

WALT DISNEY INTERNATIONAL LIMITED

(Registered Number: 2724503)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 1999**



WALT DISNEY INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999

The Directors present their report and the consolidated financial statements of the Company and the Group for the year ended 30 September 1999.

CHANGE OF NAME

On 18th August 1999 the Company changed its name to Walt Disney International Limited.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company is a wholly-owned subsidiary undertaking of The Walt Disney Company, incorporated in the United States of America, and acts as a holding Company for the Group in the United Kingdom.

The principal activities of the subsidiary undertakings are set out in note 11 to the financial statements and include television broadcasting, licensing and production services, theatrical distribution of films, video rental and sell through, cruise vessel operations and retail merchandising.

The business continued to grow at a satisfactory level throughout the year. The increase in business activity relates primarily to the growth in character merchandising, television licensing, theatrical management and cruise line operations. The Group will continue to promote its principal activities.

RESULTS AND DIVIDENDS

The loss for the financial year is £2,492,388 (1998: £15,065,659). Dividends of £3,500,000 were paid during the year (1998: £8,975,104). The deficit for the year of £5,992,338 was transferred to reserves (1998: £24,040,763).

WALT DISNEY INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year and to the date of this report were as follows:

C J G Lewis
S M Litvack (resigned 31 December 2000)
B R Chapman
M L Reed
P L Wiley (appointed 9 April 1999)
S H Hall (appointed 29 November 1999; resigned 9 June 2000)
E M De Villers (appointed 29 November 1999; resigned 30 April 2000)
N Curran (appointed 29 November 1999; resigned 21 June 2000)

None of the Directors had beneficial interests in the shares of the Company or any of its subsidiary undertakings at any time during the year.

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 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.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office. A resolution for their reappointment as auditors will be proposed at the Annual General Meeting.

WALT DISNEY INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

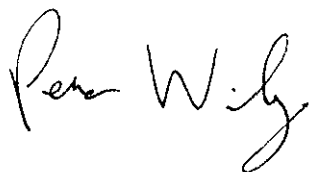
DIRECTORS' RESPONSIBILITIES

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 the Group at the end of the period under review and of the profit or loss for that period. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on *17th July* 2001



Director

Auditors' Report to the Members of Walt Disney International Limited

We have audited the financial statements on pages 6 to 29.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

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.

Auditors' Report to the Members of Walt Disney International Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 30 September 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

13 July..... 2001

WALT DISNEY INTERNATIONAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1999

	<u>Notes</u>	Year ended 30 September <u>1999</u> £'000	Year ended 30 September <u>1998</u> £'000
TURNOVER - Continuing operations	2,3	517,090	378,969
COST OF SALES		<u>(264,060)</u>	<u>(180,512)</u>
GROSS PROFIT		253,030	198,457
Royalties payable		(84,801)	(82,874)
Distribution costs		(39,097)	(18,560)
Administrative expenses		(141,129)	(120,874)
Other operating income		<u>4,327</u>	<u>4,469</u>
		<u>(260,700)</u>	<u>(217,839)</u>
OPERATING LOSS - Continuing operations		<u>(7,670)</u>	<u>(19,381)</u>
Interest receivable and similar income	4	5,904	8,997
Interest payable and similar charges	4	<u>(4,197)</u>	<u>(2,399)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(5,963)	(12,783)
Taxation on loss on ordinary activities	8	<u>3,471</u>	<u>(2,283)</u>
LOSS FOR THE FINANCIAL YEAR		(2,492)	(15,066)
Dividends – Including non equity		<u>(3,500)</u>	<u>(8,975)</u>
RETAINED DEFICIT FOR THE FINANCIAL YEAR	20	<u>(5,992)</u>	<u>(24,041)</u>

The notes on pages 10 to 29 form an integral part of these financial statements.

WALT DISNEY INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 1999

	<u>Notes</u>	30 September <u>1999</u> £'000	30 September <u>1998</u> £'000
FIXED ASSETS			
Tangible assets	10	217,207	194,663
Investments	11	<u>3,750</u>	<u>3,750</u>
		220,957	198,413
CURRENT ASSETS			
Stocks	12	30,311	26,638
Film and television costs	13	3,472	8,103
Debtors	14	244,585	216,081
Investments	11	-	15,179
Cash at bank and in hand		<u>37,660</u>	<u>28,503</u>
		316,028	294,504
CREDITORS (amounts falling due within one year)	15	<u>(266,729)</u>	<u>(228,652)</u>
NET CURRENT ASSETS		<u>49,299</u>	<u>65,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		270,256	264,265
CREDITORS (amounts falling due after more than one year)	16	(95,119)	(83,586)
Provision for liabilities and charges	17	<u>(8,116)</u>	<u>(6,539)</u>
NET ASSETS		<u>167,021</u>	<u>174,140</u>
CAPITAL AND RESERVES			
	19,20,21		
Called up share capital		160,179	160,179
Other reserves		12,752	12,752
Profit and loss account		<u>(5,910)</u>	<u>1,209</u>
TOTAL SHAREHOLDERS' FUNDS		<u>167,021</u>	<u>174,140</u>
ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		6,842	13,961
Non-equity		<u>160,179</u>	<u>160,179</u>
		<u>167,021</u>	<u>174,140</u>

Approved by the Board of Directors on 17th July.....2001

Director

The notes on pages 10 to 29 form an integral part of these financial statements.

WALT DISNEY INTERNATIONAL LIMITED

COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 1999

	<u>Notes</u>	30 September <u>1999</u> £'000	30 September <u>1998</u> £'000
FIXED ASSETS			
Investments	11	<u>513,475</u>	<u>513,475</u>
CURRENT ASSETS			
Debtors	14	18,204	2
Investments	11	-	15,179
Cash		<u>10,409</u>	<u>-</u>
		28,613	15,181
CREDITORS (amounts falling due within one year)	15	(365,856)	(355,725)
NET CURRENT LIABILITIES		(337,243)	(340,544)
NET ASSETS		<u>176,232</u>	<u>172,931</u>
CAPITAL AND RESERVES	19,20,21		
Called up share capital		160,179	160,179
Other reserves		12,752	12,752
Profit and loss account		<u>3,301</u>	<u>-</u>
TOTAL SHAREHOLDERS' FUNDS		<u>176,232</u>	<u>172,931</u>
ANALYSIS OF SHAREHOLDERS FUNDS			
Equity		16,053	12,752
Non-equity		<u>160,179</u>	<u>160,179</u>
		<u>176,232</u>	<u>172,931</u>

Approved by the Board of Directors on 13th July.....2001


Director

The notes on pages 10 to 29 form an integral part of these financial statements.

WALT DISNEY INTERNATIONAL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>Notes</u>	30 September <u>1999</u> £'000	30 September <u>1998</u> £'000
Loss for the financial year	21	(2,492)	(15,066)
Currency translation differences on foreign currency net investments	21	<u>(1,127)</u>	<u>1,413</u>
Total recognised gains and losses		<u>(3,619)</u>	<u>(13,563)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The reconciliation of movements in shareholders' funds is given in note 21 to the accounts.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

1 ACCOUNTING POLICIES

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

(1) Basis of consolidation

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries made up to 30 September 1999.

(2) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company balance sheet. Provision against the value of investments is only made where, in the opinion of the Directors, the value of the investment is impaired.

(3) Investments in associated undertakings

Associated undertakings are those Companies in which the Group has a significant interest, normally at least 20% of the voting rights and over which it exerts significant influence. Equity accounting is adopted in respect of associated undertakings except that losses are not recognised in instances where the undertaking has a deficiency of net assets, the Group has not undertaken to provide further support for those operations and full provision has been made for the Group's equity investment in such undertakings.

(4) Turnover

Turnover is principally comprised of video sales, television licensing and production income, box office receipts, retail and character merchandising and publications, broadcasting income, rental income and cruise berth rental and is recognised on the following basis:

- Video sales are recognised on the later of the date when goods are delivered to customers or the release date. Provision is made for estimated returns in the period that revenue is recognised. Royalties are recognised when earned. Minimum guarantees are recognised on receipt.
- Television licensing and production income is recognised when the material is available for telecast by the licensee and when certain other conditions are met.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

1 ACCOUNTING POLICIES (CONTINUED)

(4) *Turnover (continued)*

- Revenues from the theatrical distribution of motion pictures are recognised when the motion picture is exhibited.
- Merchandising and publication income represents amounts receivable for goods supplied to customers excluding VAT, including those receivable from third parties under licensing arrangements.
- *Television subscription services related to The Disney Channel are recognised as the services are provided.*
- Rental income and recharges for shared services are recognised on an accruals basis.
- Revenue related to the provision of cruise berths is recognised using the accruals method. All other cruise vessel revenue is recognised when the good is delivered or the service is provided.

(5) **Tangible fixed assets**

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:

Leased assets	-	over the term of the lease
Leasehold improvements	-	over the remaining term of the lease
Motor vehicles	-	3 years
Office equipment, furniture, fixtures and fittings	-	3 to 5 years

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

1 ACCOUNTING POLICIES (CONTINUED)

(5) Tangible fixed assets (continued)

Office computers	-	3 years
Information systems	-	3 years, depreciation commencing when projects are substantially completed.
Buildings - long leasehold	-	39½ years
Stage show and other on-board entertainment and programming costs	-	5 years

For constructions in progress, depreciation will commence when assets are placed in service.

(6) Drydock costs

Drydock costs are capitalised and amortised over the shorter of the estimated useful life of the asset, the period until the next scheduled drydock, or the vessel's remaining lease term on a straight-line basis.

(7) Capitalised interest

Interest borne by the Company in relation to the funding of tangible fixed assets is capitalised within tangible fixed assets.

(8) Stock

Stocks of consumables and goods for resale are valued at the lower of cost and net realisable value.

(9) Film and Television Costs

Film and television costs represent the unamortised cost of programmes in production. On an individual contract basis, programme costs are expensed based on the proportion of revenue recognised in respect of a contract in the current period compared to the estimated final revenue from the contract.

(10) 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.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

1 ACCOUNTING POLICIES (CONTINUED)

(11) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the appropriate rates ruling at the balance sheet date. Transactions in foreign currencies are translated at the rates ruling at the dates of the transactions. All foreign exchange gains or losses are taken to the profit and loss account, except for those arising on the revaluation of television contracts which are borne by a fellow subsidiary undertaking.

The asset and liabilities of overseas undertakings and entities where the functional currency is not sterling are translated into sterling at the rates ruling at the balance sheet date. Revenue and expenses in foreign currencies are recorded in sterling at the rates ruling for the month of the translation. Gains or losses arising on translation are dealt with through reserves.

(12) Leased assets

Assets held under finance leases are included as tangible assets and are depreciated as stated above. Obligations arising under finance leases are included under creditors due within one year. Operating lease payments are charged to the profit and loss account when incurred on a straight line basis over the lease term.

(13) Pension commitments

The Group maintains a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due. The assets of the scheme are maintained separately from those of the Company, being invested with insurance companies. Contributions are made on behalf of the Company by the parent undertaking to a defined benefit pension plan and are charged to the profit and loss account when they fall due. Pension costs are allocated to the Company based on its share of the cost of the contributions of the Group as a whole.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

1 ACCOUNTING POLICIES (CONTINUED)

(14) Cruise deposits

Cruise deposits are recorded upon receipt by the Company's agents.

(15) Cash flow statement

Walt Disney International Limited is a wholly owned subsidiary of The Walt Disney Company, a Company incorporated in the United States of America, and is included in its ultimate parent's consolidated financial statements which 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).

(16) Comparative balances

Certain reclassifications have been made in the prior year comparatives to conform to fiscal 1999 presentation.

2 TURNOVER

Turnover, which arises mainly in the United Kingdom, principally comprises video cassette sales, television broadcasting, licensing and production income and box office receipts, collectively known as Filmed Entertainment income, and income from retail and character merchandising and publications, collectively known as Consumer Products income, and income from the operation of cruise liners, collectively known as Cruise Line income and Property Management income. The split into these categories of turnover during the period was as follows:

	Year ended 30 September <u>1999</u> £'000	Year ended 30 September <u>1998</u> £'000
Filmed Entertainment	273,070	240,565
Consumer Products	109,824	99,891
Cruise Line	122,592	35,225
Property Management	<u>11,604</u>	<u>3,288</u>
	<u>517,090</u>	<u>378,969</u>

£172,827,843 (1998: £69,981,189) of turnover is receivable from fellow subsidiary undertakings. All other turnover arises from third parties.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

3 SEGMENTAL REPORTING – by geographical origin

	Year ended 30 September <u>1999</u> £'000	Year ended 30 September <u>1998</u> £'000
Turnover		
United Kingdom	373,789	333,331
Europe	7,105	10,413
United States of America	<u>136,196</u>	<u>35,225</u>
	<u>517,090</u>	<u>378,969</u>

Turnover by destination does not differ materially from that of origin.

	<u>1999</u> £'000	<u>1998</u> £'000
Net Assets		
United Kingdom	224,242	211,748
Europe	-	-
United States of America	<u>(57,221)</u>	<u>(37,608)</u>
	<u>167,021</u>	<u>174,140</u>
Filmed Entertainment	78,242	79,198
Consumer Products	42,660	32,886
Cruise Line	(57,221)	(37,608)
Property Management	<u>103,340</u>	<u>99,664</u>
	<u>167,021</u>	<u>174,140</u>

In the opinion of the Directors, disclosure of profit before tax by geographical market and class of business would be prejudicial to the interests of the business. Consequently, disclosure in accordance with the Statement of Standard Accounting Practice Number 25 is not thought to be appropriate.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

4 INTEREST

	Year ended 30 September 1999		Year ended 30 September 1998	
	£'000	£'000	£'000	£'000
Bank interest receivable	-		1,571	
Interest receivable on loan to fellow subsidiary undertaking	<u>5,904</u>		<u>7,426</u>	
		5,904		8,997
Interest payable on long-term loan from ultimate parent undertaking (repayable between 2-5 years)	(4,133)		(1,019)	
Other interest payable	<u>(64)</u>		<u>(1,380)</u>	
		(4,197)		(2,399)
		<u>1,707</u>		<u>6,598</u>

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 30 September 1999		Year ended 30 September 1998	
	£'000		£'000	
Staff costs:				
Wages and salaries		68,898		53,177
Social security costs		5,014		4,245
Pension costs		1,479		1,383
Other employee benefits		995		681
Depreciation charge	- owned assets	19,519		10,477
	- leased assets	296		1,577
Operating lease rentals	- land and buildings	11,399		9,404
	- plant and equipment	462		426
	- other	23,536		8,423
Auditors' remuneration	- audit fees	293		246
	- non-audit fees	209		160
Profit on disposal of fixed assets		-		(804)
Exchange (gain)/loss		<u>(40)</u>		<u>85</u>

Auditors remuneration in respect of the Company was £8,750 (1998: £15,000).

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

6 DIRECTORS' EMOLUMENTS

The emoluments of the Directors of the Company, excluding pension contributions, in respect of duties wholly or mainly discharged in the UK were as follows:

	Year ended 30 September <u>1999</u> £	Year ended 30 September <u>1998</u> £
Aggregate Emoluments - fees	<u>500</u>	<u>500</u>

The Company does not have a chairman. None of the other Directors received any emoluments. The amount above represents emoluments received by the highest paid Director.

7 EMPLOYEES

The average number of employees of the Group for the year by category was:

	Year ended 30 September <u>1999</u>	Year ended 30 September <u>1998</u>
Administration	695	431
Consumer products	1,604	1,481
Cruise lines	1,214	632
Filmed entertainment	<u>615</u>	<u>632</u>
	<u>4,128</u>	<u>3,176</u>

The Company had no employees during the year.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

8 TAXATION

	Year ended 30 September <u>1999</u> £'000	Year ended 30 September <u>1998</u> £'000
<u>Taxation on profit for the year</u>		
UK Corporation tax at 31% (1998: 31%)	-	-
(Over)/under provision in prior years	(4,723)	1,026
Deferred taxation	<u>1,252</u>	<u>1,257</u>
	<u>(3,471)</u>	<u>2,283</u>

The charge for current taxation is based upon the taxable profit for the Group at 31% (1998: 31%) after utilisation of available tax losses.

Deferred taxation represents provision for accelerated capital allowances expected to give rise to a taxation liability in the foreseeable future.

9 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

Walt Disney International Limited has not presented its own profit and loss account as permitted by section 230 (1) of the Companies Act 1985. The Company's retained profit for the year is £3,300,706 (1998: £8,047) while the Company's profit for the financial year is £6,801,385 (1998: £8,967,057).

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

10 FIXED ASSETS

Group	Land & Buildings Long Leasehold	Leased Assets	Leasehold Improvements	Motor Vehicles	Office Equipment & Stage Shows	Assets in Course of Construction	Computers & Information Systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 October 1998	147,604	32,750	16,517	26	42,676	6,426	19,917	265,916
Additions	613	-	843	-	10,564	29,209	2,777	44,006
Reclassification	18,477	-	1,248	-	15,035	(34,956)	196	-
Foreign Exchange Gain/(Loss)	-	-	-	-	387	101	-	488
Disposals/Retirements	(2)	(32,750)	(2,056)	(26)	(1,751)	(27)	(1,273)	(37,885)
At 30 September 1999	166,692	-	16,552	-	66,911	753	21,617	272,525
Depreciation								
At 1 October 1998	5,336	32,750	6,266	26	15,327	-	11,548	71,253
Charge during period	3,478	-	1,703	-	11,115	-	3,519	19,815
Reclassifications	531	-	-	-	(531)	-	-	-
Foreign Exchange Gain/(Loss)	-	-	-	-	10	-	-	10
Disposals/Retirements	-	(32,750)	(481)	(26)	(1,344)	-	(1,159)	(35,760)
At 30 September 1999	9,345	-	7,488	-	24,577	-	13,908	55,318
Net book amount								
At 30 September 1999	157,190	-	9,064	-	42,022	753	8,178	217,207
At 1 October 1998	142,268	-	10,251	-	27,349	6,426	8,369	194,663

Interest capitalised on freehold and long leasehold assets included in additions amounted to £nil during the year (1998: £509,003). The cumulative amount of interest capitalised in the total cost above amounts to £913,856.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

11 INVESTMENTS

Group	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
Cost			
At 1 October 1998	2,400	3,780	6,180
Additions	2	-	2
At 30 September 1999	<u>2,402</u>	<u>3,780</u>	<u>6,182</u>
Provision			
At 1 October 1998	(2,400)	(30)	(2,430)
Provision	(2)	-	(2)
At 30 September 1999	<u>(2,402)</u>	<u>(30)</u>	<u>(2,432)</u>
Net Book amount			
At 30 September 1999	<u>-</u>	<u>3,750</u>	<u>3,750</u>
At 30 September 1998	<u>-</u>	<u>3,750</u>	<u>3,750</u>

The Group holds two investments through a subsidiary undertaking.

At 30 September 1999 it had a 25% holding in GMTV Limited, a television production company registered in England, the shares of which are not listed on the London Stock Exchange. On the basis of the Directors' valuation, the carrying value of the investment was written down to nil in the year ending 30 September 1994. The cost of the write-down was borne by a fellow subsidiary undertaking. In addition to the equity investment, there is also an investment in loan stock which, on the basis of the Directors' valuation, is fairly stated at cost.

In 1999, the Group, via a subsidiary undertaking, acquired at cost from The Law Debenture Trust, the remaining 50% of the issued share capital of GM 1995 Limited, an investment holding company registered in England, the shares of which are not listed on the London Stock Exchange. GM 1995 Limited is now a wholly owned subsidiary of The Walt Disney Company Limited. On the basis of the Directors' valuation, the carrying value of the investment was written down to nil, including a provision of £30,000 against loans made to GM 1995. The cost of the write-down was borne by a fellow subsidiary undertaking.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

11 INVESTMENTS (continued)

Company

Fixed asset investments

	30 September 1999 £'000	30 September 1998 £'000
Investment in subsidiary undertakings (unlisted shares at cost)	<u>513,475</u>	<u>513,475</u>

Details of the subsidiary undertakings are set out below:

<u>Subsidiary undertaking</u>	<u>Business</u>	<u>Country of registration/ incorporation</u>	<u>Proportion of nominal value of shares held by parent undertaking</u>
Buena Vista Productions Ltd	TV production services	England	100%
Buena Vista International (UK) Ltd	Theatrical distribution of films	England	100%
Disney Animation Studios (UK) Ltd	Dormant	England	100%
Go Network International Ltd	Dormant	England	100%
Walt Disney Animation U.K. Ltd	Members voluntary liquidation	England	100%
The Disney Store Ltd	Retail merchandising	England	100%
Walt Disney Theatrical (UK) Ltd	Theatrical presentation and management	England	100%
The Walt Disney Company Ltd	Television licensing and broadcasting, internet activities, character merchandising and publications and theme park marketing	England	100%
Walt Disney Properties (UK) Ltd	Property management	England	100%
Disney Real Estate Investments (UK) Ltd	Property development	England	100%
Magical Cruise Company Ltd *	Operation of luxury cruise vessels	England	100%
Buena Vista Home Entertainment Ltd	Sale and marketing of pre-recorded video cassettes	England	100%
Supercomm Europe Limited	Revenue sharing data processing, reporting and auditing services	England	100%

All of the subsidiary undertakings have been consolidated in the Group financial statements.

* The functional currency of Magical Cruise Company Limited is \$US.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

11 INVESTMENTS (continued)

Current asset investments

	Group 30 September 1999 £'000	Group 30 September 1998 £'000	Company 30 September 1999 £'000	Company 30 September 1998 £'000
Investment in The Walt Disney Company Stock Compensation Fund	<u> -</u>	<u>15,179</u>	<u> -</u>	<u>15,179</u>

The Company held an investment in 2,500 Series A preferred shares of The Walt Disney Company Stock Compensation Fund ("The Fund"). The Fund was established by the ultimate parent undertaking pursuant to the repurchase program to acquire shares of The Walt Disney Company for the purpose of funding certain stock-based compensation. All shares acquired by the Fund were disposed of and the Fund was dissolved in April 1999.

12 STOCKS

	Group 30 September 1999 £'000	Group 30 September 1998 £'000
Consumables	1,532	1,389
Goods for resale	<u>28,779</u>	<u>25,249</u>
	<u>30,111</u>	<u>26,638</u>

13 FILM AND TELEVISION COSTS

	Group 30 September 1999 £'000	Group 30 September 1998 £'000
Deferred film marketing and printing costs	1,410	1,228
Programmes in production	<u>2,062</u>	<u>6,875</u>
	<u>3,472</u>	<u>8,103</u>

Programmes in production comprise costs incurred during the year in relation to programmes not available for broadcast at the year end.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

14 DEBTORS

	Group 30 September 1999 £'000	Group 30 September 1998 £'000	Company 30 September 1999 £'000	Company 30 September 1998 £'000
Trade debtors	59,178	77,319	-	-
Amounts owed by fellow subsidiary undertakings	158,311	112,043	-	-
Other debtors	12,808	17,208	18,204	2
Prepayments and accrued income	<u>14,288</u>	<u>9,511</u>	<u>-</u>	<u>2</u>
	<u>244,585</u>	<u>216,081</u>	<u>18,204</u>	<u>2</u>

15 CREDITORS (amounts falling due within one year)

	Group 30 September 1999 £'000	Group 30 September 1998 £'000	Company 30 September 1999 £'000	Company 30 September 1998 £'000
Bank loans and overdrafts	6,688	6,815	-	-
Trade creditors	39,997	38,180	-	-
Amounts due to fellow subsidiary undertakings	148,084	121,428	365,856	355,725
Other creditors incl. tax & social security	46,172	28,209	-	-
Accruals and deferred income	<u>25,788</u>	<u>34,020</u>	<u>-</u>	<u>-</u>
	<u>266,729</u>	<u>228,652</u>	<u>365,856</u>	<u>355,725</u>

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

	Group 30 September 1999 £'000	Group 30 September 1998 £'000
Amounts due to parent undertaking	27,840	16,211
Amounts due to fellow subsidiary undertaking	<u>67,279</u>	<u>67,375</u>
	<u>95,119</u>	<u>83,586</u>

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

17 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax		
	<u>Provision</u>	<u>Other</u>	<u>Total</u>
	£'000	£'000	£'000
At 1 October 1998	6,539	-	6,539
Charged to the profit and loss account in the year	1,252	250	1,502
Foreign exchange loss	<u>75</u>	<u>-</u>	<u>75</u>
At 30 September 1999	<u>7,866</u>	<u>250</u>	<u>8,116</u>

The provision for deferred taxation has been made in respect of accelerated capital allowances that are expected to give rise to a taxation liability in the foreseeable future.

The estimated liability for the closure of Beauty and the Best at the Dominion Theatre is £250,000. This liability has been charged in the profit and loss account of Walt Disney Theatrical (UK) Limited. There are no significant uncertainties relating to the amount or timing differences of this outflow. There is no possibility of any reimbursement.

18 FINANCIAL COMMITMENTS

(1) Capital expenditure commitments relating to fixed assets:

	Group	Group
	At 30 September 1999	At 30 September 1998
	£'000	£'000
Contracted for but not provided	<u>4,243</u>	<u>13,517</u>

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

18 FINANCIAL COMMITMENTS (CONTINUED)

(2) Operating lease obligations

	Group At 30 September 1999 £'000	Group At 30 September 1998 £'000
Payments payable within one year of the balance sheet date were in respect of leases expiring:		
Land and buildings:		
Between two and five years	890	3,287
After five years	<u>6,815</u>	<u>6,170</u>
Plant and machinery:		
Within one year	587	148
Between two and five years	2,096	362
After five years	<u>-</u>	<u>5,751</u>
Cruise Vessels		
Within one year	27,330	-
Between two and five years	42,392	-
After five years	<u>381,525</u>	<u>-</u>

Other operating lease commitments exist in relation to retail store sites. These are based on a percentage of the stores' sales and are not subject to a minimum annual amount.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

19 CALLED UP SHARE CAPITAL

	Company 30 September <u>1999</u> £	Company 30 September <u>1998</u> £
Authorised:		
300 Ordinary shares (equity) of £1 each	300	300
1,000,000,000 'A' redeemable		
Ordinary shares (non-equity) of £1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>1,000,000,300</u>	<u>1,000,000,300</u>
Allotted and fully paid:		
101 Ordinary shares (equity) of £1 each	101	101
515,276,799 'A' redeemable		
Ordinary shares (non-equity) of £1 each	<u>160,179,113</u>	<u>160,179,113</u>
	<u>160,179,214</u>	<u>160,179,214</u>

The rights and restrictions attached to the 'A' redeemable ordinary shares are contained within the Articles which are filed at Companies House. The Company has the right to redeem the whole or any part of the 'A' redeemable ordinary shares upon giving not less than 30 days' notice in writing to the holders. Each share shall be redeemed at par together with a sum equal to any arrears on any dividend declared and earned thereon. The other main differences between this class of share and the ordinary shares are as follows:

Every holder of one ordinary share shall have 13,400,000 votes for every such share whereas every holder of one 'A' redeemable ordinary share shall have one vote for every such share.

On a return of capital on liquidation, the assets of the Company available for distribution among the members shall first be applied in repaying the holders of the 'A' redeemable ordinary shares to the value of the nominal amount paid up together with a sum equal to any arrears on dividends declared and earned thereon provided always, however, that there shall not be distributed to such holders any amount equal to or greater than 65% of all the assets of the company available to all equity holders.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

20 RESERVES

Group

	<u>Profit and loss account</u> £ '000	<u>Other reserves</u> £ '000	<u>Total</u> £ '000
At 1 October 1998	1,209	12,752	13,961
Foreign exchange adjustment	(1,127)	-	(1,127)
Retained deficit for the year	<u>(5,992)</u>	<u>-</u>	<u>(5,992)</u>
Total reserves at 30 September 1999	<u>(5,910)</u>	<u>12,752</u>	<u>(6,842)</u>

Company

	<u>Profit and loss account</u> £'000	<u>Other reserves</u> £'000	<u>Total</u> £'000
At 1 October 1998	-	12,752	12,752
Retained profit for the year	<u>3,301</u>	<u>-</u>	<u>3,301</u>
	<u>3,301</u>	<u>12,752</u>	<u>16,053</u>

Other reserves represent capital contributions received from fellow subsidiary undertakings.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<u>Group</u> £'000	<u>Company</u> £'000
Shareholders' funds at start of year	174,140	172,931
(Loss) / profit for the year	(2,492)	6,801
Dividends paid	(3,500)	(3,500)
Foreign exchange adjustment	<u>(1,127)</u>	<u>-</u>
Shareholders' funds at end of year	<u>167,021</u>	<u>176,232</u>

22 PENSION FUND

Pension benefits for employees of The Walt Disney Company Limited, Buena Vista International (UK) Limited, Buena Vista Productions Limited, Buena Vista Home Entertainment Limited, Supercomm Europe Limited and Walt Disney Properties (UK) Limited are provided under The Walt Disney Retirement Savings Plan. The Walt Disney Retirement Savings Plan is a defined contribution arrangement with contributions being made by members and the Company on an age related basis.

Shoreside employees of the Magical Cruise Company, Limited, participate in the Group defined benefit pension plan provided under the Walt Disney World Co. & Associated Companies' Retirement Plan and the Disney Salaried Retirement plan. Pension costs incurred by the Company for the year amounted to US\$244,000 (1998: \$158,000). Details of the Group defined benefit plan are given in the financial statements of The Walt Disney Company. Details of the more significant points are discussed below.

The cost of contributions is assessed in accordance with the advice of Buck Consultants, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 1 July 1999 using the five-year weighted average method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 10.5% (1998: 10.5%) per annum, the rate of salary increase would be 5.1% (1998: 4.4%) per annum, and the discount rate 7.5% (1998: 6.8%). At the date of the latest actuarial valuation at 1 July 1999, the market value of the assets of the scheme was US\$1,148,700,000 (1998: US\$1,050,041,000) and the actuarial value of the assets was sufficient to cover 133% (1998: 135%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

For employees of The Disney Store Limited, pension contributions are made to the employees' individual pension plans. The company contribution is a £1 to £1 match up to a limit of 4 or 6% of employee salaries depending on the employee's position in the company.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999 (Continued)

22 PENSION FUND (CONTINUED)

Contributions are charged to the profit and loss account in the year and amounted to £1,268,000 (1998: £1,382,689).

23 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is The Walt Disney Company, incorporated in the United States of America. Copies of the annual report may be obtained from 500 South Buena Vista Street, Burbank, California 91521.

The Walt Disney Company is also the largest and smallest group for which accounts are prepared and of which the Company is a member.

24 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of the ultimate parent company and utilises the exemption contained in FRS 8, Related Party Disclosures, not to disclose any transactions with entities that are included in the financial statements of the ultimate parent company. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 23.