

**WALT DISNEY INTERNATIONAL LIMITED**  
(formerly Walt Disney Holdings (UK) Limited)

(Registered Number: 2724503)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1998**



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**WALT DISNEY INTERNATIONAL LIMITED**  
**(formerly Walt Disney Holdings (UK) Limited)**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1998**

The directors present their report and the consolidated financial statements of the company and the group for the year ended 30 September 1998.

**CHANGE OF NAME**

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

**PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS**

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

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, retailing and retail merchandising.

The business continued to grow at a satisfactory level in 1998 throughout the year. The increase in business activity relates primarily to the commencement of cruise line operations. The group will continue to promote its principal activities.

**RESULTS AND DIVIDENDS**

The loss of the Group for the financial year is £15,065,659 (1997 Profit: £18,116,308). Dividends of £8,975,104 were paid during the year (1997: £30,094,117). The deficit for the year of £24,040,763 was transferred from reserves (1997: £11,977,809).

**WALT DISNEY INTERNATIONAL LIMITED**  
**(formerly Walt Disney Holdings (UK) Limited)**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1998**  
**(Continued)**

**DIRECTORS AND THEIR INTERESTS**

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

C J G Lewis	M L Reed
S M Litvack	P L Wiley (appointed 9 April 1999)
B R Chapman	

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.

**AUDITORS**

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the forthcoming Annual General Meeting.

**DISABLED PERSONS**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**EMPLOYEE INVOLVEMENT**

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

**WALT DISNEY INTERNATIONAL LIMITED**  
**(formerly Walt Disney Holdings (UK) Limited)**

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1998**  
**(Continued)**

**DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of the period under review and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

By order of the Board on 17 January 2000

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## Report of the auditors to the members of Walt Disney International Limited (formally Walt Disney Holdings (UK) Limited)

We have audited the financial statements on pages 6 to 29 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 13.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the auditors to the members of  
Walt Disney International Limited (formerly Walt Disney Holdings (UK)  
Limited) (Continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company and the Group at 30 September 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors

12 January 2000

**WALT DISNEY INTERNATIONAL LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

	<u>Notes</u>	Year ended 30 September <u>1998</u> £ '000	Year ended 30 September <u>1997</u> £ '000
<b>TURNOVER - Continuing activities</b>	2,3	378,969	352,953
<b>COST OF SALES</b>		<u>(180,512)</u>	<u>(139,215)</u>
<b>GROSS PROFIT</b>		198,457	213,738
Royalties payable		(82,874)	(99,477)
Distribution costs		(18,560)	(2,819)
Administrative expenses		(120,873)	(104,967)
Other income		<u>4,469</u>	<u>4,445</u>
		<u>(217,838)</u>	<u>(202,818)</u>
<b>OPERATING PROFIT/(LOSS) - Continuing activities</b>		<u>(19,381)</u>	<u>10,920</u>
Interest receivable and similar income	5	8,997	26,955
Interest payable and similar charges	5	<u>(2,399)</u>	<u>(632)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(12,783)	37,243
Taxation on profit/(loss) on ordinary activities	8	<u>(2,283)</u>	<u>(19,127)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		(15,066)	18,116
Dividends - Equity		-	(2,445)
Dividends - Non Equity		<u>(8,975)</u>	<u>(27,649)</u>
<b>RETAINED (DEFICIT)/PROFIT FOR THE FINANCIAL YEAR</b>	20	<u>(24,041)</u>	<u>(11,978)</u>

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

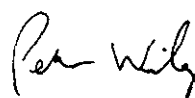
**WALT DISNEY INTERNATIONAL LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 1998**

	<u>Notes</u>	30 September <u>1998</u> £ '000	30 September <u>1997 (Restated)</u> £ '000
<b>FIXED ASSETS</b>			
Tangible assets	10	194,663	134,718
Investments	11	3,750	3,750
		<u>198,413</u>	<u>138,468</u>
<b>CURRENT ASSETS</b>			
Stocks	12	26,638	25,997
Film and television costs	13	8,103	2,730
Debtors (including £nil (1997: £360,091,681) due after one year)	14	231,260	547,009
Cash at bank and in hand		<u>28,503</u>	<u>24,548</u>
		294,504	600,284
<b>CREDITORS (amounts falling due within one year)</b>	15	<u>(228,652)</u>	<u>(180,759)</u>
<b>NET CURRENT ASSETS</b>		<u>65,852</u>	<u>419,525</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		264,265	557,993
<b>CREDITORS (amounts falling due after more than one year)</b>	16	(83,586)	(15,833)
Provision for liabilities and charges	17	<u>(6,539)</u>	<u>(5,392)</u>
<b>NET ASSETS / (LIABILITIES)</b>		<u>174,140</u>	<u>536,768</u>
<b>EQUITY CAPITAL AND RESERVES</b>			
	19,20,21		
Called up share capital - Equity		-	-
Called up share capital - Non-Equity		160,179	500,179
		160,179	500,179
Other Reserves - Equity		12,752	12,752
Profit and loss account - Equity		<u>1,209</u>	<u>23,837</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>174,140</u>	<u>536,768</u>

Approved by the Board of Directors  
on 12 January 2000

Director



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



WALT DISNEY INTERNATIONAL LIMITED

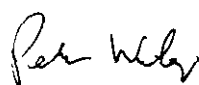
COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 1998

	<u>Notes</u>	30 September 1998	30 September 1997( <u>Restated</u> )
		£	£
<b>FIXED ASSETS</b>			
Investments	11	513,475,307	512,849,788
<b>CURRENT ASSETS</b>			
Debtors	14	15,181,099	15,182,278
Cash		(582)	4,912
		<u>15,180,517</u>	<u>15,187,190</u>
<b>CREDITORS (amounts falling due within one year)</b>	15	(355,724,610)	(15,097,717)
<b>NET CURRENT ASSETS</b>		<u>(340,544,093)</u>	<u>89,473</u>
<b>NET ASSETS</b>		<u>172,931,214</u>	<u>512,939,261</u>
<b>CAPITAL AND RESERVES</b>			
	19,20,21		
Called up share capital - Equity		101	101
Called up share capital - Non-Equity		160,179,113	500,179,113
		<u>160,179,214</u>	<u>500,179,214</u>
Other Reserves - Equity		12,752,000	12,752,000
Profit and loss account - Equity		-	8,047
		<u>12,752,000</u>	<u>12,760,047</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>172,931,214</u>	<u>512,939,261</u>

Approved by the Board of Directors  
on ~~12. December 1999~~

*January 2000*

Director



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

**WALT DISNEY INTERNATIONAL LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<u>Notes</u>	30 September <u>1998</u> £'000	30 September <u>1997</u> £'000
(Loss)/profit for the financial year	21	(15,067)	18,116
Currency translation differences on foreign currency net investments	21	<u>1,413</u>	<u>-</u>
Total recognised gains and losses		<u>(13,654)</u>	<u>18,116</u>

**Reconciliation of Movement in Shareholders' Funds**

The reconciliation of movement in shareholders funds is given in 21 to the accounts.

## WALT DISNEY INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998

#### 1 ACCOUNTING POLICIES

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

##### (1) Basis of consolidation

The consolidated financial statements comprise the accounts of the Group and its subsidiaries made up to 30 September 1998.

##### (2) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the company balance sheet. Provision against the value of investments is only made where, in the opinion of the directors, there is a permanent diminution in the value of the investment.

##### (3) Investments in associated undertakings

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

##### (4) Turnover

Turnover is principally comprised of 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 date that video units are made widely available for sale by retailers. Minimum guarantees are recognised on a pro-rata basis over the terms of the contract. Once a licensee has recouped the minimum guarantee, additional royalties are recognised on a monthly basis.
- Television licensing and production income is recognised when the material is available for telecast by the licensee and when certain other conditions are met.

# WALT DISNEY INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

### 1 ACCOUNTING POLICIES (CONTINUED)

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

#### (5) Film and television costs

Film and television costs are stated at the lower of cost, less accumulated amortisation, or net realisable value. These costs, including marketing and printing costs, are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortisation is adjusted accordingly.

#### (6) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets over their estimated useful lives. The principal annual rates in use are:

Leased assets	-	over the term of the lease
Leasehold improvements	-	over the remaining term of the lease
Motor vehicles	-	3 years
Office equipment, furniture, fixtures and fittings	-	3 to 5 years
Office computers	-	3 years
Information systems (CIS) projects	-	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.

**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**(7) 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.*

**(8) Capitalised Interest**

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

**(9) Stock**

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

**(10) Deferred taxation**

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes, unless such timing differences are likely to give rise to a taxation liability in the foreseeable future.

**(11) Foreign currencies**

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

The asset and liabilities of overseas undertakings 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 average estimated rates ruling for the month of the translation. Gains or losses arising on translation are recorded through reserves.

**(12) Leased assets**

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

**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**1 ACCOUNTING POLICIES (CONTINUED)**

**(13) Pension commitments**

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

**(14) Cruise Deposits**

Cruise Deposits are recorded upon receipt by the Company's agents. Prior to 1998 they were recorded when received by the Company. Comparative balances have been restated to reflect this change.

**(15) Cash flow statement**

Walt Disney International Limited is a wholly owned subsidiary of The Walt Disney Company, a Company incorporated in the United States of America, and is included in its ultimate parent's consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

**(16) Comparative balances**

Balance sheet comparatives have been restated as set out in notes 1(14) and 19 to the accounts.

**WALT DISNEY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**2 TURNOVER**

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

	Year ended 30 September <u>1998</u> £'000	Year ended 30 September <u>1997</u> £'000
Filmed Entertainment	240,565	257,364
Consumer Products	99,891	91,983
Cruise Line	35,225	-
Property Management	3,288	3,606
	<hr/>	<hr/>
	<u>378,969</u>	<u>352,953</u>

£69,981,189 (1997: £33,004,934) of turnover is receivable from fellow subsidiary undertakings. All other turnover arises from third parties.

**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**3 SEGMENTAL REPORTING – by geographical origin**

	Year ended 30 September <u>1998</u> £'000	Year ended 30 September <u>1997</u> £'000
<b>Turnover</b>		
United Kingdom	333,331	343,907
Europe	10,413	9,046
United States of America	<u>35,225</u>	<u>—</u>
	<u>378,969</u>	<u>352,953</u>

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

	1998 £'000	1997 £'000
<b>Net Assets</b>		
United Kingdom	211,748	207,023
Europe	-	-
United States of America	<u>(37,608)</u>	<u>(10,789)</u>
	<u>174,140</u>	<u>536,768</u>
Filmed Entertainment	79,198	326,735
Consumer Products	32,886	116,776
Cruise Line	(37,608)	(10,789)
Property Management	<u>99,664</u>	<u>104,046</u>
	<u>174,140</u>	<u>536,768</u>

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



**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	Year ended 30 September 1998	Year ended 30 September 1997
	£'000	£'000
Staff costs:		
Wages and salaries	53,177	35,624
Social security costs	4,245	3,163
Pension costs	1,383	886
Other employee benefits	681	291
Depreciation charge		
- owned assets	10,477	9,097
- leased assets	1,577	2,383
Operating lease rentals		
- land and buildings	12,226	12,637
- plant and equipment	6,027	514
Auditors' remuneration		
- audit fees	246	173
- non-audit fees	160	99
(Profit)/loss on disposal of fixed assets	(804)	(94)
Exchange loss/(gain)	85	(66)

Auditors remuneration in respect of the Parent Company was £15,000 (1997 £15,000).

**5 INTEREST**

	Year ended 30 September 1998	Year ended 30 September 1997
	£ '000	£ '000
Bank interest receivable	1,571	1,240
Interest receivable on loan to fellow subsidiary undertaking	<u>7,426</u>	<u>25,715</u>
	8,997	26,955
Interest payable on long-term loan from ultimate parent undertaking (repayable between 2-5 years)	(1,019)	(402)
Other interest payable	<u>(1,380)</u>	<u>(230)</u>
	(2,399)	(632)
	<u>6,598</u>	<u>26,323</u>

**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**6 DIRECTORS' EMOLUMENTS**

	Year ended 30 September <u>1998</u> £	Year ended 30 September <u>1997</u> £
Aggregate emoluments - fees	<u>500</u>	<u>500</u>

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

Two directors exercised share options in the ultimate parent Company during the year. Retirement benefits are accruing to three directors under a defined contribution scheme and to three directors under the defined benefit scheme.

**7 EMPLOYEES**

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

	Year ended 30 September <u>1998</u> <u>Number</u>	Year ended 30 September <u>1997</u> <u>Number</u>
Administration	710	670
Retail - full time	245	235
Retail - part time	1,203	1,051
Attractions	44	37
Consumer Products	33	27
Shipboard personnel	632	-
Broadcasting	76	63
Distribution	<u>233</u>	<u>175</u>
	<u>3,176</u>	<u>2,258</u>

The company had no employees during the year.

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

8 TAXATION

	Year ended 30 September 1998 <u>£ '000</u>	Year ended 30 September 1997 <u>£ '000</u>
<b>Taxation on the profit for the year</b>		
UK Corporation tax at 31%/30% (1997: 32%)	-	13,735
Under/(Over) Provision in prior years	1,026	-
Deferred taxation	<u>1,257</u>	<u>5,392</u>
	<u>2,283</u>	<u>19,127</u>

The charge for current taxation is based upon the taxable profit for the group at 31/30% (1997: 32%) after utilisation of available tax losses.

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

9 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

Walt Disney International Limited has not presented its own profit and loss account as permitted by section 230(1) of the Companies Act 1985. The company's retained loss for the year is £8,047 (1997 Profit: £4,912) while the company profit for the financial year is £8,967,057 (1997: £30,098,743).

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

10 FIXED ASSETS

Group	Land & Buildings Long Leasehold	Leased Assets	Leasehold Improvements	Motor Vehicles	Office Equipment & Stage Shows	Assets in course of construction	Computers & IS Project	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost</u>								
At 1 October 1997	96,032	32,750	15,621	43	27,936	8,535	14,828	195,745
Additions	51,259	-	418	-	2,280	14,642	6,490	75,089
Reclassification	313	-	1,400	-	14,200	(16,033)	120	-
Disposals	-	-	(922)	(17)	(1,740)	(326)	(1,521)	(4,526)
Foreign exchange adjustment	-	-	-	-	-	(392)	-	(392)
At 30 September 1998	147,604	32,750	16,517	26	42,676	6,426	19,917	265,916
<u>Depreciation</u>								
At 1 October 1997	3,759	32,750	5,186	28	11,317	-	7,987	61,027
Charge during period	1,577	-	1,552	4	5,255	-	3,666	12,054
Disposals	-	-	(472)	(6)	(1,245)	-	(105)	(1,828)
At 30 September 1998	5,336	32,750	6,266	26	15,327	-	11,548	71,253
<u>Net book amount</u>								
At 30 September 1998	142,268	-	10,251	-	27,349	6,426	8,369	194,663
At 1 October 1997	92,273	-	10,435	15	16,619	8,535	6,841	134,718

Interest costs in the amount of £509,003 have been included in the amounts capitalised at 30 September 1998 (1997 £404,853)

**WALT DISNEY INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**11 INVESTMENTS**

<i>Group</i>	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
<i>Cost</i>			
At 1 October 1997 and At 30 September 1998	2,400	3,780	6,180
<i>Provision</i>			
At 1 October 1997 and At 30 September 1998	(2,400)	(30)	(2,430)
<i>Net Book amount</i>			
At 30 September 1998	-	3,750	3,750
At 30 September 1997	-	3,750	3,750

The group holds two investments through a subsidiary undertaking.

At 30 September 1998 it had a 20% holding in GMTV Limited, a television production company registered in England, the shares of which are not listed on the London Stock Exchange. On the basis of the directors' valuation, the carrying value of the investment was written down to nil in the year ending 30 September 1994. The cost of the write-down was borne by a fellow subsidiary undertaking. The directors have reviewed the carrying value of the investment in the current year and believe that the remaining loan stock is fairly stated at its original cost.

Equity accounting has not been adopted in respect of this investment since results are not recognised in instances where the undertaking has a deficiency of net assets, the group has not undertaken to provide further support for the operations and full provision for the equity investment has been made. The audited financial statements of GMTV Limited for the year ended 31 December 1998 show a loss before tax of £13,544,000 (1997: £8,608,000) and net asset deficit of £24,627,000 (1997: £13,877,000).

The group, via its subsidiary undertaking also holds, at cost, 50% of the issued share capital of GM 1995 Limited, an investment holding company registered in England. Loan stock of £30,000 was issued to GM 1995 Limited and, together with the shares, on the basis of the directors' valuation, this investment was written down to nil in 1997. The cost of the writedown was borne by a fellow subsidiary undertaking.

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

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

11 INVESTMENTS (continued)

Company

	30 September 1998 £	30 September 1997 £
Investment in subsidiary undertakings (unlisted shares at cost)	<u>513,475,307</u>	<u>512,849,788</u>

The following investments in subsidiary undertakings occurred during the year:

Supercomm Europe Limited	1
Magical Cruise Company Limited	<u>625,518</u>
Total Increase in investment in subsidiary undertakings	<u>625,519</u>

Details of the subsidiary undertakings are set out below:

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

\* Walt Disney Animations UK Limited has commenced a members' voluntary liquidation.

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

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

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

12 STOCKS

	Group 30 September <u>1998</u> £ '000	Group 30 September <u>1997</u> £ '000
Consumables	1,389	566
Goods for resale	<u>25,249</u>	<u>25,431</u>
	<u>26,638</u>	<u>25,997</u>

13 FILM AND TELEVISION COSTS

	Group 30 September <u>1998</u> £ '000	Group 30 September <u>1997</u> £ '000
Deferred film marketing and printing costs	1,228	2,040
Programmes in production	<u>6,875</u>	<u>690</u>
	<u>8,103</u>	<u>2,730</u>

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

14 DEBTORS

	Group <u>30 Sept 98</u> £'000	Group <u>30 Sept 97</u> £'000	Company <u>30 Sept 98</u> £	Company <u>30 Sept 97</u> £
Trade debtors	77,319	85,596	-	-
Amounts owed by fellow subsidiary undertakings	112,043	430,369	-	3,165
Other debtors	32,387	27,003	15,181,099	15,179,113
Prepayments and accrued income	9,511	4,041	-	-
	<u>231,260</u>	<u>547,009</u>	<u>15,181,099</u>	<u>15,182,278</u>

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

15 CREDITORS (amounts falling due within one year)

	Group 30 Sept 98 £'000	Group 30 Sept 97 £'000	Company 30 Sept 98 £	Company 30 Sept 97 £
Bank loans and overdrafts	6,815	2,384	-	-
Trade creditors	38,180	37,674	-	-
Amounts due to fellow Subsidiary undertakings	121,428	80,738	355,724,610	15,097,688
Other creditors incl. tax & social security	28,209	29,798	-	29
Accruals and deferred income	34,020	30,165	-	-
	<u>228,652</u>	<u>180,759</u>	<u>355,724,610</u>	<u>15,097,717</u>

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

	Group 30 September 1998 £'000	Group 30 September 1997 £'000
Amounts due to parent undertaking	16,211	10,681
Amounts due to fellow subsidiary undertaking	67,375	5,152
	<u>83,586</u>	<u>15,833</u>

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



WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

17 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax <u>Provision</u> £'000	<u>Total</u> £'000
At 1 October 1997	5,392	5,392
Charged to the profit and loss account in the year	1,257	1,257
Foreign exchange (gain)/loss	<u>(110)</u>	<u>(110)</u>
At 30 September 1998	<u>6,539</u>	<u>6,539</u>

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

18 FINANCIAL COMMITMENTS

(1) Capital expenditure commitments relating to fixed assets:

	Group At 30 September <u>1998</u> £	Group At 30 September <u>1997</u> £
Authorised but not contracted for	2,335	493
Contracted for but not provided	<u>13,517</u>	<u>56,768</u>

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

18 FINANCIAL COMMITMENTS (CONTINUED)

(2) Operating lease obligations

	Group At 30 September <u>1998</u> £'000	Group At 30 September <u>1997</u> £'000
Payments payable within one year of the balance sheet date are in respect of leases expiring:		
<i>Land and buildings:</i>		
Between two and five years	3,287	4,317
After five years	<u>6,170</u>	<u>6,080</u>
<i>Plant and machinery and cruise vessels:</i>		
Within one year	148	92
Between two and five years	362	459
After five years	<u>5,751</u>	<u>-</u>

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

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

19 CALLED UP SHARE CAPITAL (COMPANY)

	30 September <u>1998</u> £	30 September <u>1997</u> £
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
	<u>1,000,000,300</u>	<u>1,000,000,300</u>
Allotted and fully paid:		
101 Ordinary Shares (equity) of £1 each	101	101
515,276,799 'A' redeemable ordinary shares (non-equity) of £1 each	160,179,113	500,179,113
	<u>160,179,214</u>	<u>500,179,214</u>

In 1997 £15,097,686 of funds were received by the Company from the holder of the 'A' redeemable ordinary non-equity shares. The funds were inappropriately classified as additional share capital. The comparative balances have been restated to reflect these monies as intercompany loans.

On 20 December 1997, 340,000,000 'A' redeemable ordinary shares were redeemed at par from a fellow subsidiary undertaking. The payment was made from the company's reserves as a permissible capital payment under sections 171 to 177 of the Companies Act (1985).

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

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

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

WALT DISNEY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

20 RESERVES

Group

	<u>Profit and loss account</u> £ '000	<u>Other reserves</u> £ '000	<u>Total</u> £ '000
At 1 October 1997	23,837	12,752	36,589
Foreign exchange adjustment	1,413	-	1,413
Retained Profit/(Deficit) for the year	(24,041)	-	(24,041)
Total Reserves at 30 September 1998	<u>1,209</u>	<u>12,752</u>	<u>13,961</u>

Company

	<u>Profit and loss account</u> £	<u>Other reserves</u> £	<u>Total</u> £
At 1 October 1997	8,047	12,752,000	12,760,047
Profit for the year	(8,047)	-	(8,047)
	<u>-</u>	<u>12,752,000</u>	<u>12,752,000</u>

Other reserves represent capital contributions received from fellow subsidiary undertakings.

## WALT DISNEY INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)

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

	<u>Group</u>	<u>Company</u>
	£ '000	£ '000
Shareholders' funds at start of year (Restated)	536,768	512,939
Profit for the year	(15,066)	8,966
Dividends Paid	(8,975)	(8,975)
Foreign exchange adjustment	1,413	-
Redemption of Shares	(340,000)	(340,000)
	<u>174,140</u>	<u>172,930</u>
Shareholders' Funds at end of year	<u>174,140</u>	<u>172,930</u>

#### 22 PENSION FUND

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

For employees of the Magical Cruise Company Limited they 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. The cost of contributions is assessed in accordance with the advice of William M Mercer, Inc., consulting actuaries. The latest actuarial valuation of the scheme was performed as at 1 July 1998 using the five-year weighted average method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 10.5% (1997: 10.5%) per annum, the rate of salary increase would be 4.4% (1997: 5.4%) per annum, and the discount rate 6.8% (1997: 7.8%). At the date of the latest actuarial valuation at 1 July 1998, the market value of the assets of the scheme was US\$1,050,041,000 (1997: US\$892,399,000) and the actuarial value of the assets was sufficient to cover 135% (1997: 157%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

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

Contributions are charged to the profit and loss account in the year and amounted to £1,382,689 (1997: £886,405).

**WALT DISNEY INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998 (Continued)**

**23 ULTIMATE PARENT UNDERTAKING**

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

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

**24 RELATED PARTY TRANSACTIONS**

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