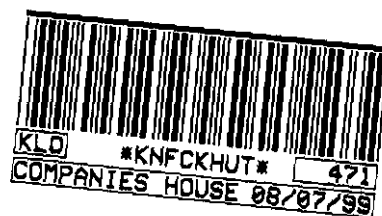


**WALT DISNEY HOLDINGS (UK) LIMITED**  
(Registered Number: 2724503)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1997**



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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997**

The directors present their report and the consolidated financial statements of the company and the group for the year ended 30 September 1997.

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

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

On 15 April 1997, the company issued one ordinary share to a fellow group undertaking in consideration for the entire issued share capital of Buena Vista Home Entertainment Limited, an established company whose principal activity is the sale and marketing of pre-recorded video cassettes and interactive products. This transaction was merger accounted for under the group reconstruction principles.

Capital contributions received during the year have enabled the group to expand through investments in the company's existing subsidiary undertakings, as well as in one new 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 and retail merchandising. In addition, Buena Vista Home Entertainment Limited will further the group's profit from films through distribution of home videos and other home entertainment products.

The business continued to grow at a satisfactory level in 1997 throughout the year. The increase in business activity relates primarily to the launch of The Disney Channel as well as to growth in both sales of TV programs and character merchandising. The group will continue to promote its principal activities.

#### **RESULTS AND DIVIDENDS**

The profit for the financial year is £18,116,308 (1996: £15,184,630). Dividends of £30,094,117 were paid during the year (1996: £5,000,000). The deficit for the year of £11,977,809 was transferred from reserves (1996: Transferred to reserves - £10,184,630).

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997**

**(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**

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm PricewaterhouseCoopers, and the directors have appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the forthcoming Annual General Meeting.

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

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

#### **DISABLED PERSONS**

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

#### **EMPLOYEE INVOLVEMENT**

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

## WALT DISNEY HOLDINGS (UK) LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997

(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 <sup>6</sup> July 1999



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

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

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

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

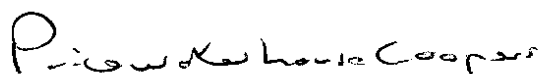
### **BASIS OF OPINION**

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

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

### **OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants & Registered Auditors  
London

6 July 1999

## WALT DISNEY HOLDINGS (UK) LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1997

	<u>Notes</u>	Year ended 30 September 1997 £ '000	Year ended 30 September 1996(Restated) £ '000
<b>TURNOVER - Continuing activities</b>	2,3	352,953	296,460
<b>COST OF SALES</b>		<u>(139,215)</u>	<u>(123,875)</u>
<b>GROSS PROFIT</b>		213,738	172,585
Royalties payable		(99,477)	(74,447)
Distribution costs		(2,819)	(2,394)
Administrative expenses		(104,967)	(76,436)
Other income		<u>4,445</u>	<u>5,318</u>
		<u>(202,818)</u>	<u>(147,959)</u>
<b>OPERATING PROFIT - Continuing activities</b>		<u>10,920</u>	<u>24,626</u>
Interest receivable and similar income	5	26,955	3,821
Interest payable and similar charges	5	<u>(632)</u>	<u>(7,537)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	37,243	20,910
Taxation on profit on ordinary activities	8	<u>(19,127)</u>	<u>(5,726)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		18,116	15,184
Dividends - Equity		(2,445)	(5,000)
Dividends - Non Equity		<u>(27,649)</u>	<u>-</u>
<b>RETAINED (DEFICIT)/PROFIT FOR THE FINANCIAL YEAR</b>	20	<u>(11,978)</u>	<u>10,184</u>

There were no other recognised gains or losses in the accounting period other than those reflected in the profit and loss account above.

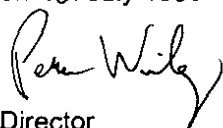
The notes on pages 8 to 25 form an integral part of these financial statements.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 1997**

	<u>Notes</u>	30 September 1997 £ '000	30 September 1996(Restated) £ '000
<b>FIXED ASSETS</b>			
Tangible assets	10	134,718	119,566
Investments	11	3,750	3,750
		<u>138,468</u>	<u>123,316</u>
<b>CURRENT ASSETS</b>			
Stocks	12	25,997	20,868
Film and television costs	13	2,730	4,212
Debtors (including £360,091,681 (1996: £190,670,001) due after one year)	14	540,371	327,220
Cash at bank and in hand		<u>24,548</u>	<u>29,097</u>
		593,646	381,397
<b>CREDITORS (amounts falling due within one year)</b>	15	<u>(159,023)</u>	<u>(118,223)</u>
<b>NET CURRENT ASSETS</b>		<u>434,623</u>	<u>263,174</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		573,091	386,490
<b>CREDITORS (amounts falling due after more than one year)</b>	16	(15,833)	(11,675)
Provision for liabilities and charges	17	<u>(5,392)</u>	-
<b>NET ASSETS / (LIABILITIES)</b>		<u>551,866</u>	<u>374,815</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital - Equity	19	-	-
Called up share capital - Non-Equity	19	<u>515,277</u>	<u>335,000</u>
		515,277	335,000
Other Reserves - Equity	20	12,752	4,000
Revenue Reserves - Equity	20	<u>23,837</u>	<u>35,815</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>551,866</u>	<u>374,815</u>

Approved by the Board of Directors  
on 6 July 1999

  
Director

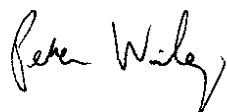
The notes on pages 8 to 25 form an integral part of these financial statements.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 1997**

	<u>Notes</u>	30 September <u>1997</u> £	30 September <u>1996</u> £
<b>FIXED ASSETS</b>			
Investments	11	512,849,788	339,000,100
<b>CURRENT ASSETS</b>			
Debtors	14	15,182,278	3,529
Cash		4,912	-
		<u>15,187,190</u>	<u>3,529</u>
<b>CREDITORS (amounts falling due within one year)</b>	15	(31)	(394)
<b>NET CURRENT ASSETS</b>		<u>15,187,159</u>	<u>3,135</u>
<b>NET ASSETS</b>		<u>528,036,947</u>	<u>339,003,235</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital - Equity	19	101	100
Called up share capital - Non-Equity	19	515,276,799	335,000,000
		<u>515,276,900</u>	<u>335,000,100</u>
Other Reserves - Equity	20	12,752,000	4,000,000
Revenue Reserves - Equity	20	8,047	3,135
		<u>12,760,047</u>	<u>4,003,135</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>528,036,947</u>	<u>339,003,235</u>

Approved by the Board of Directors  
on 6. July 1999



Director

The notes on pages 8 to 25 form an integral part of these financial statements.



# WALT DISNEY HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

### 1 ACCOUNTING POLICIES

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

#### (1) Basis of consolidation

The consolidated financial statements consist of the financial statements of the company and its subsidiary undertakings.

#### (2) Investments in subsidiary undertakings

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

#### (3) Investments in associated undertakings

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

#### (4) Turnover

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

- Television licensing and production income is recognised in the period in which the features are first available for broadcasting as set out in the licensing agreement.
- Revenues from the theatrical distribution of motion pictures are recognised when the motion picture is exhibited.
- Merchandising and publication income represents amounts receivable for goods supplied to customers excluding VAT, including those receivable from third parties under licensing arrangements.

# WALT DISNEY HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

#### 1 ACCOUNTING POLICIES (CONTINUED)

- Video Cassette income is recognised when goods are delivered to customers by licensed distributors. 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.

#### (5) Film and television costs

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

#### (6) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Leased assets	-	over the term of the lease
Leasehold improvements	-	over the remaining term of the lease
Motor vehicles	-	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

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

#### (7) Stock

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

#### (8) Deferred taxation

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

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

#### 1 ACCOUNTING POLICIES (CONTINUED)

##### (9) Foreign currencies

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

##### (10) Leased assets

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

##### (11) Pension commitments

The group maintains a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due. The assets of the scheme are maintained separately from those of the company, being invested with insurance companies.

##### (12) Comparatives

The comparative figures in respect of the year ending 30 September 1996 have been restated in accordance with FRS6, Acquisitions and Mergers, to reflect the merger of Walt Disney Holdings (UK) Ltd. and Buena Vista Home Entertainment Ltd.

##### (13) Cash flow statement

Walt Disney Holdings (UK) Limited is a wholly owned subsidiary of The Walt Disney Company Limited, a Company incorporated in the United States of America is included in its 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).

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1997 (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. In addition, the group now engages in property management. The split into these categories of turnover during the period was as follows:

	Year ended 30 September <u>1997</u> £'000	Year ended 30 September <u>1996</u> £'000
Filmed Entertainment	257,364	220,421
Consumer Products	91,983	74,064
Property Management	3,606	1,975
	<u>352,953</u>	<u>296,460</u>

All the above revenue was derived in the United Kingdom except for £ 9,046,119 (1996: £3,411,938) which was derived from other European Countries.

£33,004,934 (1996 : £29,664,899) of turnover is receivable from fellow subsidiary undertakings. All other turnover arises from third parties.

#### 3 SEGMENTAL REPORTING – by geographical origin

	Year ended 30 September <u>1997</u> £'000	Year ended 30 September <u>1996</u> £'000
<b>Turnover</b>		
United Kingdom	343,907	293,048
Europe	<u>9,046</u>	<u>3,412</u>
	<u>352,953</u>	<u>296,460</u>

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

<b>Net Assets</b>	<u>1997</u> £'000	<u>1996</u> £'000
United Kingdom	551,866	374,815
Europe	—	—
	<u>551,866</u>	<u>374,815</u>
Filmed Entertainment	329,909	217,145
Consumer Products	117,911	72,954
Property Management	<u>104,046</u>	<u>84,716</u>
	<u>551,866</u>	<u>374,815</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.

**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	<u>Year ended</u> <u>30 September 1997</u> £'000	<u>Year ended</u> <u>30 September 1996</u> £'000
Staff costs:		
Wages and salaries	35,624	26,569
Social security costs	3,163	2,320
Pension costs	886	463
Other employee benefits	291	103
Depreciation charge		
- owned assets	9,097	7,002
- leased assets	2,383	4,105
Operating lease rentals		
- land and buildings	12,637	8,755
- plant and equipment	514	387
Auditors' remuneration		
- audit fees	173	145
- non-audit fees	99	119
(Profit)/loss on disposal of fixed assets	(94)	(4)
Exchange loss/(gain)	(66)	14

Auditors remuneration in respect of the Parent Company was £15,000 (1996 £5,000).

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**5 INTEREST**

	Year ended 30 September <u>1997</u> £ '000	Year ended 30 September <u>1996</u> £ '000
Bank interest receivable	1,240	1,370
Interest receivable on loan to fellow subsidiary undertaking	<u>25,715</u>	<u>2,451</u>
	26,955	3,821
Interest payable on long-term loan from ultimate parent undertaking (repayable between 2-5 years)	(402)	(5,656)
Finance charge on leased assets	-	(1,201)
Other interest payable	<u>(230)</u>	<u>(680)</u>
	(632)	(7,537)
	<u>26,323</u>	<u>(3,716)</u>

**6 DIRECTORS' EMOLUMENTS**

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

	Year ended 30 September <u>1997</u> £	Year ended 30 September <u>1996</u> £
Highest paid director - fees	<u>500</u>	<u>500</u>

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

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

#### 7 EMPLOYEES

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

	Year ended 30 September <u>1997</u> Number	Year ended 30 September <u>1996</u> Number
Administration	879	648
Retail - full time	235	178
Retail - part time	1,051	1,058
Distribution	<u>93</u>	<u>80</u>
	2,258	1,964

The company had no employees during the year.

#### 8 TAXATION

	Year ended 30 September <u>1997</u> £ '000	Year ended 30 September <u>1996</u> £ '000
<b>Taxation on the profit for the year</b>		
UK Corporation tax at 32% (1996: 33%)	13,735	5,726
Deferred taxation	<u>5,392</u>	<u>-</u>
	19,127	5,726

The charge for current taxation is based upon the taxable profit for the group at 32% (1996: 33%) 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 Holdings (UK) Limited has not presented its own profit and loss account as permitted by section 230 (1) of the Companies Act 1985. The company's retained profit for the year is £4,912 (1996: £1,419) while the company profit for the financial year is £30,098,743 (1996: £1,419).

WALT DISNEY HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

10 FIXED ASSETS

Group	Land & Buildings Long Leasehold £'000	Leased Assets £'000	Leasehold Improvements £'000	Motor Vehicles £'000	Office Equipment £'000	Assets in course of construction £'000	Computers & IS Project £'000	Total £'000
<u>Cost</u>								
At 1 October 1996	85,420	32,750	14,056	26	19,199	7,554	13,168	172,173
Additions	-	-	1,747	17	4,760	18,302	3,050	27,876
Reclassification	10,612	-	112	-	6,430	(17,154)	-	-
Disposals	-	-	(294)	-	(2,453)	(167)	(1,390)	(4,304)
At 30 September 1997	96,032	32,750	15,621	43	27,936	8,535	14,828	195,745
<u>Depreciation</u>								
At 1 October 1996	1,376	32,750	3,885	15	9,075	-	5,506	52,607
Charge during period	2,383	-	1,431	13	4,128	-	3,525	11,480
Disposals	-	-	(130)	-	(1,886)	-	(1,044)	(3,060)
At 30 September 1997	3,759	32,750	5,186	28	11,317	-	7,987	61,027
<u>Net book amount</u>								
At 30 September 1997	92,273	-	10,435	15	16,619	8,535	6,841	134,718
At 1 October 1996	84,044	-	10,171	11	10,124	7,554	7,662	119,566



## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

#### 11 INVESTMENTS

Group	<u>Shares</u> £'000	<u>Loans</u> £'000	<u>Total</u> £'000
Cost			
At 1 October 1996 and At 30 September 1997	2,400	3,780	6,180
Provision			
At 1 October 1996 and At 30 September 1997	(2,400)	(30)	(2,430)
Net Book amount			
At 30 September 1997	-	3,750	3,750
At 30 September 1996	-	3,750	3,750

The group holds two investments through a subsidiary undertaking.

At 30 September 1997 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 1997 show a loss before tax of £8,608,000 and net asset deficit of £13,877,000.

The group, via its subsidiary undertaking also holds, at cost, 50% of the issued share capital of GM 1996 Limited, an investment holding company registered in England. Loan stock of £30,000 was issued to GM 1996 Limited and, together with the shares, on the basis of the directors' valuation, this investment was written down to nil in 1996. 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 1996 Limited since results are not recognised in instances where the undertaking has a deficiency of net assets, the group has not undertaken to provide further support for the operations and full provision for the investment has been made.

## WALT DISNEY HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)

#### 11 INVESTMENTS (continued)

##### Company

	30 September 1997 £	30 September 1996 £
Investment in subsidiary undertakings (unlisted shares at cost)	512,849,788	339,000,100

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

	£
The Walt Disney Company Ltd	6,931,882
Buena Vista Home Entertainment Ltd	1
Walt Disney Animation U.K. Ltd	158,165,805
Walt Disney Properties (UK) Ltd	8,752,000
	<hr/>
Total increase in investment in subsidiary undertakings	173,849,688
	<hr/> <hr/>

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
Buena Vista Productions Ltd	Provides TV production services	England	100%
Buena Vista International (UK) Ltd	Theatrical distribution of films	England	100%
Disney Animation Studios (UK) Ltd	Dormant	England	100%
Hollywood Recordings Ltd	Members' Voluntary Liquidation	England	100%
Toontown Ltd	Dormant	England	100%
Walt Disney Animation U.K. Ltd	Loans to fellow subsidiaries	England	100%
The Disney Store Ltd	Retail merchandising	England	100%
The Walt Disney Company Ltd	Television licensing and broadcasting, character merchandising and publications	England	100%
Walt Disney Properties (UK) Ltd	Property management	England	100%
Disney Real Estate Investments (UK) Ltd	Property development	England	100%
Magical Cruise Company, Ltd	Operation of luxury cruise vessels	England	100%
Buena Vista Home Entertainment Ltd	Sale and marketing of prerecorded video cassettes	England	100%

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

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

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**12 STOCKS**

	Group 30 September 1997 £ '000	Group 30 September 1996 £ '000
Consumables	566	1,687
Goods for resale	<u>25,431</u>	<u>19,181</u>
	<u>25,997</u>	<u>20,868</u>

**13 FILM AND TELEVISION COSTS**

	Group 30 September 1997 £ '000	Group 30 September 1996 £ '000
Deferred film marketing and printing costs	2,040	3,332
Programmes in production	<u>690</u>	<u>880</u>
	<u>2,730</u>	<u>4,212</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 30 Sept 97 £'000	Group 30 Sept 96 £'000	Company 30 Sept 97 £	Company 30 Sept 96 £
Trade debtors	85,596	73,924	-	-
Amounts owed by fellow subsidiary undertakings	423,731	240,860	3,165	3,529
Other debtors	27,003	6,748	15,179,113	-
Prepayments and accrued income	4,041	5,688	-	-
	<u>540,371</u>	<u>327,220</u>	<u>15,182,278</u>	<u>3,529</u>

Amounts owed by fellow subsidiary undertakings include £360,091,681 (1996: £190,670,001) falling due after more than one year.

Included within other debtors is £15,179,113 representing a contribution of US\$25,000,000 to the Walt Disney Company Stock Compensation Fund.

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

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

	Group 30 Sept 97 £'000	Group 30 Sept 96 £'000	Company 30 Sept 97 £	Company 30 Sept 96 £
Bank loans and overdrafts	2,384	5,170	-	-
Trade creditors	37,674	15,846	-	-
Amounts due to fellow Subsidiary undertakings	65,640	32,437	-	-
Amount due to subsidiary undertaking	-	-	2	3
Other creditors incl. tax & social security	23,160	16,638	29	391
Accruals and deferred income	30,165	48,132	-	-
	<u>159,023</u>	<u>118,223</u>	<u>31</u>	<u>394</u>

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

	Group 30 September 1997 £'000	Group 30 September 1996 £'000
Amounts due to parent undertaking	10,681	11,675
Amounts due to fellow subsidiary undertaking	5,152	-
	<u>15,833</u>	<u>11,675</u>

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

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**17 PROVISION FOR LIABILITIES AND CHARGES**

	Deferred Tax <u>Provision</u> £'000	<u>Total</u> £'000
At 1 October 1996	-	-
<i>Charged to the profit and loss account in the year</i>	<u>5,392</u>	<u>5,392</u>
At 30 September 1997	<u>5,392</u>	<u>5,392</u>

The provision for deferred taxation has been made in respect of accelerated capital allowances that are expected to give rise to a taxation liability in the foreseeable future. The unprovided amount of deferred taxation that is not expected to give rise to a taxation liability in the foreseeable future is approximately £4,299,500 (1996: £3,407,000) as at 30 September 1997.

**18 FINANCIAL COMMITMENTS**

(1) Capital expenditure commitments relating to fixed assets:

	Group At 30 September <u>1997</u> £ '000	Group At 30 September <u>1996</u> £ '000
Authorised but not contracted for	493	3,486
Contracted for but not provided	<u>56,768</u>	<u>7,620</u>

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**18 FINANCIAL COMMITMENTS (CONTINUED)**

(2) Operating lease obligations

	Group At 30 September <u>1997</u> £'000	Group At 30 September <u>1996</u> £'000
Annual operating lease commitments for Land and buildings by expiry date:		
Between two and five years	4,317	-
After five years	6,080	8,140
	<u>          </u>	<u>          </u>
Annual operating lease commitments for Plant and machinery by expiry date:		
Within one year	92	303
Between two and five years	459	326
	<u>          </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 HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**19 CALLED UP SHARE CAPITAL**

	Company 30 September <u>1997</u> £	Company 30 September <u>1996</u> £
Authorised:		
300 Ordinary Shares (equity) of £1 each	300	100
1,000,000,000 'A' redeemable ordinary shares (non-equity) of £1 each	1,000,000,000	550,000,000
	<u>1,000,000,300</u>	<u>550,000,100</u>
Allotted and fully paid:		
101 Ordinary Shares (equity) of £1 each	101	100
515,276,799 'A' redeemable ordinary shares (non-equity) of £1 each	515,276,799	335,000,000
	<u>515,276,900</u>	<u>335,000,100</u>

On 10 December 1996, the authorised share capital of the company was increased from £550,000,100 to £1,000,000,300 by the creation of 450,000,000 additional 'A' redeemable ordinary shares of £1 each and 200 ordinary shares of £1 each. The shares issued in the year were allotted at par and the cash received was used by the company to invest in its subsidiary undertakings and to loan funds to the Walt Disney Company Stock Compensation Fund.

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

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

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

**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**20 RESERVES**

**Group**

	<u>Revenue</u> <u>reserves</u> £ '000	<u>Other</u> <u>reserves</u> £ '000	<u>Total</u> £ '000
At 1 October 1995			
– As previously reported	(1,153)	-	(1,153)
– Buena Vista Home Entertainment Ltd	28,239	-	28,239
Retained Profit for the year			
– As previously reported	7,487	-	7,487
– Buena Vista Home Entertainment Ltd	3,134	-	3,134
Adjustment for Unrealised Profits in Closing Stock	(1,892)	-	(1,892)
Capital contributions received	-	4,000	4,000
Total Reserves at 30 September 1996	<u>35,815</u>	<u>4,000</u>	<u>39,815</u>
At 1 October 1996	35,815	4,000	39,815
Retained Profit/(Deficit) for the year	(11,978)	-	(11,978)
Capital contributions received	-	8,752	8,752
Total Reserves at 30 September 1997	<u>23,837</u>	<u>12,752</u>	<u>36,589</u>



**WALT DISNEY HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

**Company**

	Revenue reserves £	Other reserves £	Total £
At 1 October 1996	3,135	4,000,000	4,003,135
Profit for the year	4,912	-	4,912
Capital contributions received	-	8,752,000	8,752,000
	<u>8,047</u>	<u>12,752,000</u>	<u>12,760,047</u>

Other reserves represent capital contributions received from fellow subsidiary undertakings. The funds received in the year were used to increase the company's investment in subsidiary undertakings.

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

	<u>Group</u> £ '000	<u>Company</u> £ '000
At 1 October 1995		
– As previously reported	(1,153)	2
Profit for the year	41,968	1
Dividends Paid	(5,000)	-
Shares issued in the year	335,000	335,000
Capital contribution	4,000	4,000
	<u>374,815</u>	<u>339,003</u>
Shareholders' funds at start of year	374,815	339,003
Profit for the year	18,116	30,099
Dividends Paid	(30,094)	(30,094)
Shares issued in the year	180,277	180,277
Capital contribution	8,752	8,752
	<u>551,866</u>	<u>528,037</u>
Shareholders' Funds at end of year	551,866	528,037

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

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

#### **FOR THE YEAR ENDED 30 SEPTEMBER 1997 (Continued)**

##### **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 and Walt Disney Properties (UK) Limited are provided under The Walt Disney Retirement Savings Plan. The Walt Disney Retirement Savings Plan is a defined contribution arrangement with contributions being made by members and the company on an age related basis.

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

Contributions are charged to the profit and loss account in the year paid and amounted to £886,405 (1996: £462,798).

##### **23 SUBSEQUENT EVENTS**

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).

##### **24 ULTIMATE PARENT UNDERTAKING**

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

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

##### **25 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 24.