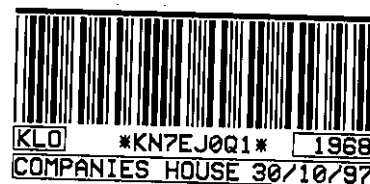


WALT DISNEY HOLDINGS (UK) LIMITED  
(Registered Number: 2724503)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 SEPTEMBER 1996



## **WALT DISNEY HOLDINGS (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

The directors submit their annual report and consolidated financial statements for the year ended 30 September 1996.

#### **PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

The company was incorporated as a wholly-owned subsidiary undertaking of The Walt Disney Company incorporated in the United States of America to act as a holding company.

Capital contributions received during the year have enabled the group to expand through investments in the company's existing subsidiary undertakings, as well as in three new companies. 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 and retail merchandising. In addition, Walt Disney Properties (UK) Ltd and Disney Real Estate Investments (UK) Ltd will further the group's property management and development activities and Magical Cruise Company, Ltd has been established to operate luxury cruise vessels.

In April 1997, the company issued one ordinary share to a fellow subsidiary undertaking in consideration for the entire issued share capital of Buena Vista Home Entertainment Limited, an established company whose principal activity is the sale and marketing of pre-recorded video cassettes and interactive products.

The group will continue to promote its principal activities.

#### **RESULTS AND DIVIDENDS**

The group profit on ordinary activities after taxation for the year was £7,487,000 (1995: £3,085,000) which is also the group profit transferred to reserves. The directors do not recommend the payment of a dividend (1995: £nil).

## **WALT DISNEY HOLDINGS (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

#### **DIRECTORS AND THEIR INTERESTS**

The directors in office at 30 September 1996 and during the year then ended were:

C J G Lewis  
S M Litvack  
B R Chapman  
M L Reed

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.

#### **CHARITABLE DONATIONS**

The group made charitable donations amounting to £6,070 (1995: £600) during the year.

#### **POST BALANCE SHEET EVENTS**

Subsequent to the year end there have been various changes to the company's issued and allotted share capital. Details of these transactions are set forth in note 23 to the financial statements.

#### **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.

## **WALT DISNEY HOLDINGS (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1996**

**(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.

#### **AUDITORS**

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



**M. Verville**  
Secretary

30 October 1997

*Price Waterhouse*



## **AUDITORS' REPORT TO THE MEMBERS OF WALT DISNEY HOLDINGS (UK) LIMITED**

We have audited the financial statements on pages 5 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group'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 affairs of the company and the group at 30 September 1996 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
London

30 October 1997

**WALT DISNEY HOLDINGS (UK) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	Notes	Year ended	
		30 September 1996	30 September 1995
		£'000	£'000
<b>TURNOVER</b>	2	180,567	122,917
<b>COST OF SALES</b>		<u>(71,852)</u>	<u>(43,275)</u>
<b>GROSS PROFIT</b>		108,715	79,642
Royalties payable		(29,909)	(24,197)
Distribution costs		(2,394)	(2,027)
Administrative expenses		(66,711)	(50,299)
Other income		<u>5,318</u>	<u>4,672</u>
		<u>(93,696)</u>	<u>(71,851)</u>
<b>OPERATING PROFIT</b>		15,019	7,791
Interest receivable and similar income	5	1,553	1,230
Interest payable and similar charges	5	<u>(7,538)</u>	<u>(4,201)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3, 4	9,034	4,820
Taxation	8	<u>(1,547)</u>	<u>(1,735)</u>
<b>PROFIT FOR THE YEAR TRANSFERRED TO RESERVES</b>	20	<u>7,487</u>	<u>3,085</u>

Profit on ordinary activities before taxation is derived exclusively from continuing operations.

The group has no recognised gains or losses in the year other than the above.

The notes on pages 11 to 27 form an integral part of these financial statements.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 1996**

	<u>Notes</u>	<u>30 September 1996</u> £'000	<u>30 September 1995</u> £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	116,127	23,746
Investments	11	3,750	3,750
		<u>119,877</u>	<u>27,496</u>
<b>CURRENT ASSETS</b>			
Stocks	12	19,058	14,555
Film and television costs	13	1,603	1,401
Debtors (including £190,670,001 (1995: £nil) due after one year)	14	253,614	36,973
Cash at bank and in hand		<u>21,611</u>	<u>21,126</u>
		295,886	74,055
<b>CREDITORS (amounts falling due within one year)</b>	15	<u>(58,754)</u>	<u>(44,896)</u>
<b>NET CURRENT ASSETS</b>		<u>237,132</u>	<u>29,159</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		357,009	56,655
<b>CREDITORS (amounts falling due after more than one year)</b>	16	<u>(11,675)</u>	<u>(57,808)</u>
<b>NET ASSETS / (LIABILITIES)</b>		345,334	(1,153)
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity	19	-	-
- non-equity	19	<u>335,000</u>	<u>-</u>
		335,000	-
Reserves (equity)	20	<u>10,334</u>	<u>(1,153)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>345,334</u>	<u>(1,153)</u>

Approved by the Board of Directors  
on 30 October 1997

  
CJG Lewis  
Director

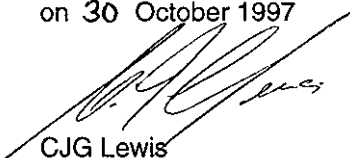
The notes on pages 11 to 27 form an integral part of these financial statements.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 1996**

	<u>Notes</u>	<u>30 September 1996</u> £	<u>30 September 1995</u> £
<b>FIXED ASSETS</b>			
Investments	11	339,000,100	97
<b>CURRENT ASSETS</b>			
Debtors	14	3,529	6,352
<b>CREDITORS (amounts falling due within one year)</b>	15	(394)	(4,634)
<b>NET CURRENT ASSETS</b>		3,135	1,718
<b>NET ASSETS</b>		339,003,235	1,815
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity	19	100	99
- non-equity	19	335,000,000	-
		335,000,100	99
Reserves (equity)	20	4,003,135	1,716
<b>SHAREHOLDERS' FUNDS</b>		339,003,235	1,815

Approved by the Board of Directors  
on 30 October 1997



CJG Lewis  
Director

The notes on pages 11 to 27 form an integral part of these financial statements.



**WALT DISNEY HOLDINGS (UK) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	Note	Year ended			
		30 September 1996		30 September 1995	
		£'000	£'000	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	A		5,437		19,972
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received		1,553		1,230	
Interest element of finance lease rental payments		(1,201)		(1,073)	
Other interest payments		(681)		(7)	
<b>NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			(329)		150
<b>TAXATION</b>					
UK corporation tax paid		(54)		-	
UK corporation tax received		-		-	
			(54)		-
<b>INVESTING ACTIVITIES</b>					
Purchase of tangible fixed assets		(102,568)		(9,472)	
Proceeds on sale of fixed assets		39		28	
Repayment from associated undertaking		-		1,000	
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>			(102,529)		(8,444)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>			(97,475)		11,678
<b>FINANCING</b>					
Loan from parent undertaking net of rolled-up interest	C	-		3,698	
Loan repayment to parent undertaking	C	(31,225)		(20,000)	
Loan repayment to fellow subsidiary undertaking	C	(20,564)		-	
Loan from fellow subsidiary undertaking	C	-		20,000	
Loan to fellow subsidiary undertaking	C	(190,670)		-	
Capital element of finance lease rental payments	C	(2,729)		(2,729)	
Increase in share capital	19	335,000		-	
Capital contribution	20	4,000		-	
<b>NET CASH INFLOW FROM FINANCING</b>			93,812		969
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	B		(3,663)		12,647

The notes on pages 11 to 27 form an integral part of these financial statements.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	Year ended <u>30 September 1996</u> £'000	Year ended <u>30 September 1995</u> £'000	
<b>A Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	15,019	7,791	
Depreciation	10,152	6,870	
(Profit)/loss on disposal of fixed assets	(4)	15	
Increase in stock	(4,503)	(4,573)	
(Increase)/decrease in film and television costs	(202)	619	
Increase in debtors	(25,971)	(2,410)	
Increase in creditors	10,946	16,410	
Change in investment provision	<u>-</u>	<u>(4,750)</u>	
	5,437	19,972	
	<u>=====</u>	<u>=====</u>	
<b>B Analysis of balances in cash and cash equivalents, and the change therein</b>			
Balance at 1 October	20,104	7,457	
Net cash (outflow)/inflow	<u>(3,663)</u>	<u>12,647</u>	
Balance at 30 September	<u>16,441</u>	<u>20,104</u>	
	<u>=====</u>	<u>=====</u>	
	<u>1996</u>	<u>1995</u>	Change
	£'000	£'000	in year
			£'000
Cash at bank and in hand	21,611	21,126	485
Bank overdrafts	<u>(5,170)</u>	<u>(1,022)</u>	<u>(4,148)</u>
	16,441	20,104	(3,663)
	<u>=====</u>	<u>=====</u>	<u>=====</u>

WALT DISNEY HOLDINGS (UK) LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

C Analysis of changes in financing during the year

	Year ended 30 September 1996 £'000	Year ended 30 September 1995 £'000
<u>Loan from parent undertaking</u>		
Balance at 1 October	37,244	50,989
Increase in loan	-	3,698
Loan repayment to parent undertaking	(31,225)	(20,000)
Interest added to loan principal	<u>5,656</u>	<u>2,557</u>
Balance at 30 September	<u>11,675</u>	<u>37,244</u>
 <u>Loan from fellow subsidiary undertaking</u>		
Balance at 1 October	20,564	-
Loan repayment to subsidiary undertaking	(20,564)	-
Loan from fellow subsidiary undertaking	-	20,000
Interest added to loan principal	<u>-</u>	<u>564</u>
Balance at 30 September	<u>-</u>	<u>20,564</u>
 <u>Loan to fellow subsidiary undertaking</u>		
Balance at 1 October	-	-
Loan to fellow subsidiary undertaking	<u>190,670</u>	<u>-</u>
Balance at 30 September	<u>190,670</u>	<u>-</u>
 <u>Finance lease</u>		
Balance at 1 October	2,729	5,458
Capital payments made	<u>(2,729)</u>	<u>(2,729)</u>
Balance at 30 September	<u>-</u>	<u>2,729</u>

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996**

**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 subsidiary undertakings.

**(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, there is a permanent diminution in the value of the investment.

**(3) Investments in associated undertakings**

Associated undertakings are those companies in which the group has an interest of 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 investment in such undertakings.

**(4) Turnover**

Turnover is principally comprised of television licensing and production income, box office receipts and retail and character merchandising and publications and is recognised on the following bases:

Television licensing and production income is recognised in the period in which the features are first available for broadcasting as set out in the licensing agreement.

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.

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

#### 1 ACCOUNTING POLICIES (Continued)

##### (5) Film and television costs

Film and television production costs, (including marketing and printing costs), are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortisation is adjusted accordingly.

##### (6) 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	-	4 years
Office equipment, furniture, fixtures and fittings	-	3 to 7 years
Office computers	-	3 years
Information systems (CIS) projects	-	3 years, depreciation commencing when projects are substantially completed.
Buildings - Long leasehold	-	39½ years

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

##### (7) Stock

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

##### (8) 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.

##### (9) 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.

# WALT DISNEY HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

#### 1 ACCOUNTING POLICIES (Continued)

##### (10) 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 or after one year as appropriate.

Operating lease payments are charged to the profit and loss account when incurred.

##### (11) 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.

#### 2 TURNOVER

Turnover, which arises mainly in the United Kingdom, principally comprises 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. In addition, the group now engages in property management. The split into these categories of turnover during the period was as follows:

	Year ended <u>30 September 1996</u> £'000	Year ended <u>30 September 1995</u> £'000
Filmed Entertainment	103,214	61,742
Consumer Products	74,064	61,175
Property Management	3,289	-
	<hr/>	<hr/>
	180,567	122,917
	<hr/> <hr/>	<hr/> <hr/>

£29,664,899 (1995 : £22,383,954) of turnover is receivable from fellow subsidiary undertakings. All other turnover arises from third parties.

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

#### 3 SEGMENTAL REPORTING

The split of profit/(loss) on ordinary activities before taxation attributable to each principal class of business is as follows:

	Year ended <u>30 September 1996</u> £'000	Year ended <u>30 September 1995</u> £'000
Filmed Entertainment	7,708	4,262
Consumer Products	4,592	558
Property Management	(3,266)	-
	<hr/>	<hr/>
	9,034	4,820
	<hr/> <hr/>	<hr/> <hr/>

#### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Year ended <u>30 September 1996</u> £'000	Year ended <u>30 September 1995</u> £'000
Staff costs:		
Wages and salaries	22,499	16,019
Social security costs	1,846	1,262
Pension costs	365	249
Other employee benefits	103	69
Depreciation charge		
- owned assets	6,047	4,141
- leased assets	4,105	2,729
Operating lease rentals	5,791	5,439
Auditors' remuneration		
- audit fees	100	105
- non-audit services	104	112
(Profit)/loss on disposal of fixed assets	(4)	15
Exchange loss/(gain)	14	(9)
	<hr/> <hr/>	<hr/> <hr/>

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**5 INTEREST**

	Year ended 30 September 1996		Year ended 30 September 1995	
	£'000	£'000	£'000	£'000
Bank interest receivable	1,370		1,230	
Interest receivable on loan to fellow subsidiary undertaking	<u>183</u>		<u>-</u>	
		1,553		1,230
Interest payable on long-term loan from ultimate parent undertaking (repayable between 2-5 years)	(5,656)		(2,557)	
Interest payable on loan from fellow subsidiary undertaking	-		(564)	
Finance charge on leased assets	(1,201)		(1,073)	
Other interest payable	<u>(681)</u>		<u>(7)</u>	
		(7,538)		(4,201)
		<u>          </u>		<u>          </u>
		(5,985)		(2,971)
		<u>          </u>		<u>          </u>

**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 1996	Year ended 30 September 1995
	£	£
Highest paid director - fees	<u>500</u>	<u>500</u>

The company does not have a chairman. None of the other directors received any emoluments.



## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

#### 7 EMPLOYEES

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

	Year ended <u>30 September 1996</u> Number	Year ended <u>30 September 1995</u> Number
Administration	486	384
Retail - full time	178	164
Retail - part time	1,058	895
Distribution	<u>80</u>	<u>68</u>
	<u>1,802</u>	<u>1,511</u>

The company had no employees during the year.

#### 8 TAXATION

The charge for current taxation is based upon the taxable profit for the group at 33% after utilisation of available tax losses.

#### 9 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

Walt Disney Holdings (UK) Limited has not presented its own profit and loss account as permitted by section 230 (1) of the Companies Act 1985. The company's profit for the year is £1,419 (1995: £381) which is also the company's total recognised profit for the year.

WALT DISNEY HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

10 FIXED ASSETS

Group	Land & Buildings Long Leasehold £,000	Leased Assets £'000	Leasehold Improvements £'000	Motor Vehicles £'000	Office Equipment £'000	Assets in course of construction £'000	Computers & IS Project £'000	Total £'000
<u>Cost</u>								
At 1 October 1995	-	32,750	11,093	26	12,488	79	6,116	62,552
Additions	85,420	-	931	-	3,634	7,475	5,108	102,568
Disposals	-	-	-	-	(94)	-	-	(94)
At 30 September 1996	85,420	32,750	12,024	26	16,028	7,554	11,224	165,026
<u>Depreciation</u>								
At 1 October 1995	-	30,021	2,466	6	4,494	-	1,819	38,806
Charge during period	1,376	2,729	1,171	9	2,657	-	2,210	10,152
Disposals	-	-	-	-	(59)	-	-	(59)
At 30 September 1996	1,376	32,750	3,637	15	7,092	-	4,029	48,899
<u>Net book amount</u>								
At 30 September 1996	84,044	-	8,387	11	8,936	7,554	7,195	116,127
At 30 September 1995	-	2,729	8,627	20	7,994	79	4,297	23,746

**WALT DISNEY HOLDINGS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**11 INVESTMENTS**

Group	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 October 1995 and At 30 September 1996	2,400	3,780	6,180
<u>Provision</u>			
At 1 October 1995 and At 30 September 1996	2,400	30	2,430
<u>Net book amount</u>			
At 30 September 1996	-	3,750	3,750
At 30 September 1995	-	3,750	3,750

The group holds two investments through a subsidiary undertaking.

At 30 September 1996 it had a 20% 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. The directors have reviewed the carrying value of the investment in the current year and believe that the remaining loan stock is fairly stated at its original cost.

Equity accounting has not been adopted in respect of this investment since results are not recognised in instances where the undertaking has a deficiency of net assets, the group has not undertaken to provide further support for the operations and full provision for the equity investment has been made. The audited financial statements of GMTV Limited for the year ended 31 December 1996 show a loss before tax of £2,636,000 and a deficit on net assets of £7,015,000.

The group, via its subsidiary undertaking also holds, at cost, 50% of the issued share capital of GM 1995 Limited, an investment holding company registered in England. Loan stock of £30,000 was issued to GM 1995 Limited and, together with the shares, on the basis of the directors' valuation, this investment was written down to nil in 1995. The cost of the writedown was borne by a fellow subsidiary undertaking.

Equity accounting has not been adopted in respect of the investment in GM 1995 Limited since results are not recognised in instances where the undertaking has a deficiency of net assets, the group has not undertaken to provide further support for the operations and full provision for the investment has been made.

**WALT DISNEY HOLDINGS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**11 INVESTMENTS (Continued)**

**Company**

	<u>30 September 1996</u> £	<u>30 September 1995</u> £
Investment in subsidiary undertakings (unlisted shares at cost)	<u>339,000,100</u>	<u>97</u>

The funds raised as a result of the issue of share capital during the year (note 19), have been invested in the following subsidiary undertakings:

	£
Walt Disney Properties (UK) Ltd	87,424,660
The Disney Store Ltd	38,961,000
Buena Vista International (UK) Ltd	11,650,000
Disney Real Estate Investments (UK) Ltd	10,477,000
Walt Disney Animation U.K. Ltd	190,487,342
Magical Cruise Company, Ltd	1
	<hr/>
Total increase in investment in subsidiary undertakings	<u>339,000,003</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	Provides TV production services	England	100%
Buena Vista International (UK) Ltd	Theatrical distribution of films	England	100%
Disney Animation Studios (UK) Ltd	Dormant	England	100%
Hollywood Recordings Ltd	Members' Voluntary Liquidation	England	100%
Toontown Ltd	Dormant	England	100%
Walt Disney Animation U.K. Ltd	Loans to fellow subsidiaries	England	100%
The Disney Store Ltd	Retail merchandising	England	100%
The Walt Disney Company Ltd	Television licensing and broadcasting, character merchandising and publications	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%

The United Kingdom is the principal country of operation of each of the above subsidiary undertakings.

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

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**12 STOCKS**

	Group <u>30 September 1996</u> £'000	Group <u>30 September 1995</u> £'000
Consumables	694	580
Goods for resale	<u>18,364</u>	<u>13,975</u>
	<u>19,058</u>	<u>14,555</u>

**13 FILM AND TELEVISION COSTS**

	Group <u>30 September 1996</u> £'000	Group <u>30 September 1995</u> £'000
Deferred film marketing and printing costs	723	1,122
Programmes in production	<u>880</u>	<u>279</u>
	<u>1,603</u>	<u>1,401</u>

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

**14 DEBTORS**

	Group <u>30 Sept 96</u> £'000	Group <u>30 Sept 95</u> £'000	Company <u>30 Sept 96</u> £	Company <u>30 Sept 95</u> £
Trade debtors	16,156	11,739	-	-
Amount owed by parent undertaking	-	1,091	2	2
Amounts owed by fellow subsidiary undertakings	230,390	17,441	3,164	-
Other debtors	4,277	4,436	363	6,350
Prepayments and accrued income	2,376	1,827	-	-
VAT	415	439	-	-
	<u>253,614</u>	<u>36,973</u>	<u>3,529</u>	<u>6,352</u>

Amounts owed by fellow subsidiary undertakings include £190,670,001 (1995: £nil) falling due after more than one year.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**15 CREDITORS (amounts falling due within one year)**

	Group <u>30 Sept 96</u> £'000	Group <u>30 Sept 95</u> £'000	Company <u>30 Sept 96</u> £	Company <u>30 Sept 95</u> £
Bank loans and overdrafts	5,170	1,022	-	-
Trade creditors	13,021	11,798	-	-
Amounts due to parent undertaking	-	2,672	-	-
Amounts due to fellow subsidiary undertakings	18,778	238	-	-
Amount due to subsidiary undertaking	-	-	3	4,446
Taxation	3,741	1,735	391	-
Accruals and deferred income	17,702	24,346	-	-
Obligations under finance lease (note 18)	-	2,729	-	-
Other creditors	<u>342</u>	<u>356</u>	<u>-</u>	<u>188</u>
	<u>58,754</u>	<u>44,896</u>	<u>394</u>	<u>4,634</u>

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

	Group <u>30 September 1996</u> £'000	Group <u>30 September 1995</u> £'000
Amounts due to parent undertaking	11,675	37,244
Amounts due to fellow subsidiary undertaking	-	20,564
	<u>11,675</u>	<u>57,808</u>

The amounts due to parent undertaking are repayable by 31 July 2000 and accrue interest at the LIBOR rate semi-annually which, if not paid within 14 days of the due date, is added to the principal.

**WALT DISNEY HOLDINGS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**17 DEFERRED TAX**

A potential deferred tax liability of £3,210,000 (1995: £1,575,000) relating to accelerated capital allowances has not been recognised.

**18 FINANCIAL COMMITMENTS**

	Group <u>At 30 September 1996</u> £'000	Group <u>At 30 September 1995</u> £'000
(1) Capital expenditure commitments relating to fixed assets:		
Authorised but not contracted for	3,486	11,840
	<u>          </u>	<u>          </u>
Contracted for but not provided	7,620	440
	<u>          </u>	<u>          </u>

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**18 FINANCIAL COMMITMENTS (CONTINUED)**

(2) Finance lease due:

	<u>Group</u> <u>At 30 September 1996</u> £'000	<u>Group</u> <u>At 30 September 1995</u> £'000
Within one year	-	4,039
In the second to fifth years inclusive	-	-
	<hr/>	<hr/>
	-	4,039
Finance charges	-	(1,310)
	<hr/>	<hr/>
Falling due within one year (Note 15)	-	2,729
	<hr/> <hr/>	<hr/> <hr/>

The obligations under finance lease were in respect of the film "Return to Oz" which was being leased over a period of 12 years from March 1985.

	<u>At 30 September 1996</u> £'000	<u>At 30 September 1995</u> £'000
(3) Operating lease obligations		
Annual operating lease commitments for land and buildings by expiry date:		
After 5 years	4,921	4,574
	<hr/>	<hr/>

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



**WALT DISNEY HOLDINGS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**19 CALLED UP SHARE CAPITAL**

	Company <u>30 September 1996</u> £	Company <u>30 September 1995</u> £
Authorised:		
100 Ordinary Shares (equity) of £1 each	100	100
550,000,000 'A' redeemable ordinary shares (non-equity) of £1 each	550,000,000 _____	- _____
	550,000,100 =====	100 =====
Allotted and fully paid:		
100 Ordinary Shares (equity) of £1 each	100	99
335,000,000 'A' redeemable ordinary shares (non-equity) of £1 each	335,000,000 _____	- _____
	335,000,100 =====	99 =====

The shares issued in the year were allotted at par and the cash received was used by the company to invest in its subsidiary undertakings.

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 HOLDINGS (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

**20 RESERVES**

**Group**

	<u>Revenue</u> <u>reserves</u> £'000	<u>Other</u> <u>reserves</u> £'000	<u>Total</u> £'000
At 1 October 1995	(1,153)	-	(1,153)
Profit for the year	7,487	-	7,487
Capital contributions received	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
At 30 September 1996	6,334	4,000	10,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Company**

	<u>Revenue</u> <u>reserves</u> £	<u>Other</u> <u>reserves</u> £	<u>Total</u> £
At 1 October 1995	1,716	-	1,716
Profit for the year	1,419	-	1,419
Capital contributions received	<hr/> -	<u>4,000,000</u>	<u>4,000,000</u>
At 30 September 1996	3,135	4,000,000	4,003,135
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other reserves represent a capital contribution received from a fellow subsidiary undertaking during the year. The funds were used to increase the company investment in a subsidiary undertaking.

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)

#### 21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group £	Company £
Profit for the year	7,486,986	1,419
Shares issued in the year	335,000,001	335,000,001
Capital contribution	4,000,000	4,000,000
	<hr/>	<hr/>
Net movement in shareholders' funds	346,486,987	339,001,420
Shareholders' funds at start of year	(1,153,039)	1,815
	<hr/>	<hr/>
Shareholders' funds at end of year	345,333,948	339,003,235
	<hr/> <hr/>	<hr/> <hr/>

#### 22 PENSION FUND

Pension benefits for employees of The Walt Disney Company Limited, Buena Vista International (UK) Limited, Buena Vista Productions 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. Contributions are charged to the profit and loss account in the year paid.

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. Contributions to the individual pension plans are charged to the profit and loss account in the year paid.

## **WALT DISNEY HOLDINGS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 SEPTEMBER 1996 (Continued)**

#### **23 SUBSEQUENT EVENTS**

On 9 October 1996, 150,000,000 'A' redeemable ordinary shares were allotted at par to a fellow subsidiary undertaking.

On 10 December 1996, the authorised share capital of the company was increased from £550,000,100 to £1,000,000,300 by the creation of 450,000,000 additional 'A' redeemable ordinary shares of £1 each and 200 ordinary shares of £1 each.

On 13 December 1996, 15,179,113 'A' redeemable ordinary shares were allotted at par to a fellow subsidiary undertaking. Proceeds of US\$25,000,000 were contributed to the Walt Disney Company Stock Compensation Fund.

On 15 April 1997, the company issued one £1 ordinary share to a fellow subsidiary undertaking in consideration for the entire issued share capital of Buena Vista Home Entertainment Limited, an established company whose principal activity is the sale and marketing of pre-recorded video cassettes and interactive products.

#### **24 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.