

The Walt Disney Company Limited

(Registered Number 530051)

**Directors' Report and Financial Statements
Year Ended 1 October 2005**



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The Walt Disney Company Limited

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The Walt Disney Company Limited

Directors' Report for the Year Ended 1 October 2005

The Directors present their annual report and financial statements of the Company for the year ended 1 October 2005.

Principal activities, review of business and future developments

The principal activities of the Company include television licensing, character merchandising and publications, television broadcast activities, film distribution, marketing, sales and distribution of home entertainment products, theatrical productions, property management, internet activities and the sale of land only vacation packages and other ancillary activities. Turnover year on year has increased due to the increased business activities resulting from the prior year's group restructure. Television broadcast, television licensing, theatrical productions and merchandising activities showed strong growth and expansion during the year while sales of digital versatile discs were lower than prior year due to weaker titles available for distribution. The Company will continue to promote its principal activities.

Results and dividends

The profit on ordinary activities after taxation for the financial year is £38,179,000 (2004: £91,847,000). Dividends of £94,000,000 were paid during the year (2004: none). A retained loss of £55,821,000 was transferred to reserves (2004: profit of £91,847,000).

Directors

The Directors who held office during the year are as follows:

C Rose
N Cook
M Reed
R Bloom

(resigned 15 October 2004)

None of the Directors have a beneficial interest in the shares of the Company.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. 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.

Employee involvement

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Company as a whole. Communication with all employees continues through newsletters, briefing groups and the availability of the annual report.

The Walt Disney Company Limited

Directors' Report for the Year Ended 1 October 2005 (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. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 1 October 2005 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

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.

By order of the Board on 22 December 2005

A handwritten signature in black ink, appearing to be 'NACod', written over a horizontal line.

Director

Independent Auditors' Report to the Members of The Walt Disney Company Limited

We have audited the financial statements, which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, and 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.


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 1 October 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 December 2005

The Walt Disney Company Limited

Profit and Loss Account for the Year Ended 1 October 2005

		Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
	<i>Note</i>		
Turnover	2	522,071	341,991
Cost of sales		(180,652)	(100,078)
Gross profit		341,419	241,913
Administrative expenses		(294,258)	(222,821)
Operating profit		47,161	19,092
Income from fixed asset investments	3	4,535	75,164
Interest receivable and similar income	4	2,358	933
Interest payable and similar charges	5	(2,451)	(849)
Profit on ordinary activities before taxation	6	51,603	94,340
Tax on profit on ordinary activities	8	(13,424)	(2,493)
Profit on ordinary activities after taxation		38,179	91,847
Dividends paid		(94,000)	-
Retained (loss)/profit	18	(55,821)	91,847

There is no difference between the result as reported and its historical cost equivalent.

The results shown above are derived from continuing operations.

The notes on pages 8 to 19 form part of these financial statements.

The Walt Disney Company Limited

Statement of Total Recognised Gains and Losses

	Note	Year ended 31 October 2005 £'000	Year ended 30 September 2004 £'000
Profit for the financial year		38,179	91,847
Unrealised gain on liquidation of investment	17	-	6,254
Total recognised gains and losses for financial year		38,179	98,101

The notes on pages 8 to 19 form part of these financial statements.

The Walt Disney Company Limited

Balance Sheet as at 1 October 2005

		1 October 2005	30 September 2004
	Note	£'000	£'000
Fixed assets			
Tangible assets	10	113,476	117,499
Investments	11	44,151	36,402
		157,627	153,901
Current assets			
Stock	12	7,629	6,734
Debtors	13	169,572	207,148
Cash at bank and in hand		38,084	49,866
		215,285	263,748
Creditors: amounts falling due within one year	14	(192,186)	(182,179)
Net current assets		23,099	81,569
Total assets less current liabilities		180,726	235,470
Provisions for liabilities and charges	15	(4,796)	(3,719)
Net assets		175,930	231,751
Equity capital and reserves			
Called up share capital	16	-	-
Share premium account	17	125,236	125,236
Other reserves	17	6,254	6,254
Profit and loss account	17	44,440	100,261
Total equity shareholder's funds	18	175,930	231,751

The financial statements on pages 5 to 19 were approved by the Board of Directors on 22 December 2005 and were signed on its behalf by:

Director



The notes on pages 8 to 19 form part of these financial statements.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards on a basis consistent with the prior period. The principal accounting policies are set out below.

a) Investments and investment income

Investments are stated at cost. Provision is made where in the opinion of the Directors an investment is impaired. Income from investments is included to the extent of dividends and distributions received.

b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Costs that are directly attributable to the development of new business application hardware and software, which are incurred during the period prior to the date that the systems are placed into operational use, are capitalised.

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:

Office equipment, furniture, fixtures and fittings	-	either 3 or 5 years
Information Systems	-	3 years, depreciation commencing when systems are placed into operational use
Buildings	-	39 ½ years
Leasehold improvements	-	over the term of the lease
Construction in progress	-	depreciation commences when assets are placed in service

c) Deferred taxation

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 net 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.

d) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit and loss account in the period in which they are incurred.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

1 Accounting policies (Continued)

e) Turnover

Television licensing income is recognised in the period in which the features are available for immediate delivery, the license period has begun and the arrangement fee is reasonably assured.

Television subscription revenue is recognised in the month of subscription.

Licensing income from character merchandising and publications is recognised in the period in which the licensee makes the equivalent sale. Minimum guarantees and advances on such licences are deferred and offset against licensing income as it is earned. Any minimum guarantee which is not earned out by the end of the contract is recognised on that date.

Income from film distribution is based on a percentage share of gross Box Office and is recognised when the film is exhibited.

Income from home entertainment, which arises mainly in the United Kingdom, comprises of sales and marketing of video cassettes and digital versatile discs and rental income and recharges for shared facilities and services. Turnover is recognised on the later of the date when goods are delivered to customers or the release date. Provision has been made for estimated returns in the period that revenue is recognised.

f) Foreign currencies

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.

g) Pension contributions

Pension contributions are made to a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due.

h) Group accounts and cash flow statement

The Walt Disney Company Ltd is a wholly owned subsidiary of Walt Disney International Ltd, whose ultimate parent company is The Walt Disney Company incorporated in the United States. The consolidated financial statements of both of these companies are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company has also taken advantage of the exemption under section 228 of the Companies Act 1985 from preparing group accounts as it is a wholly owned subsidiary of Walt Disney International Limited and is included within that company's consolidated financial statements.

i) Stocks

Stocks of finished goods and goods for resale are stated at the lower of cost and net realisable value. Provisions have been made for obsolescence.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

2 Segmental reporting

Turnover, which mainly arises in the United Kingdom, comprises television licensing, royalties received from character merchandising and publications, subscription revenue related to television broadcasting, film distribution revenue, sale of home entertainment products, theatrical productions, property management, internet activities, the sale of land only vacation packages and other ancillary activities.

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Revenue		
Media networks	181,179	152,641
Parks and resorts	4,292	3,328
Studio entertainment	255,399	117,489
Consumer products	79,899	66,697
Other	1,302	1,836
Total	522,071	341,991

In the opinion of the Directors the disclosure of segmental information relating to the business categories of net profit before tax and net assets would be seriously prejudicial to the interests of the Group and has not therefore been provided.

3 Income from fixed asset investments

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Dividends from subsidiary undertakings	-	71,943
Income from other investments	4,535	1,269
Liquidation proceeds	-	1,952
Total	4,535	75,164

4 Interest receivable and similar income

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Bank interest receivable	2,358	933
Total	2,358	933

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Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

5 Interest payable and similar charges

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Interest payable to other group companies	2,451	849
Total	2,451	849

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Staff costs:		
Wages and salaries	56,480	41,262
Social security costs	6,634	4,793
Pension costs (note 20)	2,641	2,039
Foreign exchange loss	1,160	3,313
Operating leases		
- plant and machinery	594	412
- other assets	13	13
Depreciation	6,070	4,327
Auditors' remuneration		
- audit services	237	226
- non-audit services	10	46

Audit fees of subsidiary companies are borne by The Walt Disney Company Limited.

7 Employee information

The number of persons (including executive directors) employed by the company at year end was as follows:

	Year ended 1 October 2005	Year ended 30 September 2004
Employees		
Media networks	272	311
Parks and resorts	59	59
Studio entertainment	199	107
Consumer products	189	162
Other	321	299
Total	1,040	938

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

8 Taxation

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

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Tax on profit on ordinary activities:		
(a) Analysis of charge in period		
Current tax:		
UK corporation tax at 30% (2004: 30%)	12,181	1,972
Prior year under provision	166	1,116
Total current tax	12,347	3,088
Deferred tax:		
Origination and reversal of timing differences	907	(630)
Prior year under provision	170	35
Total deferred tax (note 15)	1,077	(595)
Tax on profit on ordinary activities	13,424	2,493

The effective tax charge in future years is expected to be closer to the statutory charge.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

8 Taxation (Continued)

(b) Factors affecting the tax charge for the period:

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

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Profit on ordinary activities before tax	51,603	94,340
Expected tax at 30%	15,481	28,302
Effects of:		
Dividend income	-	(21,964)
Other permanent differences	1,097	(2,762)
Expenses not deductible for tax purposes	120	171
Depreciation in excess of capital allowances	118	189
Other timing differences	(1,035)	196
Utilisation of group losses	(3,600)	(2,160)
Adjustments relating to prior years	166	1,116
Current tax charge for period	12,347	3,088

9 Directors' emoluments

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 Restated £'000
Aggregate emoluments	671	529
Company contributions paid to pension scheme	29	37
Aggregate compensation for loss of office	-	-
Highest paid Director		
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	326	201
Company contributions paid to pension scheme	16	13

Retirement benefits are accruing to three Directors (2004: 4), including the highest paid Director, under the defined contribution scheme. One Director (2004: one) received share options under long term incentive schemes, and four Directors (2004: none) exercised share options in the ultimate parent company for the year.

The 2004 figures are restated as only Directors of The Walt Disney Company Ltd are included for disclosure purposes.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

10 Tangible fixed assets

	Office Equipment, Furniture, Fixtures and Fittings £'000	Information Systems £'000	Buildings, Leasehold Improvements £'000	Total £'000
Cost				
At 1 October 2004	9,518	6,163	110,633	126,314
Additions	778	1,952	-	2,730
Disposals	(456)	(855)	-	(1,311)
At 1 October 2005	9,840	7,260	110,633	127,733
Depreciation				
At 1 October 2004	4,949	2,130	1,736	8,815
Charge for the year	1,934	765	3,371	6,070
Disposals	(245)	(383)	-	(628)
At 1 October 2005	6,638	2,512	5,107	14,257
Net book amount				
At 1 October 2005	3,202	4,748	105,526	113,476
At 30 September 2004	4,569	4,033	108,897	117,499

11 Investments

	As at 1 October 2004 £'000s	Additions £'000s	Disposals £'000s	As at 1 October 2005 £'000s
Shares in group undertakings	34,000	464	-	34,464
Participating interests	2,402	1,050	-	3,452
Other investments	-	6,235	-	6,235
Total	36,402	7,749	-	44,151

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

11 Investments (Continued)

Details of investments are set out below:

Shares in group undertakings	Business	Country of registration/ Incorporation	Proportion of nominal value of shares held
DCL Finance (UK) Limited	Finance leasing	England	100%
1 Hammersmith Broadway Limited	Property Management	England	100%
Mind's Eye Holdings Limited	Holdings Company	England	100%
Participating interests			
GMTV Limited	Television production	England	20%
FilmFlex Movies Limited	Video on Demand	England	33%
Other investments			
Mary Poppins	Stage production		

On the 26th April 2005, the Company acquired the entire issued share capital of Mind's Eye Holdings Limited, a holding company with an investment in the entire share capital of Mind's Eye Productions Limited. Mind's Eye Productions Limited is expected to continue as a software developer. Both companies are registered in England. The shares of neither company are listed. The total investment of £464,000 comprises the purchase price of £400,000 and acquisition costs of £64,000.

On the 29th November 2004, the Company acquired a 33% holding in Filmflex Movies Limited, a Video On Demand service operator company registered in England. The shares of Filmflex Movies Limited are not listed. The total amount invested was £1,050,000.

During the year, the Company invested in 'Mary Poppins', a musical stage play showing in the West End, London. The Company is a joint investor and producer in the production, contributing a share of the production capital and will receive a share of both investor and producer net profits. The total investment in the production was £6,235,000.

As at 31 December 2004, the most recent balance sheet date, GMTV Limited held capital and reserves of £11,364,000. The net profit at this date was £13,345,000. All other participating interests are considered immaterial for these accounts.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

12 Stock

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Finished goods and goods for resale	7,629	6,734
Total	7,629	6,734

13 Debtors

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Trade debtors	77,306	59,158
Amounts owed by group undertakings	77,303	123,431
Other debtors	9,444	7,080
Corporation tax debtor	1,846	7,958
Prepayments and accrued income	3,673	9,521
Total	169,572	207,148

Trade debtors include £904,000 (2004: £651,000) falling due after more than one year.

A portion of amounts owed by group undertakings are unsecured, repayable on demand and interest bearing. The remaining amounts owed by group undertakings are unsecured, repayable on demand and interest free.

14 Creditors – amounts falling due within one year

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Trade creditors	15,943	11,009
Amounts owed to group undertakings	112,912	94,884
Taxation and social security	260	269
Deferred income and accruals	63,071	76,017
Total	192,186	182,179

A portion of amounts owed to fellow subsidiary undertakings are unsecured, repayable on demand and interest bearing. The remaining amounts owed to group undertakings are unsecured, repayable on demand and interest free.

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Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

15 Deferred taxation

The deferred tax liability comprises the following amounts:

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Accelerated capital allowances	(4,968)	(5,178)
Short term timing differences	172	1,459
Undiscounted deferred tax liability	(4,796)	(3,719)
(Liability)/asset at start of period	(3,719)	127
Transfer from retiring entities	-	(4,441)
Amount (credited)/charged to profit and loss	8	630
Prior year under provision	8	(35)
Liability at end of period	(4,796)	(3,719)

16 Called up share capital

	Year ended 1 October 2005 £	Year ended 30 September 2004 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted and fully paid		
16 Ordinary shares of £1 each	16	16

17 Reserves

	Other Reserves £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 October 2004	6,254	125,236	100,261	231,751
Retained loss for the financial year	-	-	(55,821)	(55,821)
As at 1 October 2005	6,254	125,236	44,440	175,930

Other reserves represent the unrealised gain on sale of property to 1 Hammersmith Broadway Limited.

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

18 Reconciliation of movements in shareholder's funds

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 £'000
Retained (loss)/profit for the financial year	(55,821)	91,847
Net proceeds of issue of ordinary share capital	-	118,304
Unrealised gain on liquidation of subsidiary	-	6,254
Net (decrease)/increase in shareholder's funds	(55,821)	216,405
Shareholder's funds as at 1 October 2004	231,751	15,346
Shareholder's funds as at 1 October 2005	175,930	231,751

19 Financial commitments

At 1 October 2005 the Company had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	Year ended 1 October 2005 £'000	Year ended 30 September 2004 Restated £'000
Land & Buildings		
Within one year	-	-
Between two and five years	42	42
After five years	-	-
Other operating leases		
Within one year	14	2
Between two and five years	506	590
After five years	-	-
Total	562	634

20 Pensions

Pension benefits for employees are provided under The Walt Disney Retirement Savings Plan (the "Plan"). The Plan is a defined contribution arrangement with contributions being made by members and the Company on an age-related basis.

The pension cost charge represents the contribution payable by the Company under the rules of the Plan. Pension costs incurred by the Company for the year amounted to £2,641,000 (2004: £2,039,000).

The Walt Disney Company Limited

Notes to the Financial Statements for the Year Ended 1 October 2005 (continued)

21 Ultimate parent undertaking

Ultimate parent

The Walt Disney Company Ltd is a wholly owned subsidiary of Walt Disney International Limited whose ultimate parent is the The Walt Disney Company Inc., incorporated in the 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:

	Largest	Smallest
Name	The Walt Disney Company	Walt Disney International Limited
Country of Incorporation	United States of America	England
Address from where copies of the group accounts can be obtained	500 South Buena Vista St. Burbank, California 91521-9722 USA	3 Queen Caroline St. Hammersmith London W6 9PE

22 Related Party Transactions

The Company is a wholly owned subsidiary of Walt Disney International Ltd whose ultimate parent is Walt Disney Company Inc. 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. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 21.