

Walt Disney International Limited

(Registered Number: 2724503)

**Directors' Report And Financial Statements
Year Ended 29 September 2007**

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Directors' Report For The Year Ended 29 September 2007

The Directors present their report and the consolidated financial statements of Walt Disney International Limited (the "Company") for the year ended 29 September 2007

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 its principal activity is as a holding company for its subsidiaries (the "Group") in the United Kingdom

The principal activities of the Group are set out in note 12 to the financial statements and include television broadcasting, licensing and production services, theatrical distribution of films, video and digital versatile disc rental and sell through, cruise vessel operations and retail merchandising

Results and Dividends

The profit for the financial year is £46,859,000 (2006 profit of £41,042,000) No interim dividends were paid during the year (2006 nil) The Company's profit for the financial year is £1,274,978 (2006 profit of £1,214,097)

Principal risks and uncertainties and Future outlook

The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks affecting the group are considered to relate to the quality of original content developed or acquired by the business, retention of key employees and rapid technological advances

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Group's Directors are of the opinion that using financial KPIs such as revenue and operating profit are appropriate for an understanding of the development, performance or position of the business

Financial Risk Management

The Group's operations expose it to financial risks, the most significant of which is credit risk The Group has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a limit, which is assessed continually by The Walt Disney Company credit control function Other financial risks, such as foreign exchange, are managed by the ultimate parent company

Directors and Their Interests

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

M L Reed
N Cook
C Rose

Walt Disney International Limited

Directors' Report For The Year Ended 29 September 2007 (continued)

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 ultimate parent company's annual report.

Provision of Information to Auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 29 September 2007 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

An elective resolution has been passed to dispense with the obligation to annually reappoint the auditors, and therefore PricewaterhouseCoopers LLP are deemed to be reappointed for the next financial year.

By order of the Board on 28 July 2008



Walt Disney International Limited

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

We have audited the group and parent company financial statements (the "financial statements") of Walt Disney International Limited for the year ended 29 September 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 29 September 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 July 2008

Walt Disney International Limited

Consolidated Profit And Loss Account For The Year Ended 29 September 2007

	Note	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000 (restated)
Turnover	2, 3	1,072,151	966,420
Cost of sales		(369,409)	(389,411)
Gross profit		702,742	577,009
Distribution costs		(46,252)	(51,760)
Administrative expenses		(588,504)	(457,633)
Operating profit		67,986	67,616
Share of results of joint venture and associates	5	5,752	7,952
Operating profit including associates		73,738	75,568
Interest receivable and similar income	4	1,803	1,791
Interest payable and similar charges	4	(10,540)	(8,811)
Impairment of fixed asset investment	12, 14	(3,340)	(3,063)
Gain/(Loss) on disposal of fixed assets	6	146	(12)
Share in interest and other non-operating activities of associates	13	317	(152)
Profit on ordinary activities before taxation	6	62,124	65,321
Taxation on profit on ordinary activities	10	(15,265)	(24,279)
Profit for the financial year	22	46,859	41,042
Dividends – equity and non-equity		-	-
Retained profit for the financial year	22	46,859	41,042

The 2006 profit and loss account has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

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 9 to 29 form part of these financial statements

Walt Disney International Limited

Consolidated Statement Of Total Recognised Gains And Losses For The Year Ended 29 September 2007

	Note	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000 (restated)
Profit for the financial year	23	46,859	41,042
Currency translation differences on foreign currency net investments	23	(1,888)	(1,085)
Total recognised gains and losses relating to the year		44,971	39,957

The 2006 statement of total recognised gains and losses has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

Walt Disney International Limited

Consolidated Balance Sheet as at 29 September 2007

		As at 29 September 2007 £'000	As at 30 September, 2006 £'000 (restated)
	<i>Note</i>		
Fixed assets			
Tangible assets	11	139,225	142,899
Investments	12	296	3,172
Share in net assets of associates	13	3,851	2,006
Goodwill	14	1,216	2,216
		144,588	150,293
Current assets			
Stock	15	31,558	29,040
Debtors – amounts falling due within one year	16	412,286	342,789
Debtors – amounts falling due after more than one year	17	258,400	257,088
Cash at bank and in hand		34,504	28,104
		736,748	657,021
Creditors (amounts falling due within one year)	18	(525,580)	(494,582)
Net current assets		211,168	162,439
Total assets less current liabilities		355,756	312,732
Provision for liabilities and charges	19	(80,437)	(87,063)
Net assets		275,319	225,669
Capital and reserves			
Called up share capital	21	160,179	160,179
Other reserves	22	12,752	12,752
Profit and loss account	22	102,388	52,738
Total shareholders' funds	23	275,319	225,669
Analysis of shareholders' funds			
Equity		115,140	65,490
Non-equity		160,179	160,179
		275,319	225,669

The 2006 balance sheet has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

The financial statements on pages 5 to 29 were approved by the Board of Directors on 28 July 2008 and were signed on its behalf by

Director



Walt Disney International Limited

Company Balance Sheet as at 29 September 2007

	Note	As at 29 September 2007 £'000	As at 30 September 2006 £'000
Fixed assets			
Investments	12	125,861	125,861
Current assets			
Debtors	16	27,706	26,979
Cash		585	37
		28,291	27,016
Creditors (amounts falling due within one year)	18	(15,311)	(15,311)
Net current assets		12,980	11,705
Net assets		138,841	137,566
Capital and reserves			
Called up share capital	21	160,179	160,179
Other reserves	22	12,752	12,752
Profit and loss account	22	(34,090)	(35,365)
Total shareholders' funds	23	138,841	137,566
Analysis of shareholders' funds			
Equity		(21,338)	(22,613)
Non-equity		160,179	160,179
		138,841	137,566

The financial statements on pages 5 to 29 were approved by the Board of Directors on 28 July 2008 and were signed on its behalf by

Director



Walt Disney International Limited

Notes to the Financial Statements for the year ended 29 September 2007

1 Accounting Policies

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

a) Basis of consolidation

The consolidated financial statements consist of the financial statements of the Company and its subsidiaries for the year ended 29 September 2007.

b) Investments in subsidiary undertakings and joint ventures

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. The Group treats as a joint venture any entity in which it has an interest held for the long-term and where joint control exists with a third party. Equity accounting is adopted in respect of associated undertakings and joint ventures except that losses are not recognised in instances where the undertaking or joint venture 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) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off in a straight line basis over its useful economic life.

e) Tangible fixed assets and depreciation

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	-	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		

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

1 Accounting Policies (continued)

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 Group 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

j) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group 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

k) Cruise deposits

Cruise deposits are recorded upon receipt by the Group's agents

l) 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

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

1 Accounting Policies (continued)

m) Turnover

- 1) Television licensing income is recognised in the period in which the features are available for immediate delivery, the license period has begun and the arrangement fee is reasonably assured
- 2) Television subscription revenue is recognised in the month of subscription
- 3) Licensing income from character merchandising and publications is recognised in the period in which the licensee makes the equivalent sale. Minimum guarantees and advances on such licences are deferred and offset against licensing income as it is earned. Any minimum guarantee which is not earned out by the end of the contract is recognised on that date
- 4) Income from film distribution is based on a percentage share of gross Box Office and is recognised when the film is exhibited
- 5) Income from home entertainment, which arises mainly in the United Kingdom, comprises of sales and marketing of video cassettes and digital versatile discs and rental income and recharges for shared facilities and services. Turnover is recognised on the later of the date when goods are delivered to customers or the release date. Provision has been made for estimated returns in the period that revenue is recognised
- 6) Operating lease income is recognised on a straight-line basis over the term of the lease
- 7) Royalties are recognised when earned
- 8) 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
- 9) Revenue relating to the sale of goods is recognised when a group entity sells a product to the customer
- 10) All turnover is exclusive of value added tax
- 11) Income from finance leases is credited to the profit and loss account using the actuarial after tax method to give a constant periodic rate of return on the net cash investment

n) Change of accounting policies

The Group has adopted FRS20 "Share-Based Payments" in these financial statements. The adoption of this accounting standard represents a change in accounting policy and the comparative figures have been restated accordingly. The impact of the adoption of FRS 20 was to increase operating costs by £4,679,000 (2006 £4,380,000), increase tax charge for the period of £18,000 (2006 credit of £483,000), decrease profit for the year by £4,697,000 (2006 £3,897,000) and decrease deferred tax assets by £18,000 (2006 increase of £484,000)

The Group adopted FRS 21 "Events after the Balance Sheet Date", FRS 28 "Corresponding Amounts" and the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation", in the 2006 financial statements. The adoption of the standards represent a change in accounting policy which has had no impact on the prior year figures

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

o) 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.

p) 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.

q) 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).

r) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 1985 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 29 September 2007 has been adopted for the current year.

The financial year represents the 52 weeks ended Saturday 29 September 2007 (prior year the 52 weeks ended 30 September 2006).

s) Share-based payments

Equity-settled share-based awards granted after 7 November 2002 but not vested by 1 January 2006 are measured at the date of grant using an option pricing methodology and expensed over the vesting period of the award. At each balance sheet date, the Group reviews its estimates of the number of options that are expected to vest.

2 Segmental Reporting

Turnover principally comprises film distribution, video and digital versatile discs rental and sell-through, theatrical productions, collectively known as Studio Entertainment, royalties received from retail merchandising, character merchandising and publications licensing, collectively known as Consumer Products, television licensing income, subscription revenue related to television broadcasting, collectively known as Media Networks, the sale of land only vacation packages, operation of cruise vessel, collectively known as Parks and Resorts, internet activities, property management, rental income from finance leases and other ancillary activities, collectively known as Corporate and Other. The split into these categories of turnover during the period was as follows:

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Segmental Reporting (continued)

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Media Networks	362,200	253,314
Parks and Resorts	231,628	256,886
Studio Entertainment	237,709	245,638
Consumer Products	227,335	198,339
Corporate and Other	13,753	12,810
Total turnover	1,072,625	966,987
Less inter-segment turnover	(474)	(567)
Turnover to other parties	1,072,151	966,420

Turnover from the investment in Mary Poppins has been excluded from the above (see Note 12)

The split of turnover into geographical destination during the period was as follows

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Turnover		
United Kingdom	588,495	545,450
Europe and Rest of World	248,559	164,400
United States of America	235,571	257,137
Total turnover	1,072,625	966,987
Less inter-segment turnover	(474)	(567)
Turnover to other parties	1,072,151	966,420

United Kingdom and Europe and Rest of World turnover by geographical destination originates in the United Kingdom. The United States of America turnover by destination does not differ materially from that of origin.

The split of Operating Profit by segment during the period was as follows

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Media Networks	26,547	17,743
Parks and Resorts	20,505	22,266
Studio Entertainment	16,761	21,555
Consumer Products	48	4,494
Corporate and Other	4,125	1,558
Total operating profit	67,986	67,616

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Segmental Reporting (continued)

The split of Net Assets by segment during the period was as follows

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Media Networks	131,464	104,401
Parks and Resorts	32,872	21,218
Studio Entertainment	72,388	61,870
Consumer Products	(3,081)	(2,944)
Corporate and Other	41,676	41,124
Total net assets	275,319	225,669

3 Interest

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Interest receivable on bank deposits	1,803	1,791
Total interest receivable	1,803	1,791
Interest payable on loans from group undertakings	(10,481)	(8,808)
Other interest payable	(59)	(3)
Total interest payable	(10,540)	(8,811)
Net interest payable	(8,737)	(7,020)

4 Income from Fixed Asset Investments

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Share of results of joint venture (note 12)	709	2,140
Share of results of associates (note 13)	5,043	5,812
Total	5,752	7,952

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

5 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Staff costs		
Wages and salaries	114,481	99,964
Social security costs	9,279	7,992
Pension costs	4,308	3,300
Share-based payments (note 25)	4,679	4,380
Depreciation	15,095	14,234
Operating lease rentals		
- land and buildings	14,525	13,067
- plant and equipment	915	919
- cruise vessels	33,096	36,215
Auditors' remuneration		
Fees paid to the Company's auditor for the audit of parent company and consolidated accounts	15	15
Fees paid to the Company's auditor and its associates for other services		
- audit of the company's subsidiaries pursuant to legislation	461	460
- other services related to taxation	54	23
- all other services	92	85
Goodwill amortisation and impairment (refer note 14)	1,000	1,469
(Gain)/Loss on disposal of fixed assets	(146)	12
Exchange losses	6,199	3,951

6 Directors' Emoluments

The emoluments of the Directors of the Company, excluding pension contributions, in respect of duties wholly², or mainly discharged in the UK were as follows

	Year ended 29 September 2007 £	Year ended 30 September 2006 £
Aggregate emoluments in respect of services	1,193,567	475,285
Payments due under money purchase schemes	46,226	28,504
Highest paid director		
Aggregate emoluments in respect of services	572,162	287,106
Payments due under money purchase schemes	18,786	17,047

The Company does not have a chairman. Two of the directors are paid through the company (2006 two), two of the directors receive payments under money purchase schemes (2006 two). Two directors (2006 two) exercised share options in the ultimate parent company for the year. The emoluments of Ms Reed are paid by the ultimate parent company. Ms Reed's services to this company and to a number of fellow subsidiaries are of a non-executive nature and her emoluments are deemed to be wholly attributable to her services to the ultimate parent company. Accordingly, the above details include no emoluments in respect of Ms Reed.

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

7 Employees

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

	Year ended 29 September 2007	Year ended 30 September 2006
Media Networks	309	287
Parks and Resorts	2,092	2,134
Studio Entertainment	158	171
Consumer Products	1,896	1,638
Corporate and other	275	267
	4,730	4,497

The Company had no employees during the year (2006 nil)

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 profit for the financial year is £1,274,978 (2006 profit £1,214,097) while the Company's retained loss as at 29 September 2007 is £34,090,137 (2006 loss of £35,365,115)

9 Taxation

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

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000 (restated)
Tax on profit on ordinary activities:		
(a) Analysis of charge in period		
<i>Current tax</i>		
UK corporation tax at 30% (2006 30%)	23,372	22,200
Share of Associates	1,333	1,705
Share of Joint Venture	213	642
Prior year over provision	(3,802)	(773)
Total current tax	21,116	23,774
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1,877)	(400)
Impact of changes in UK tax rate	(4,132)	-
Prior year over provision	158	905
Total deferred tax	(5,851)	505
Tax on profit on ordinary activities	15,265	24,279

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Taxation (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher (2006 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000 (restated)
Profit on ordinary activities before tax	62,124	65,231
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	18,637	19,569
Effects of		
Expenses not deductible for tax purposes	388	371
Dividend Income	(470)	-
Other timing differences	78	1,224
Irrecoverable overseas withholding tax write-off	4,170	-
Adjustments relating to prior years	(3,802)	(773)
Capital allowances in excess of depreciation	236	19
Utilisation of tax losses	(3)	30
Surrender of group relief	36	-
Other permanent differences	1,846	3,334
Current tax charge for period	21,116	23,774

2006 has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

10 Fixed Assets

Group	Land & Buildings	Leasehold Improvements	Office Equipment & Stage Shows	Assets in Course of Construction	Computers & Information Systems	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2006	138,165	17,633	105,123	604	9,268	270,793
Additions	783	903	869	10,157	2,537	15,249
Reclassification	-	138	8,269	(8,407)	-	-
Foreign Exchange Gain/(Loss)	-	-	(3,903)	-	-	(3,903)
Disposals/Retirements	-	-	(2,943)	-	-	(2,943)
At 29 September 2007	138,948	18,674	107,415	2,354	11,805	279,196
Depreciation						
At 1 October 2006	31,936	15,574	72,802	-	7,582	127,894
Charge during period	3,784	838	9,167	-	1,306	15,095
Foreign Exchange Loss/(Gain)	-	-	(2,158)	-	-	(2,158)
Disposals/Retirements	-	-	(860)	-	-	(860)
At 29 September 2007	35,720	16,412	78,951	-	8,888	139,971
Net book amount at 29 September 2007	103,228	2,262	28,464	2,354	2,917	139,225
At 1 October 2006	106,229	2,059	32,321	604	1,686	142,899

No interest costs are included in the amounts capitalised at 29 September 2007 (2006 £Nil)

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

11 Investments

a) Group

Investment in Joint Venture

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Interest in joint venture	296	3,172
	<u>296</u>	<u>3,172</u>

Investment in Joint Venture

Mary Poppins

Stage Production

The Walt Disney Company Limited, a wholly owned subsidiary, invested in 'Mary Poppins', a musical stage play showing in the West End, London. The Group is a joint investor and producer in the production, contributing a share of the production capital and receiving a share of both investor and producer net profits. The total investment in the production was £6,235,000. The Group's share of the net profits from Mary Poppins amounted to £709,000 (2006 £2,140,000) and the group's share of turnover amounted to £11,271,000 (2006 £13,297,000). The production ceased showing in London from January 2008 and, as a result, the investment was further impaired in the period by £2,876,000. The remaining investment value of £296,000 at September 2007 represents its recoverable amount at that date.

b) Company

Investments in subsidiary undertakings

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000
Unlisted shares	164,822	164,822
Less provision for impairment	(38,961)	(38,961)
	<u>125,861</u>	<u>125,861</u>

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Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

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
The Disney Store Ltd	Retail merchandising	England	100%
1 Hammersmith Broadway Ltd	Property Management	England	100%
Banner Productions Limited	Dormant Entity	England	100%
The Walt Disney Company Ltd	Television licensing, production and broadcasting, internet activities, publications and theme park marketing, theatrical productions, property management, DVD and video rental and sales, film distribution	England	100%
Walt Disney Properties (UK) Ltd	Members voluntary liquidation	England	100%
Magical Cruise Company Ltd *	Operation of luxury cruise vessels	England	100%
Buena Vista Home Entertainment Ltd	Members voluntary liquidation	England	100%
Adventures by Disney UK Limited (formerly Disney Mobile Limited)	Guided Tours	England	100%
GM1995 Limited	Holding Company	England	100%
DCL Finance (UK) Ltd	Leasing Company	England	100%
Minds Eye Holdings Limited	Holding Company	England	100%
Minds Eye Productions Limited	Computer Game development and audio video 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 Accounts for the Year Ended 29 September 2007

12 Investment in Associates

The Group has an investment in the following associates

Associate	Business	Country of registration/ Incorporation	Proportion of nominal value of shares held
GMTV Limited	Television production	England	25%
FilmFlex Movies Limited	Video on Demand	England	33%

As at 31 December 2006, the most recent balance sheet date, GMTV Limited held capital and reserves of £2,241,000 (2005 £27,227,000) The net profit at this date was £11,098,000 (2005 £15,863,000) All other participating interests are considered immaterial for these accounts The accounting period of GMTV Limited is 1 January – 31 December

On the 29th November 2004, The Walt Disney Company Limited, a wholly owned subsidiary, acquired a 33% holding in Filmflex Movies Limited, a Video On Demand service operator company registered in England The shares of Filmflex Movies Limited are not listed The total amount invested was £1,050,000 The accounting period of Filmflex Movies Limited is 1 January – 31 December

13 Intangible Fixed Assets – Goodwill

	Group 29 September 2007 £'000	Group 30 September 2006 £'000
Cost		
At 30 September 2006	5,544	5,544
Disposal	(544)	-
At 29 September 2007	5,000	5,544
Amortisation and accumulated impairment losses		
At 30 September 2006	3,328	1,859
Disposal	(544)	-
Charge for the year - amortisation	1,000	1,180
Charge for the year - impairment	-	289
At 29 September 2007	3,784	3,328
Net book amount		
At 30 September 2006	2,216	3,685
At 29 September 2007	1,216	2,216

Goodwill is being amortised on a straight line basis over a period of 5 years for DCL Finance (UK) Limited On 30th March 2007 Minds Eye Productions Limited discontinued trading and the net assets were transferred to The Walt Disney Company Limited The related goodwill with a nil carrying value was disposed of on that date

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

14 Stocks

	Group As at 29 September 2007 £'000	Group As at 30 September 2006 £'000
Consumables	1,370	1,362
Goods for resale	30,188	27,678
	31,558	29,040

15 Debtors (amounts falling due within one year)

	Group As at 29 September 2007	Group As at 30 September 2006	Company As at 29 September 2007	Company As at 30 September 2006
		£'000		£'000
Trade debtors	76,608	55,861	-	-
Amounts owed by fellow subsidiary undertakings	-	-	27,698	26,814
Amounts owed by non-group fellow subsidiary undertakings	179,235	160,700	-	-
Other debtors	12,072	12,521	2	2
Taxation and social security	6	163	6	163
Prepayments and accrued income	144,365	113,544	-	-
	412,286	342,789	27,706	26,979

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

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

	Group As at 29 September 2007 £'000	Group As at 30 September 2006 £'000
Net investment in finance lease comprises		
Total amounts receivable	493,180	509,769
Less interest allocated to future periods	(234,780)	(252,681)
	258,400	257,088

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

17 Creditors (amounts falling due within one year)

	Group As at 29 September 2007 £'000	Group As at 30 September 2006 £'000	Company As at 29 September 2007 £'000	Company As at 30 September 2006 £'000
Trade creditors	34,158	43,206	-	-
Amounts due to fellow subsidiary undertakings	-	-	213	213
Amounts due to non-group fellow subsidiary undertakings	312,798	291,083	15,098	15,098
Taxation and social security	9,086	11,386	-	-
Accruals and deferred income	107,715	81,256	-	-
Other creditors	61,823	67,651	-	-
	525,580	494,582	15,311	15,311

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

18 Provision for Liabilities and Charges

	Onerous Lease Provision £'000	Deferred Tax Provision £'000	Total £'000
At 1 October 2006 as previously reported	7,388	80,158	87,546
First time adoption of FRS20	-	(483)	(483)
At 1 October 2006 as restated	7,388	79,675	87,063
Utilised in the year	(770)	(5,856)	(6,626)
As at 29 September 2007	6,618	73,819	80,437

The deferred tax liability comprises the following amounts

	Year ended 29 September 2007 £'000	Year ended 30 September 2006 £'000 (restated)
Accelerated capital allowances	74,515	80,148
Short term timing differences	(696)	(473)
Undiscounted deferred tax liability	73,819	79,675
Liability at start of period	79,675	79,034
Amount (credited)/ charged to profit and loss account	(6,009)	442
Prior year charge to profit and loss account	158	63
Foreign exchange adjustment	(5)	136
Liability at end of period	73,819	79,675

2006 has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Provision for Liabilities and Charges (continued)

The Chancellor of the Exchequer announced a reduction in the standard rate of UK corporation tax from 30 per cent to 28 per cent with effect from 1 April 2008. This change became substantively enacted upon the third reading and approval of the Finance Bill 2007, which took place in the House of Commons on 26 June 2007. The deferred tax balances carried forward as at 29 September 2007 have therefore been revalued at 28% in accordance with FRS19.

19 Financial Commitments

	Group 29 September 2007 £'000	Group 30 September 2006 £'000
Operating lease obligations		
Payments payable within one year of the balance sheet date were in respect of leases expiring		
Land and buildings		
Within one year	1,209	4,178
Between two and five years	10,058	11,049
After five years	111	254
Plant and machinery		
Within one year	83	53
Between two and five years	901	862
After five years	-	-
Cruise vessels		
Within one year	-	-
Between two and five years	-	-
After five years	34,528	37,278

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. Operating lease commitments for cruise vessels are payable to a non-group fellow subsidiary undertaking of The Walt Disney Company.

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

20 Called Up Share Capital

	Company As at 29 September 2007 £	Company As at 30 September 2006 £
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.

21 Reserves

Group

	Profit and Loss account £'000	Other Reserves £'000	Total £'000
As at 1 October 2006 as previously stated	52,255	12,752	65,007
First time adoption FRS 20	483	-	483
As at 1 October 2006 as restated	52,738	12,752	65,490
Foreign exchange adjustment	(1,888)	-	(1,888)
Share-based payments (note 25)	4,679	-	4,679
Retained profit for the financial year	46,859	-	46,859
Total reserves as at 29 September 2007	102,388	12,752	115,140

2006 has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Reserves (continued)

Company

	Profit and Loss account £'000	Other Reserves £'000	Total £'000
As at 30 September 2006	(35,365)	12,752	(22,613)
Retained profit for the year	1,275	-	1,275
Total reserves as at 29 September 2007	(34,090)	12,752	(21,338)

The Directors revalued the Company's investments in subsidiary entities at the 1 October 2005 to their underlying net asset values and recognised a provision of £38,961,000. The Directors have considered the value of the remaining fixed assets at 29 September 2007 and are satisfied that these are worth, in total, not less than the aggregate amount at which they are stated in the Company's accounts. In accordance with S275 of the Companies Act 1985 the aggregate provision of £38,961,000 does not fall to be classified as a realised loss and therefore distributable reserves of the Company as at 29 September 2007 are £4,871,000 (2006 £3,596,000).

Other reserves represent capital contributions received from fellow subsidiary undertakings.

22 Reconciliation of Movements in Shareholders' Funds

	Group £'000	Company £'000
Profit for the year	46,859	1,275
Foreign exchange adjustment	(1,888)	-
Net increase in shareholders' funds	44,971	1,275
Share-based payments (note 24)	4,679	-
Opening shareholders' funds	225,669	137,566
Closing shareholders' funds	275,319	138,841

2006 has been restated following the adoption of FRS 20 (See 'Change of Accounting Policies' on page 11)

23 Pension Fund

Pension benefits for employees of The Walt Disney Company 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.

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\$1,563,000 (2006 US\$1,019,000).

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Pension Fund (continued)

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.

The cost is assessed in accordance with the advice of Mercer Human Resources & Investor Solutions, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 30 June 2007 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 7.5% (2006 7.5%) per annum, the rate of salary increase would be 4% (2006 4%), and the discount rate 6.35% (2006 6.4%).

At the date of the latest actuarial valuation at 30 June 2007, the market value of the assets of the scheme was \$3,057.5 million (2006 \$2,413.7 million), and the actuarial value of the assets was sufficient to cover 106.4% (2006 94.2%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The employees of Magical Cruise Company are participants in a Group defined contribution plan. The defined contribution plan is provided under the Disney Salaries Savings and Investment Plan. The Plan calls for contributions being made by its members and the Company on a matching basis.

Contributions charged to the Group profit and loss account in the year amounted to £4,308,000 (2006 £3,299,684).

24 Share-based Payments

Under the Disney Discretionary Stock Option Scheme, certain employees of the Group may be granted options to acquire shares of stock in the ultimate parent company, The Walt Disney Company Inc., at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. The share options are settled using the equity instruments of the Group's ultimate parent company The Walt Disney Company Inc. Movements in the number of Disney share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Weighted average exercise price in £ per share	Options	Weighted average exercise price in £ per share	Options
At October 1	12.84	3,253,615	12.56	2,953,673
Granted	16.44	684,828	12.52	687,890
Forfeited	12.61	(79,950)	11.04	(17,026)
Exercised	12.57	(1,061,852)	10.13	(370,922)
At September 29	13.83	2,796,641	12.84	3,253,615

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Share-based Payments (continued)

Disney share options outstanding at the end of the year have the following terms

Exercise Prices £	Number of Options	Outstanding		Exercisable	
		Weighted average remaining years of contractual life	Weighted average exercise price in £ per share	Number of Options	Weighted average exercise price in £ per share
7.4 – 11	433,102	4.68	9.34	433,102	9.34
12.2 – 15.1	1,531,980	5.06	13.12	790,823	13.30
16.1 – 20.1	817,338	7.84	17.04	166,540	17.53
29.7 – 36.6	10,047	2.67	32.67	10,047	32.67
59 – 89.9	4,174	2.32	67.31	4,174	67.31

The weighted average share price of Disney options exercised during the year was £12.57

Details of the restricted shares activity is as follows

	2007 Number of restricted shares	2006 Number of restricted shares
At October 1	536,053	300,726
Granted	314,414	300,922
Forfeited	(59,958)	(26,713)
Exercised	(105,214)	(38,882)
At September 29	685,295	536,053

Year of Vesting	Number of Restricted Shares
2008	165,199
2009	253,993
2010	146,049
2011	157,208

The restricted stock, issued during 2007, vests in two equal parts at 24 months and 48 months from the grant date, respectively, and has a remaining contractual life of ten years. There are no performance conditions attached to the issue.

The liability related to the restricted shares at the 29 September 2007 is £1.7 million (2006: £2.2 million).

Valuation assumptions:

The valuation assumptions used to estimate the Group's share-based compensation expense for the share option plans are summarised as below:

In 2007, the weighted average assumptions used in the binomial valuation option-pricing model were as follows:

Walt Disney International Limited

Notes to the Accounts for the Year Ended 29 September 2007

Share-based Payments (continued)

GBP '000	2007	2006
Risk-free interest rate	4.5%	4.3%
Expected years from grant until exercise	4.61	5.09
Expected volatility	26%	26%
Dividend yield	0.79%	0.79%

The volatility assumption considers both historical and implied volatility and may be impacted by the Group's performance as well as changes in economic and market conditions

The total stock based compensation charge recognised for the year ended 29 September 2007 was £4.7 million (2006 £4.4 million), comprised of share option charge of £2.3 million (2006 £2.2 million) and restricted charge of £2.4 million (2006 £2.2 million)

25 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

26 Related Party Transactions

The Group has a trading relationship with GMTV Limited, a television production company which is an associate of the Group. During the year ended 29 September 2007, the Group supplied animation to GMTV Limited of £3,181,261 (2006 £2,667,723). As at 29 September 2007, the Group held a balance due from GMTV Limited for £4,192 (2006 £546,220)

The Group also has a trading relationship with Filmflex Movies Limited, a movie video-on-demand company which is an associate of the Group. During the year ended 29 September 2007, the Group supplied movie titles to Filmflex Movies Limited of £1,053,805 (2006 £1,930,109). As at 29 September 2007, the balance held with Filmflex Movies Limited was £134,563 (2006 £nil)

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 25