

Walt Disney International Limited

(Registered Number: 2724503)

Directors' Report And Financial Statements
Year Ended 30 September 2002



Walt Disney International Limited

Directors' Report For The Year Ended 30 September 2002

The Directors present their report and the consolidated financial statements of the Company and the Group for the year ended 30 September 2002.

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 profit for the financial year is £54,075,240 (2001: (restated) profit of £18,139,969). Interim dividends were paid during the year of £56,300,000 (2001: £14,500,000). The retained loss for the year of £2,224,760 was transferred from reserves (2001 (restated) profit: £3,639,969).

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
B R Chapman (resigned 19th September 2003)
M L Reed
P L Wiley

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.

Post Balance Sheet Events

On the 13th December 2002 the trading and associated assets of Supercomm Europe Limited were sold to SCE Acquisition Company Limited. The profit or loss on the sale is still being quantified. Any gain on sale is expected to be subject to tax at 30%.

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.

Walt Disney International Limited

Directors' Report For The Year Ended 30 September 2002 (continued)

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors on 25 March 2003.

Directors' Responsibilities

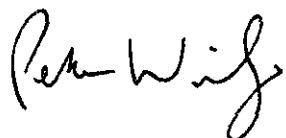
Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the year under review and of the profit or loss of the Group for that year. In preparing those financial statements, 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 confirm that the financial statements comply with the above requirements.

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 12 January 2004.



Director

Independent Auditors' Report to the Members of Walt Disney International Limited

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

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

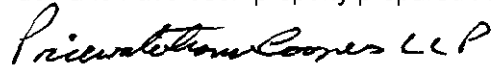
Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 affairs of the Company and the Group at 30 September 2002 and of the profit of the Group 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

12 January 2004

Walt Disney International Limited

Consolidated Profit And Loss Account For The Year Ended 30 September 2002

| | | Year ended 30 September 2002 | Year ended 30 September 2001 (as restated) |
|------------------------------------------------------|-----------|------------------------------------|-----------------------------------------------------|
| | Note | £'000 | £'000 |
| Turnover – continuing activities | 2, 3 | 821,350 | 763,380 |
| Cost of sales | | (395,039) | (407,283) |
| Gross profit | | 426,311 | 356,097 |
| Royalties payable | | (152,090) | (111,100) |
| Distribution costs | | (61,787) | (66,338) |
| Administrative expenses | | (167,029) | (159,641) |
| Other operating income | | 11,180 | 11,555 |
| | | (369,726) | (325,524) |
| Operating profit – continuing activities | | 56,585 | 30,573 |
| Interest receivable and similar income | 4 | 3,748 | 2,653 |
| Interest payable and similar charges | 4 | (3,334) | (5,354) |
| Profit on disposal of fixed assets | 5 | 16,202 | - |
| Profit on ordinary activities before taxation | 5 | 73,201 | 27,872 |
| Taxation on profit on ordinary activities | 9 | (19,126) | (9,732) |
| Profit for the financial year | | 54,075 | 18,140 |
| Dividends – equity and non equity | 21 | (56,300) | (14,500) |
| Retained (loss)/profit for the financial year | 20 | (2,225) | 3,640 |

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

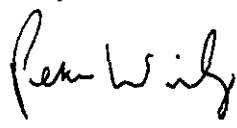
The notes on pages 8 to 26 form an integral part of these financial statements.

Walt Disney International Limited

Consolidated Balance Sheet As At 30 September 2002

| | Note | Year ended 30 September 2002 £'000 | Year ended 30 September 2001 (as restated) £'000 |
|----------------------------------------------------------------|----------|---------------------------------------------|--------------------------------------------------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 163,728 | 198,313 |
| Investments | 11 | 15,574 | 16,104 |
| | | 179,302 | 214,417 |
| Current assets | | | |
| Stock | 12 | 34,565 | 29,013 |
| Film and television costs | 13 | 725 | 1,593 |
| Debtors | 14 | 809,423 | 610,585 |
| Cash at bank and in hand | | 113,170 | 56,053 |
| | | 957,883 | 697,244 |
| Creditors (amounts falling due within one year) | 15 | (932,111) | (724,628) |
| Net current assets/(liabilities) | | 25,772 | (27,384) |
| Total assets less current liabilities | | 205,073 | 187,033 |
| Creditors (amount falling due after more than one year) | 16 | (36,798) | (17,653) |
| Provision for liabilities and charges | 17 | (1,453) | (3,292) |
| Net assets | | 166,822 | 166,088 |
| Capital and reserves | | | |
| | 19,20,21 | | |
| Called up share capital | | 160,179 | 160,179 |
| Other reserves | | 12,752 | 12,752 |
| Profit and loss account | | (6,109) | (6,843) |
| Total shareholders' funds | | 166,822 | 166,088 |
| Analysis of shareholders' funds | | | |
| Equity | | 6,643 | 5,909 |
| Non-equity | | 160,179 | 160,179 |
| | | 166,822 | 166,088 |

Approved by the Board of Directors on 12 January 2004

 *Peter Wilby*
Director

The notes on pages 8 to 26 form an integral part of these financial statements.

Walt Disney International Limited

Company Balance Sheet As At 30 September 2002

| | Note | Year ended 30 September 2002 £'000 | Year ended 30 September 2001 £'000 |
|--------------------------------------------------------|----------|---------------------------------------------|---------------------------------------------|
| Fixed assets | | | |
| Investments | 11 | 180,396 | 529,049 |
| Current assets | | | |
| Debtors | 14 | 6,235 | 6,235 |
| Cash | | 40,832 | 12,210 |
| | | 47,067 | 18,445 |
| Creditors (amounts falling due within one year) | 15 | (51,973) | (371,510) |
| Net current liabilities | | (4,906) | (353,065) |
| Net assets | | 175,490 | 175,984 |
| Capital and reserves | 19,20,21 | | |
| Called up share capital | | 160,179 | 160,179 |
| Other reserves | | 12,752 | 12,752 |
| Profit and loss account | | 2,559 | 3,053 |
| Total shareholders' funds | | 175,490 | 175,984 |
| Analysis of shareholders' funds | | | |
| Equity | | 15,311 | 15,805 |
| Non-equity | | 160,179 | 160,179 |
| | | 175,490 | 175,984 |

Approved by the Board of Directors on 12 January 2004


Director

The notes on pages 8 to 26 form an integral part of these financial statements.

Walt Disney International Limited

Statement Of Total Recognised Gains And Losses

| | | Year ended 30 September 2002 | Year ended 30 September 2001 (as restated) |
|-----------------------------------------------------------------------|------|------------------------------------|-----------------------------------------------------|
| | Note | £'000 | £'000 |
| Profit for the financial year | 21 | 54,075 | 18,140 |
| Currency translation differences on foreign currency net investments | 21 | 2,959 | (707) |
| Total recognised gains and losses relating to the year | | 57,034 | 17,433 |
| Prior Year Adjustment | 9 | 1,633 | |
| Total gains and losses recognised since the last annual report | | 58,667 | |

Reconciliation of Movements in Shareholders' Funds

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

The notes on pages 8 to 26 form an integral part of these financial statements.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

1 Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

a) Basis of consolidation

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries made up to 30 September 2002.

b) 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.

c) 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.

d) 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.
- Television licensing and production income is recognised when the material is available for telecast by the licensee and when certain other conditions are met.
- 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 is 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.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

1 Accounting Policies (Continued)

e) 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 |
| 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.

f) 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.

g) Capitalised interest

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

h) Stock

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

i) 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.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

1 Accounting Policies (Continued)

j) 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.

On adoption of Financial Reporting Standard (FRS)19 "Deferred Taxation," the Company has changed its accounting policy in respect of deferred taxation, and restated prior year results accordingly (note 9).

k) 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 assets 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.

l) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge.

Operating lease payments are charged to the profit and loss account when incurred on a straight line basis over the lease term.

m) Cruise deposits

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

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

1 Accounting Policies (Continued)

n) 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.

o) 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).

p) Accounting Policy Change

Cruise revenue collected on behalf of third parties was previously recorded as turnover and the payment on to the third party was recorded as a cost of sale. In the current year the policy has been changed so that only the commission element of the monies collected is recorded as revenue.

Certain distribution costs previously recorded as cost of sales were, in the current year, reclassified to distribution costs.

These reclassifications do not impact on the operating profit of the group.

As a result, comparative figures for the year ended 30 September 2001 have been adjusted as follows:

| | Turnover | Cost of Sales | Operating Profit |
|------------------------------------------------------------|----------------|----------------|------------------|
| | £'000 | £'000 | £'000 |
| As previously reported | 767,955 | 416,366 | 30,573 |
| Effect of change in accounting policy – Cruise revenue | (4,575) | (4,575) | - |
| Effect of change in accounting policy - Distribution Costs | - | (4,508) | - |
| Total | 763,380 | 407,283 | 30,573 |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

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 2002 £'000 | Year ended 30 September 2001 (as restated) £'000 |
|-----------------------------|---------------------------------------------|--------------------------------------------------------------|
| Filmed Entertainment | 412,384 | 349,349 |
| Consumer Products | 156,483 | 149,629 |
| Cruise Line | 251,001 | 257,618 |
| Property Management | 20,889 | 24,822 |
| Total turnover | 840,757 | 781,418 |
| Less inter-segment turnover | (19,407) | (18,038) |
| Turnover to other parties | 821,350 | 763,380 |

£73,369,836 (2001: £80,184,479) of turnover is receivable from fellow subsidiary undertakings. All other turnover arises from third parties.

3 Segmental Reporting – by geographical origin

| | Year ended 30 September 2002 £'000 | Year ended 30 September 2001 (as restated) £'000 |
|-----------------------------|---------------------------------------------|--------------------------------------------------------------|
| Turnover | | |
| United Kingdom | 578,052 | 509,767 |
| Europe | 6,678 | 7,633 |
| United States of America | 256,027 | 264,018 |
| Total turnover | 840,757 | 781,418 |
| Less inter-segment turnover | (19,407) | (18,038) |
| Turnover to other parties | 821,350 | 763,380 |

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

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

3 Segmental Reporting – by geographical origin (Continued)

| Net Assets | Year ended | Year ended |
|--------------------------|----------------------|---------------------------------------|
| | 30 September 2002 | 30 September 2001 (as restated) |
| | £'000 | £'000 |
| United Kingdom | 209,786 | 224,435 |
| United States of America | (42,964) | (58,347) |
| | 166,822 | 166,088 |
| Filmed Entertainment | 58,201 | 103,597 |
| Consumer Products | 27,938 | 17,770 |
| Cruise Line | (42,964) | (58,347) |
| Property Management | 123,647 | 103,068 |
| | 166,822 | 166,088 |

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.

4 Interest

| | Year ended | Year ended |
|---------------------------------------------------|----------------------|----------------------|
| | 30 September 2002 | 30 September 2001 |
| | £'000 | £'000 |
| Interest receivable on group undertakings | 151 | - |
| Interest receivable on bank deposits | 3,597 | 2,653 |
| | 3,748 | 2,653 |
| Interest payable on loans from group undertakings | (82) | (1,051) |
| Interest payable on bank loans and overdrafts | (3,252) | (4,303) |
| | (3,334) | (5,354) |
| | 414 | (2,701) |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

5 Profit On Ordinary Activities Before Taxation

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

| | Year ended 30 September 2002 £'000 | Year ended 30 September 2001 £'000 |
|----------------------------------|---------------------------------------------|---------------------------------------------|
| Staff costs: | | |
| Wages and salaries | 94,939 | 88,096 |
| Social security costs | 6,749 | 6,869 |
| Pension costs | 2,483 | 2,246 |
| Other employee benefits | 1,833 | 1,642 |
| Depreciation charge | | |
| - owned assets | 20,096 | 20,811 |
| - leased assets | 145 | 208 |
| Operating lease rentals | | |
| - land and buildings | 12,193 | 13,464 |
| - plant and equipment | 1,495 | 1,061 |
| - other | 44,324 | 45,215 |
| Auditors' remuneration | | |
| - audit fees | 313 | 284 |
| - non-audit fees | 81 | 62 |
| Loss on disposal of fixed assets | 23 | 313 |
| Exchange (gains)/losses | (670) | 698 |

Auditors remuneration in respect of the Company was £8,280 (2001: £9,400).

The profit on disposal of fixed assets arises on the sale of land and buildings with a value of £16,555,202 for a consideration of £32,917,187. Consequently, the group realised a profit on disposal of £16,202,335, net of expenses.

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 2002 £ | Year ended 30 September 2001 £ |
|-----------------------------|-----------------------------------------|-----------------------------------------|
| Aggregate Emoluments – fees | 500 | 500 |

The Company does not have a chairman. The amount above represents emoluments received by the highest paid Director.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

7 Employees

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

| | Year ended 30 September 2002 | Year ended 30 September 2001 |
|----------------------------------------|------------------------------------|------------------------------------|
| Administration and property management | 916 | 827 |
| Consumer products | 1,755 | 1,675 |
| Cruise lines | 1,904 | 1,900 |
| Filmed entertainment | 301 | 271 |
| | 4,876 | 4,673 |

The Company had no employees during the year.

8 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 loss at 30 September 2002 is £493,529 (2001: £3,052,753) while the Company's profit for the financial year is £55,806,471 (2001: £11,563,948).

9 Taxation

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

| | Year ended 30 September 2002 | Year ended 30 September 2001 (as restated) |
|------------------------------------------------|------------------------------------|-----------------------------------------------------|
| | £'000 | £'000 |
| Tax on profit on ordinary activities: | | |
| (a) Analysis of charge in period | | |
| Current tax: | | |
| UK corporation tax at 30% (2001: 30%) | 21,207 | 6,068 |
| Prior year under provision | (230) | 446 |
| Total current tax | 20,977 | 6,514 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (2,256) | 3,279 |
| Prior year under/(over) provision | 405 | (61) |
| Total deferred tax | (1,851) | 3,218 |
| Tax on profit on ordinary activities | 19,126 | 9,732 |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

9 Taxation (Continued)

(b) Factors affecting 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 30 September 2002 £'000 | Year ended 30 September 2001 (as restated) £'000 |
|-----------------------------------------------------|---------------------------------------------|--------------------------------------------------------------|
| Profit on ordinary activities before tax | 73,201 | 27,872 |
| Expected tax at 30% | 21,960 | 8,362 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,579 | 1,759 |
| Depreciation in excess of capital allowances | 225 | - |
| Capital allowances in excess of depreciation | - | (273) |
| Profit on sale of fixed assets | 736 | - |
| Other timing differences | 1,412 | 972 |
| Losses carried back to prior year | (883) | (4,382) |
| Adjustments relating to prior years | (230) | 76 |
| Intra group transfer of property at no gain or loss | (3,838) | - |
| Overseas taxes suffered | 16 | - |
| Current tax charge for period | 20,977 | 6,514 |

The Group has adopted FRS 19 "Deferred tax," and has restated prior year figures accordingly. Adoption has resulted in the recognition of deferred tax assets in respect of losses and other timing differences incurred in prior years, and corresponding restatement of the prior year results. The effect of the FRS 19 restatement is as follows:

| | 2002 £'000 | 2001 as previously reported £'000 | FRS19 restatement £'000 | 2001 (as restated) £'000 |
|---------------------------------------------|---------------|-----------------------------------------------|-------------------------------|--------------------------------|
| Tax on profit on ordinary activities | | | | |
| UK corporation tax | 20,977 | 6,514 | - | 6,514 |
| Deferred tax | (1,851) | (819) | 4,037 | 3,218 |
| | 19,126 | 5,695 | 4,037 | 9,732 |
| Balance sheet | | | | |
| Deferred tax liability | (1,453) | (4,925) | 1,633 | (3,292) |
| | (1,453) | (4,925) | 1,633 | (3,292) |

The impact of adopting this standard in 2002 has been to increase the tax charge by £437,000.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002 (Continued)

10 Fixed Assets

| Group | Freehold Land | Land & Buildings Long Leasehold | Leasehold Improvements | Office Equipment & Stage Shows | Assets in Course of Construction | Computers & Information Systems | Total |
|------------------------------|---------------|---------------------------------|------------------------|--------------------------------|----------------------------------|---------------------------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | | |
| At 1 October 2001 | 8,838 | 158,652 | 19,981 | 79,400 | 1,020 | 25,186 | 293,077 |
| Additions | - | 35,555 | 312 | 4,617 | 1,748 | 6,020 | 48,252 |
| Reclassification | - | - | 287 | 250 | (537) | 7 | 7 |
| Foreign Exchange Gain/(Loss) | - | - | - | (1,780) | (6) | - | (1,786) |
| Disposals/Retirements | (8,838) | (56,017) | (678) | (3,970) | (670) | (1,202) | (71,375) |
| At 30 September 2002 | - | 138,190 | 19,902 | 78,517 | 1,555 | 30,011 | 268,175 |
| Depreciation | | | | | | | |
| At 1 October 2001 | - | 17,583 | 10,904 | 46,875 | - | 19,402 | 94,764 |
| Charge during period | - | 4,038 | 2,020 | 11,877 | - | 2,306 | 20,241 |
| Impairment Provision | - | - | - | (630) | - | - | (630) |
| Foreign Exchange Gain/(Loss) | - | - | - | (1,059) | - | 1 | (1,058) |
| Disposals/Retirements | - | (4,264) | (616) | (3,990) | - | - | (8,870) |
| At 30 September 2002 | - | 17,357 | 12,308 | 53,073 | - | 21,709 | 104,447 |
| Net book amount | | | | | | | |
| At 30 September 2002 | - | 120,833 | 7,594 | 25,444 | 1,555 | 8,302 | 163,728 |
| At 1 October 2001 | 8,838 | 141,069 | 9,077 | 32,525 | 1,020 | 5,784 | 198,313 |

Interest cost of £148,289 is included in the amounts capitalised at 30 September 2002 (2001: £255,782). Office equipment and Stage Shows includes production assets held under finance leases with a net book value of £18,415 (2001: £163,000).

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

11 Investments

| Group | Shares £'000 | Loans £'000 | Total £'000 |
|------------------------|-----------------|----------------|----------------|
| Cost | | | |
| At 1 October 2001 | 2,432 | 500 | 2,932 |
| Repayment | - | (500) | (500) |
| At 30 September 2002 | 2,432 | - | 2,432 |
| Provision | | | |
| At 1 October 2001 | 2,402 | - | 2,402 |
| Movement in the year | 30 | - | 30 |
| At 30 September 2002 | 2,432 | - | 2,432 |
| Net Book Amount | | | |
| At 30 September 2002 | - | - | - |
| At 1 October 2001 | 30 | 500 | 530 |

The Group holds an investment through subsidiary undertakings.

At 30 September 2001 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.

During the current period, based on Directors valuations, an investment of £30,000, representing 5% of the above noted investment in GMTV Limited, was written down to nil. 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 was fully repaid during the year.

Company

Investments in subsidiary undertakings

| | £'000 |
|-----------------------------------------------|-----------|
| At 1 October 2001 | 513,475 |
| Liquidation of Walt Disney Animations Limited | (348,653) |
| At 30 September 2002 | 164,822 |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

11 Investments (Continued)

Details of the subsidiary undertakings are set out below:

| Subsidiary undertaking | Business | Country of registration/ Incorporation | Proportion of nominal value of shares held by parent undertaking |
|-----------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------|
| Walt Disney 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% |
| 1 Hammersmith Broadway Ltd | Property Management | England | 100% |
| Broadway Shopping Centre Ltd | Property Management | England | 100% |
| The Walt Disney Company Ltd | Television licensing and broadcasting, internet activities, 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% |
| GM1995 Limited | Holding Company | England | 100% |

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

In the Directors' opinion, none of the investments held and not consolidated had a material affect on the 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 2002

(Continued)

11 Investments (Continued)

Other Investments

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 | Company 30 September 2002 £'000 | Company 30 September 2001 £'000 |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|------------------------------------------|
| Investment in The Walt Disney Company Stock Compensation Fund II | 15,574 | 15,574 | 15,574 | 15,574 |

In December 1999 the Company purchased an investment of 2,500 Series A preferred shares in The Walt Disney Company Stock Compensation Fund II ("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.

12 Stocks

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 |
|------------------|----------------------------------------|----------------------------------------|
| Consumables | 1,408 | 1,451 |
| Goods for resale | 33,157 | 27,562 |
| | 34,565 | 29,013 |

13 Film And Television Costs

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 |
|--------------------------|----------------------------------------|----------------------------------------|
| Programmes in production | 725 | 1,593 |
| | 725 | 1,593 |

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 2002

(Continued)

14 Debtors

| | Group 30 September 2002 £'000 | Group 30 September 2001 (as restated) £'000 | Company 30 September 2002 £'000 | Company 30 September 2001 £'000 |
|---------------------------------------------------|----------------------------------------|---------------------------------------------------------|------------------------------------------|------------------------------------------|
| Trade debtors | 106,994 | 69,198 | - | - |
| Amounts owed by fellow subsidiary undertakings | 636,178 | 518,754 | 6,100 | 6,100 |
| Other debtors | 11,526 | 7,821 | 135 | 135 |
| Prepayments and accrued income | 54,725 | 14,812 | - | - |
| | 809,423 | 610,585 | 6,235 | 6,235 |

15 Creditors (amounts falling due within one year)

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 | Company 30 September 2002 £'000 | Company 30 September 2001 £'000 |
|--------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------|------------------------------------------|
| Bank loans and overdrafts | 41,911 | 3,763 | - | - |
| Trade creditors | 24,411 | 48,870 | - | - |
| Amounts due to fellow subsidiary undertakings | 714,104 | 572,492 | 51,299 | 371,430 |
| Taxation and social security | 27,939 | 7,824 | 662 | 80 |
| Accruals and deferred income | 71,239 | 38,831 | 12 | - |
| Other creditors | 52,507 | 52,848 | - | - |
| | 932,111 | 724,628 | 51,973 | 371,510 |

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

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 |
|-------------------------------------|----------------------------------------|----------------------------------------|
| Amounts payable within 2 to 5 years | | |
| Amounts due to parent undertaking | 36,798 | 17,653 |
| | 36,798 | 17,653 |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

17 Deferred Taxation

The deferred tax liability comprises the following amounts:

| | Year ended 30 September 2002 £'000 | Year ended 30 September 2001 £ |
|------------------------------------------------|---------------------------------------------|-----------------------------------------|
| Accelerated Capital Allowances | 5,128 | 5,925 |
| Tax losses carried forward | - | (447) |
| Short term timing differences | (3,675) | (2,186) |
| Undiscounted deferred tax liability | 1,453 | 3,292 |
| Liability at start of period | 3,292 | |
| Deferred tax credit in profit and loss account | (1,851) | |
| Foreign Exchange adjustment | 12 | |
| Liability at end of period | 1,453 | |

18 Financial Commitments

(1) Capital expenditure commitments relating to fixed assets:

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 |
|---------------------------------|----------------------------------------|----------------------------------------|
| Contracted for but not provided | - | - |

(2) Operating lease obligations

| | Group 30 September 2002 £'000 | Group 30 September 2001 £'000 |
|------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Payments payable within one year of the balance sheet date were in respect of leases expiring: | | |
| Land and buildings: | | |
| Within one year | 325 | 200 |
| Between two and five years | 565 | 565 |
| After five years | 10,002 | 9,790 |

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

18 Financial Commitments (continued)

Plant and machinery:

| | | |
|----------------------------|-----|-----|
| Within one year | 88 | 47 |
| Between two and five years | 162 | 182 |
| After five years | - | - |

Cruise Vessels:

| | | |
|----------------------------|--------|--------|
| Within one year | - | - |
| Between two and five years | - | - |
| After five years | 44,552 | 47,611 |

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.

19 Called Up Share Capital

| | Company 30 September 2002 £ | Company 30 September 2001 £ |
|-------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Authorised: | | |
| 300 Ordinary shares (equity) of £1 each | 300 | 300 |
| 1,000,000,000 'A' redeemable Ordinary shares (non-equity) of £1 each | 1,000,000,000 | 1,000,000,000 |
| | 1,000,000,300 | 1,000,000,300 |
| Allotted and fully paid: | | |
| 101 Ordinary shares (equity) of £1 each | 101 | 101 |
| 160,179,113 'A' redeemable Ordinary shares (non-equity) of £1 each | 160,179,113 | 160,179,113 |
| | 160,179,214 | 160,179,214 |

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. The value being 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 2002

(Continued)

20 Reserves

Group

| | Profit and Loss account £'000 | Other Reserves £'000 | Total £'000 |
|--------------------------------------------|-------------------------------------|----------------------------|----------------|
| At 1 October 2001 as previously stated | (8,476) | 12,752 | 4,276 |
| Prior Year Adjustment | 1,633 | - | 1,633 |
| At 1 October 2001 as restated | (6,843) | 12,752 | 5,909 |
| Foreign exchange adjustment | 2,959 | - | 2,959 |
| Retained loss for the year | (2,225) | - | (2,225) |
| Total reserves at 30 September 2002 | (6,109) | 12,752 | 6,643 |

Company

| | Profit and Loss account £'000 | Other Reserves £'000 | Total £'000 |
|--------------------------------------------|-------------------------------------|----------------------------|----------------|
| At 1 October 2001 | 3,053 | 12,752 | 15,805 |
| Retained loss for the year | (494) | - | (494) |
| Total reserves at 30 September 2002 | 2,559 | 12,752 | 15,311 |

Other reserves represent capital contributions received from fellow subsidiary undertakings.

21 Reconciliation of Movements in Shareholders' Funds

| | Group £'000 | Company £'000 |
|--------------------------------------------------|----------------|------------------|
| Profit for the year | 54,075 | 55,806 |
| Dividends | (56,300) | (56,300) |
| | (2,225) | (494) |
| Foreign exchange adjustment | 2,959 | - |
| Net increase/(reduction) in shareholders' funds | 734 | (494) |
| Opening shareholders' funds as previously stated | 164,455 | 175,984 |
| Prior Year Adjustment | 1,633 | - |
| Opening shareholders' funds as restated | 166,088 | 175,984 |
| Closing shareholders' funds | 166,822 | 175,490 |

The dividends paid to equity shareholders totalled £35.51. The remaining amount is in respect of payments to non equity shareholders.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

22 Pension Fund

Pension benefits for employees of The Walt Disney Company Limited, Buena Vista International (UK) Limited, Walt Disney Productions Limited, Buena Vista Home Entertainment Limited, Walt Disney Theatrical 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.

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 charged to the Group profit and loss account in the year amounted to £2,483,157 (2001: £2,200,529).

Shoreside employees of 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\$340,000 (2001: US\$206,000).

Details of the Group defined benefit plan are given in the financial statements of The Walt Disney Company and Subsidiaries. Magical Cruise Company Limited is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the company accounts for the contributions to the scheme as if it were a defined contribution scheme. Details of the more significant points of the scheme are discussed below.

At the date of the latest actuarial valuation at July 1, 2002, the market value of the assets of the scheme was \$1,150,200,000 (2001: \$1,296,800,000), and the actuarial value of the assets was sufficient to cover 89.5% (2001: 118%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

23 Ultimate Parent Undertaking

The ultimate parent undertaking and controlling party 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.

Walt Disney International Limited

Notes To The Financial Statements For The Year Ended 30 September 2002

(Continued)

25 Post Balance Sheet Date Event

On the 13th December 2002 the trading and associated assets of Supercomm Europe Limited were sold to SCE Acquisition Company Limited. The profit or loss on the sale is still being quantified. Any gain on sale is expected to be subject to tax at 30%.