully paid 1997 £000	1996 £000
Ordinary shares of £1 each	35,000,000	35,000,000	35,000	35,000
Redeemable ordinary shares of £1 each	50,000,000	50,000,000	42,800	42,800
	<u>85,000,000</u>	<u>85,000,000</u>	<u>77,800</u>	<u>77,800</u>

The £1 redeemable ordinary shares are redeemable at the company's option, at par, at any time. They carry the same voting rights, rights to dividends and priority on a winding up as ordinary shares.

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 1996	75,800	(9,429)	66,371
Shares issued in 1996	2,000		2,000
Loss for the year		(2,157)	(2,157)
At 31 December 1996	<u>77,800</u>	<u>(11,586)</u>	<u>66,214</u>
Loss for the year		(3,129)	(3,129)
At 31 December 1997	<u>77,800</u>	<u>(14,715)</u>	<u>63,085</u>

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1997

14. CAPITAL COMMITMENTS

At 31 December 1997 the company had the following commitments in respect of the development of the Park:

	1997 £000	1996 £000
Contracted, not provided	79	4,936

15. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	1997 £000	1996 £000
Operating leases which expire: Within two to five years	164	92

16. PENSION CONTRIBUTIONS

The company contributes to a number of money purchase schemes for certain of its directors and all employees.

17. GUARANTEE

The company has guaranteed the operating lease on a property of a fellow subsidiary undertaking, LEGOLAND Park Design Limited. The annual rent paid under the lease is £59,000.

18. RELATED PARTIES

During the year the company repaid short term funding amounting to £4,406,289 to Kirkbi A/S, a company connected with the LEGO A/S group of companies. This included accrued interest of £290,212.

19. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of LEGO Park Holding UK Limited, a company registered in England and Wales, into which company's accounts, those of LEGOLAND Windsor Park Limited have been consolidated. The ultimate parent undertaking and ultimate controlling entity is LEGO A/S, a company incorporated in Denmark. Copies of the accounts of LEGO A/S are available from Erhvervs og Selskabsstyrelsen, Kampmannsgade 1, DK-1780 Copenhagen V, Denmark.

20. POST BALANCE SHEET EVENTS

Since the year end the LEGO Media business has been transferred to a new company LEGO Media International Limited. Activities related to the division have therefore been disclosed as discontinued in the profit and loss account.