

LEGOLAND Windsor Park Limited

Registered No. 2721728

DIRECTORS

C M Nielsen (Chairman)
J Bøndergaard
S A Madsen (resigned 18 May 1998)
R Powell
G Carpenter
D Bradley (appointed 18 May 1998)
R Montgomery (resigned 18 May 1998)
W Haviluk (appointed 18 May 1998)
K Kalcher

SECRETARY

R Powell

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

200 Aldersgate Street
London EC1A 4JJ



LEGOLAND Windsor Park Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The loss for the year amounted to £1,692,000 (1997 - loss of £3,129,000).

The directors do not recommend the payment of a dividend.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity is and will continue to be the operation of LEGOLAND Windsor Park.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were those listed on page 1.

No director held any disclosable interest in the shares of the company or any other group undertaking.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by handicapped or disabled persons.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through the newsletters 'LEGO Review' and 'Bric-a-Brac' in which employees have also been encouraged to present their suggestions and views on the company's operations. Quarterly meetings are held between local management and employees to allow a free flow of information and ideas.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 1998 the company had an average of 38 days purchases outstanding in trade creditors.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks. The cost of implementing the actions plans are not likely to be material and will be subsumed into the recurring costs of the company when incurred.


LEGOLAND Windsor Park Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


Secretary

12 April 1999

LEGOLAND Windsor Park Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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. In preparing those accounts, 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 disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS
to the members of LEGOLAND Windsor Park Limited

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

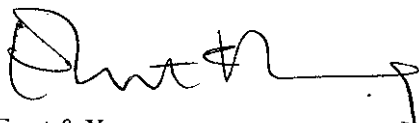
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

12 April 1999

LEGOLAND Windsor Park Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	Notes	1998 £000	1997 £000
TURNOVER			
Continuing activities	2	28,054	23,332
Discontinued activities		-	1,237
		<u>28,054</u>	<u>24,569</u>
Cost of sales		(5,973)	(4,500)
		<u>22,081</u>	<u>20,069</u>
Gross profit			
Other income		30	33
		<u>30</u>	<u>33</u>
Administrative expenses:			
Continuing activities		(22,997)	(21,336)
Discontinued activities		-	(1,125)
		<u>(22,997)</u>	<u>(22,461)</u>
OPERATING LOSS			
Continuing activities		(886)	(2,471)
Discontinued activities		-	112
		<u>(886)</u>	<u>(2,359)</u>
	3		
Bank interest receivable		60	37
Interest payable	6	(866)	(807)
		<u>(806)</u>	<u>(770)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,692)</u>	<u>(3,129)</u>
Tax on loss on ordinary activities	7	-	-
		<u>(1,692)</u>	<u>(3,129)</u>
LOSS ON ORDINARY ACTIVITIES FOR THE YEAR		<u>(1,692)</u>	<u>(3,129)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no gains or losses other than those recognised in the profit and loss account.

LEGOLAND Windsor Park Limited

BALANCE SHEET at 31 December 1998

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	8	70,518	75,259
CURRENT ASSETS			
Stocks	9	1,515	1,815
Debtors	10	725	2,084
Cash		896	316
		3,136	4,215
CREDITORS: amounts falling due within one year	11	7,452	16,389
NET CURRENT LIABILITIES		(4,316)	(12,174)
TOTAL ASSETS LESS CURRENT LIABILITIES		66,202	63,085
CREDITORS: amounts falling due after more than one year	12	(4,809)	-
		61,393	63,085
CAPITAL AND RESERVES			
Called up share capital	13	77,800	77,800
Profit and loss account	14	(16,407)	(14,715)
		61,393	63,085

Ch. May L
) Directors

John Baird

12 April 1999

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Statement of cash flows

The company, being a subsidiary undertaking of a parent which prepares publicly available consolidated accounts is taking advantage of the exemption in Financial Reporting Standard No. 1 not to present a statement of cash flows.

Stocks

Stocks are stated at the lower of cost incurred in bringing the product to its present location and condition, and net realisable value. Cost represents purchase cost on a first-in, first-out basis.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets in the course of construction at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	25 years
Plant and machinery	-	5 -10 years
- including Motor vehicles	-	6 years
LEGO models	-	3 years
Fixtures and fittings	-	10 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Related Parties

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the LEGO A/S group.

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

2. TURNOVER

Turnover represents income from the company's principal activities as set out in the directors' report (net of VAT).

	1998 £000	1997 £000
United Kingdom	26,202	22,217
Rest of the world	1,852	1,115
Continuing activities	<u>28,054</u>	<u>23,332</u>

In 1997 the LEGO Media business was transferred to a new company LEGO Media International Limited and therefore £1,237,000 turnover relating to this activity was disclosed as a discontinued activity.

3. OPERATING LOSS

This is stated after charging/(crediting):

	1998 £000	1997 £000
Auditors' remuneration - audit	31	31
- non audit	66	47
Depreciation of owned assets	6,850	6,518
Operating lease rentals - land and buildings	124	164
Hire of plant and equipment	29	14
Foreign exchange gain	(54)	(115)

4. DIRECTORS' EMOLUMENTS

Only one director received emoluments during the year.

These emoluments were as follows:

	1998 £000	1997 £000
Emoluments	189	88
Company contributions paid to money purchase pension schemes	-	8

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

5. STAFF COSTS

	1998 £000	1997 £000
Wages and salaries	6,439	5,812
Social security costs	517	469
Other pension costs	98	80
	<u>7,054</u>	<u>6,361</u>

The company contributes to the money purchase pension schemes of certain employees.

The average number of staff including directors during the year was as follows:

	1998 No.	1997 No.
Manufacturing	31	37
Management and administrative	102	90
Operations	311	375
	<u>444</u>	<u>502</u>

6. INTEREST PAYABLE

	1998 £000	1997 £000
Bank interest	616	517
To connected company	250	290
	<u>866</u>	<u>807</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
UK corporation tax	-	-

No liability to corporation tax arises as a result of losses incurred during the period. Part of the company's loss for the period has been surrendered to a fellow subsidiary but no payment has been made in respect of this surrender.

The company also has losses available to carry forward against future trading profits which would be sufficient to offset any reversal of timing differences arising from accelerated capital allowances. Accordingly no provision is made for deferred taxation.

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1998

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Assets in the course of construction £000</i>	<i>Total £000</i>
Cost:					
At 1 January 1998	55,620	21,501	6,318	3,425	86,864
Additions	28	155	152	2,103	2,438
Disposals	-	(160)	(242)	-	(402)
Transfers	3,514	1,371	71	(4,956)	-
At 31 December 1998	59,162	22,867	6,299	572	88,900
Depreciation:					
At 1 January 1998	3,055	6,825	1,725	-	11,605
Provided during the year	1,888	4,141	821	-	6,850
Disposals	-	(42)	(31)	-	(73)
At 31 December 1998	4,943	10,924	2,515	-	18,382
Net book value:					
At 31 December 1998	54,219	11,943	3,784	572	70,518
At 1 January 1998	52,565	14,676	4,593	3,425	75,259

9. STOCKS

	<i>1998 £000</i>	<i>1997 £000</i>
Raw materials	424	390
Goods for resale	1,091	1,425
	1,515	1,815

10. DEBTORS

	<i>1998 £000</i>	<i>1997 £000</i>
VAT recoverable	5	221
Trade debtors	142	40
Other debtors	9	-
Prepayments and accrued income	237	1,457
Amounts owed by parent undertakings	-	231
Amounts owed by fellow subsidiary undertakings	332	135
	725	2,084

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS at 31 December 1998

11. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Bank loans and overdraft	4,966	10,500
Trade creditors	598	2,301
Other creditors	379	327
Other taxes and social security costs	111	124
Accruals and deferred income	900	441
Amounts owed to fellow subsidiary undertakings	498	2,696
	<u>7,452</u>	<u>16,389</u>

12. CREDITORS: amounts falling due after more than one year

	1998 £000	1997 £000
Amounts owed to parent company	4,809	-

The loan principal is repayable in total on 31 December 2000, unless the lender and borrower agree in advance to another arrangement. Interest is charged each month at LIBOR plus 1/4 %.

13. SHARE CAPITAL

	1998 No.	Authorised 1997 No.	Allotted, called up and fully paid 1998 £000	1997 £000
Ordinary shares of £1 each	35,000,000	35,000,000	35,000	35,000
Redeemable ordinary shares of £1 each	50,000,000	50,000,000	42,800	42,800
	<u>85,000,000</u>	<u>85,000,000</u>	<u>77,800</u>	<u>77,800</u>

The £1 redeemable ordinary shares are redeemable at the company's option, at par, at any time. They carry the same voting rights, rights to dividends and priority on a winding up as ordinary shares.

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 1997	77,800	(11,586)	66,214
Loss for the year		(3,129)	(3,129)
At 31 December 1997	<u>77,800</u>	<u>(14,715)</u>	<u>63,085</u>
Loss for the year		(1,692)	(1,692)
At 31 December 1998	<u>77,800</u>	<u>(16,407)</u>	<u>61,393</u>

LEGOLAND Windsor Park Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

15. CAPITAL COMMITMENTS

At 31 December 1998 the company had the following commitments in respect of the development of the Park:

	1998 £000	1997 £000
Contracted, not provided	542	79

16. OTHER FINANCIAL COMMITMENTS

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	1998 £000	1997 £000
Operating leases which expire:		
Within two to five years	124	164

17. PENSION CONTRIBUTIONS

The company contributes to a number of money purchase schemes for certain of its directors and all employees.

18. GUARANTEE

The company has guaranteed the operating lease on a property of a fellow subsidiary undertaking, LEGO Lifestyle International Limited. The annual rent paid under the lease is £59,000.

19. RELATED PARTIES

During the year the company repaid short term funding amounting to £4,702,422 to Kirkbi A/S, a company connected with the LEGO A/S group of companies. This included accrued interest of £200,422.

20. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of LEGO Park Holding UK Limited, a company registered in England and Wales, into which company's accounts, those of LEGOLAND Windsor Park Limited have been consolidated. The ultimate parent undertaking and ultimate controlling entity is LEGO A/S, a company incorporated in Denmark which has indicated its intention to continue to provide finance in order for the company to meet its liabilities as they fall due. Copies of the accounts of LEGO A/S are available from Erhvervs og Selskabsstyrelsen, Kampmannsgade 1, DK-1780 Copenhagen V, Denmark.