

LEGO Lifestyle International Limited

(Registered Number: 2949553)

Directors' report and financial statements

For the year ended 31 December 2002



LEGO Lifestyle International Limited

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LEGO Lifestyle International Limited

Company information

Directors

Helle Sofie Kaspersen (Chairman) (resigned 18/09/02)
Peter Thorslund Kjaer (appointed 18/09/02)
K Carstensen
M Livingstone

Secretary

M Popp

Solicitors ~~and Registered office~~

Clifford Chance
200 Aldersgate Street
London
EC1 A 4JJ

Merete App

Auditors

PricewaterhouseCoopers
Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

Registered Office

*Capital Point
33 Bath Road
Slough
Berks SL1 3UF*

Merete App

LEGO Lifestyle International Limited

Directors' report for the year ended 31 December 2002

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

Using the registered trade name of LEGO Licensing International, the principle activity is to co-ordinate the non-Media outbound licensing activities of the LEGO Group and to initiate new licensing contracts. The activities themselves are from 2002 performed by LEGO employees based in Denmark, working for a sister company. As the contracts still reside in the LEGO Lifestyle legal entity, all income and costs associated with licensing activity are transferred to LEGO Lifestyle International Ltd by the Danish company.

Results and dividends

The profit for the year amounted to £465,003 (2001: £497,627). The directors do not recommend the payment of a dividend and the profit for the year of £465,003 (2001: £497,627) has therefore been added to reserves.

Business review and future developments

The directors are satisfied with the company's performance and the results of its development activities during the current year.

The company ceased trading as a legal entity from 2001. All trading activities have been transferred to LEGO System A/S in Denmark. The company still has legal ownership of certain licensing contracts, although these contracts are managed by LEGO System A/S. LEGO System A/S remit proceeds from these contracts to LEGO Lifestyle and charge an overhead administration cost.

Directors and directors' interests

The directors who served during the year are shown on page 1.

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

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the year.

LEGO Lifestyle International Limited

Directors' report for the year ended 31 December 2002 (Continued)

Statement of 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.

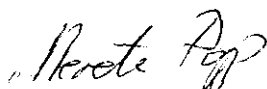
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



M Popp
Secretary

LEGO Lifestyle International Limited

Independent auditors' report to the members of LEGO Lifestyle International Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

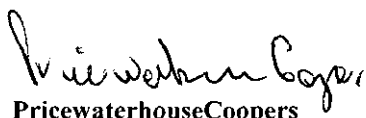
Basis of audit opinion

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 at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

West London

6 March 2003

LEGO Lifestyle International Limited

Profit and loss account for the year ended 31 December 2002

Continuing operations

	<i>Note</i>	2002 £	2001 £
Turnover	2	721,751	725,120
Cost of sales		-	-
Gross profit		721,751	725,120
Administrative expenses		307,844	251,845
Operating profit	3	413,907	473,275
Interest receivable		51,096	24352
Profit on ordinary activities before taxation		465,003	497,627
Tax on profit on ordinary activities	6	-	-
Retained profit for the financial year	11	465,003	497,627

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 7 to 11 form part of these financial statements.

LEGO Lifestyle International Limited

Balance sheet as at 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Current assets					
Debtors	7	461,152		749,884	
Cash		2,275,289		1,551,187	
Creditors: amounts falling due within one year	8	(99,291)		(128,923)	
Net current assets			2,673,150		2,172,148
Total assets less current liabilities			2,673,150		2,172,148
Capital and reserves					
Called up share capital	10		2,100,000		2,100,000
Profit and loss account	11		537,150		72,147
Shareholders' funds – equity interests	11		2,637,150		2,172,147

The notes on pages 7 to 11 form part of these financial statements.

Approved by the board of directors on 6/3/2003 and signed on its behalf by:



Director

LEGO Lifestyle International Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

1 Basis of preparation

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

2 Statement of cash flows

The company, being a subsidiary undertaking of a parent which prepares publicly available group accounts, is taking advantage of the exemption in Financial Reporting Standard No.1 (Revised 1996) not to present a statement of cash flows.

3 Taxation

The charge for taxation is based on the profit or loss for the year. Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

4 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.

5 Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. The company has sub let it's premises under a full recourse arrangement to a third party. The transaction has been reported in line with the requirements of FRS 5.

6 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.

7 Pensions

The company does not operate a company pension scheme, all directors are remunerated elsewhere and there are no employees.

8 Change in accounting policies

FRS 19 'Deferred tax' has been adopted in the year. No changes were required as a result of this implementation.

LEGO Lifestyle International Limited

Notes to the financial statements for the year ended 31 December 2002 (Continued)

2 Turnover

Turnover represents net income from licensing activities. The geographical breakdown of turnover is as follows:

	2002 £	2001 £
Europe	229,721	194,875
United Kingdom	-	-
United States	430,970	304,995
Other	61,060	225,250
	<hr/> 721,751	<hr/> 725,120

3 Operating Profit

Operating profit is stated after charging:

	2002 £	2001 £
Auditors' remuneration - audit fees	2,000	2,000
Rent charged in respect of operating lease	108,200	59,000
Rental income received in respect of sub lease	(108,200)	59,000

4 Directors' emoluments

No directors received emoluments during the year (2001: nil).

5 Staff costs

The average weekly number of employees during the year was nil (2001: nil). No staff costs were incurred during the year (2001: nil).

6 Taxation

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax on profits of the year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences (ACA and other)	-	-
Total deferred tax (note 9)	-	-
Total tax on profit on ordinary activities	-	-

LEGO Lifestyle International Limited

Notes to the financial statements for the year ended 31 December 2002 (Continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	465,003	497,627
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	139,501	149,288
Effects of:		
Accelerated capital allowances and other timing differences	-	(19,855)
Group relief claimed	(139,501)	(129,433)
	-	-

7 Debtors

	2002 £	2001 £
Amounts owed by fellow subsidiary undertakings	434,289	654,906
Other debtors and prepayments	26,863	94,978
	461,152	749,884

8 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	-	8,749
Amounts owed to fellow subsidiary undertaking	84,291	108,174
Accruals and deferred income	15,000	12,000
	99,291	128,923

9 Deferred taxation

No deferred taxation has arisen:

	2002 £	2001 £
Accelerated capital allowances	-	-
Short term timing differences	-	53,774
Losses	-	(53,774)
Net deferred tax asset	-	-

LEGO Lifestyle International Limited

Notes to the financial statements for the year ended 31 December 2002 (Continued)

10 Share capital

	2002 Number	2002 £	2001 Number	2001 £
Authorised				
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
Redeemable ordinary shares of £1 each	3,000,000	3,000,000	3,000,000	3,000,000
	3,500,000	3,500,000	3,500,000	3,500,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
Redeemable ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
	2,100,000	2,100,000	2,100,000	2,100,000

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 the ordinary shares.

11 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total £
At 1 January 2002	2,100,000	72,147	2,172,147
Profit for the financial year	-	465,003	465,003
At 31 December 2002	2,100,000	537,150	2,637,150

12 Pension contributions

The company has not made any pension contributions in the year (2001: £Nil).

13 Operating lease commitments

The company has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2002 £	2001 £
Operating Leases which expire:		
- after five years	80,500	59,000

The Company has sub-let its leased premises in Park Street, Windsor for an annual rental of £80,500 for the remainder of the lease term.

LEGO Lifestyle International Limited

Notes to the financial statements for the year ended 31 December 2002 (Continued)

14 Capital and other commitments

The company does not have any contracts placed for future capital expenditure that have not been provided in the financial statements (2001: £Nil).

15 Ultimate parent undertaking

The company is a subsidiary undertaking of LEGO Park Holding UK Limited into which company's accounts those of LEGO International Limited have been consolidated. The ultimate parent undertaking of the largest group into which the company's accounts are consolidated is LEGO A/S, a company incorporated in Denmark. LEGO A/S has agreed to provide finance in order for the company to meet its liabilities as they fall due. Copies of the accounts of LEGO A/S are available from Erhvervs or Selskabsstyrelsen, Kampmannsgade 1, DK-1780, Copenhagen V, Denmark.

16 Related party transactions and ultimate controlling party

In the directors' opinion, the company's ultimate controlling party is the Kirk Kristiansen family.

The company has a royalty contract with KIRKBI A/S, a company under common control, under which £151,568 royalties (2001: £152,275) were incurred during the year and £151,568 was accrued and outstanding at 31 December 2002 (2001: £152,275).