

LEGO Lifestyle International Limited

(formerly LEGOLAND Park Design Limited)

Registered No. 2949553

DIRECTORS

C M Nielsen (Chairman)
J Bøndergaard
K Kalcher

SECRETARY

P H Nielsen (resigned 18 May 1998)
W R Powell (appointed 18 May 1998)

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



LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design 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 £222,084 (1997 - profit £57,670). The directors do not recommend the payment of a dividend.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The activity of the company is split into three parts. The first is to co-ordinate the conceptual design of the LEGO brand and activities for LEGO parks. The second, using the registered trade name of LEGO Licensing International, is to co-ordinate the non-Media licensing activities of the group and to initiate licensing contracts. The third relates to specific projects instigated by the group. For 1998 these were (i) to evaluate the success of existing LEGO Retail expressions and to propose a retail strategy and (ii) to develop the concept of a "Watch On Body Connect Creative System", extending the LEGO brand.

The future plans for the company include turning the Retail project into a Retail Business and developing the LEGO Watch System into a global business.

CHANGE OF THE NAME OF THE COMPANY

During the year, the name of the company was changed from LEGOLAND Park Design Limited to LEGO Lifestyle International Limited.

DIRECTORS AND THEIR INTERESTS

The directors during the year are those listed on page 1.

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

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.

New computer hardware will be purchased and all the old equipment will be disposed of. The total cost is estimated to be £20,000.

AUDITORS

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

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

DIRECTORS' REPORT

SMALL COMPANY EXEMPTIONS

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



Secretary

12 April 1999

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design 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; 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 LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)**

We have audited the accounts on pages 6 to 12 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.

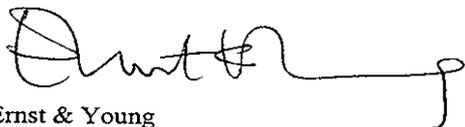
Basis of opinion

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 applicable to small companies.



Ernst & Young
Registered Auditor
London

12 April 1999

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Notes</i>	<i>1998</i> £	<i>1997</i> £
Continuing Operations:			
TURNOVER	2	2,395,297	1,708,438
Cost of goods sold		3,953	-
Gross profit		<u>2,391,344</u>	<u>1,708,438</u>
Administrative expenses		2,617,583	1,656,491
OPERATING (LOSS)/PROFIT	3	<u>(226,239)</u>	<u>51,947</u>
Interest receivable		4,155	5,723
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(222,084)</u>	<u>57,670</u>
Taxation	6	-	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(222,084)</u></u>	<u><u>57,670</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

NOTES TO THE ACCOUNTS
at 31 December 1998

	<i>Notes</i>	<i>1998</i> £	<i>1997</i> £
FIXED ASSETS			
Tangible assets	7	134,908	149,199
CURRENT ASSETS			
Stocks	8	748,166	-
Debtors	9	169,368	400,106
Cash		73,272	92,092
		990,806	492,198
CREDITORS: amounts falling due within one year	10	1,074,008	367,607
NET CURRENT (LIABILITIES)/ASSETS		(83,202)	124,591
TOTAL ASSETS LESS CURRENT LIABILITIES		51,706	273,790
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account	12	(48,294)	173,790
		51,706	273,790

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Dr. Møgel)
Directors

John Baidya

Harald Holde

12 April 1999

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

NOTES TO THE ACCOUNTS
at 31 December 1998

ACCOUNTING POLICIES

Basis of preparation

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

Going concern

The company is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due.

The parent company has agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Statement of cash flows

The company, is taking advantage of the exemption in Financial Reporting Standard No. 1 not to present a statement of cash flows on the grounds that it is a wholly owned subsidiary of a parent which prepares publicly available group accounts.

Depreciation

Depreciation is provided on all tangible fixed assets 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:

Plant and machinery	-	5 - 10 years
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Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

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.

Leasing

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.

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

NOTES TO THE ACCOUNTS

at 31 December 1998

TURNOVER

Turnover represents fees invoiced (excluding VAT) for the co-ordination of design and licensing activities for LEGO parks worldwide. The geographical breakdown of turnover was as follows:

	1998 £	1997 £
Europe	1,946,126	1,236,537
United Kingdom	37,322	44,989
United States	404,140	406,676
Other	7,709	20,236
	<u>2,395,297</u>	<u>1,708,438</u>

OPERATING (LOSS)/PROFIT

This is stated after charging:

	1998 £	1997 £
Auditors' remuneration - audit	8,250	3,750
Depreciation of owned assets	36,523	27,126
Operating lease rentals - land and buildings	59,000	57,853
	<u>103,773</u>	<u>88,729</u>

DIRECTORS' EMOLUMENTS

Only one of the directors received emoluments during the year.

These emoluments were as follows:

	1998 £	1997 £
Emoluments	135,698	123,685
	<u>135,698</u>	<u>123,685</u>
Company contributions to money purchase pension scheme	13,200	11,220
	<u>13,200</u>	<u>11,220</u>

STAFF COSTS

	1998 £	1997 £
Wages and salaries	583,649	395,516
Social security costs	50,833	32,384
Other pension costs	35,833	21,123
	<u>670,315</u>	<u>449,023</u>

The average weekly number of employees during the year was 12 (1997 - 11).

LEGO Lifestyle International Limited
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NOTES TO THE ACCOUNTS
at 31 December 1998

TAXATION

	<i>1998</i>	<i>1997</i>
	£	£
UK corporation tax	-	-
	<u> </u>	<u> </u>

No liability to corporation tax arises as a result of losses incurred during the period.

The company has losses for tax purposes to be carried forward against future profits, which should be available to offset any reversal of timing differences.

TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i>
	£
Cost:	
At 1 January 1998	191,919
Additions	47,170
Disposals	(36,328)
At 31 December 1998	<u>202,761</u>
Depreciation:	
At 1 January 1998	42,720
Provided during the year	36,523
Disposals	(11,390)
At 31 December 1998	<u>67,853</u>
Net book value:	
At 31 December 1998	<u>134,908</u>
At 1 January 1998	<u>149,199</u>

STOCKS

	<i>1998</i>	<i>1997</i>
	£	£
Component parts	589,173	-
Finished goods for resale	158,993	-
	<u>748,166</u>	<u> </u>
	<u> </u>	<u> </u>

LEGO Lifestyle International Limited
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NOTES TO THE ACCOUNTS
at 31 December 1998

DEBTORS

	1998 £	1997 £
Trade debtors	117,070	162,670
Other debtors and prepayments	52,298	40,027
Amounts owed by parent undertaking	-	159,654
Amounts owed by fellow subsidiary undertakings	-	37,755
	<u>169,368</u>	<u>400,106</u>

CREDITORS: amounts falling due within one year

	1998 £	1997 £
Amounts owed to fellow subsidiary undertaking	698,026	7,709
Trade creditors	154,534	269,483
Other creditors	16,843	-
Accruals	85,517	13,407
Other taxation and social security	17,230	19,552
Corporation tax	-	-
Amount owed to connected company	101,858	57,456
	<u>1,074,008</u>	<u>367,607</u>

SHARE CAPITAL

	1998 No.	Authorised 1997 No.	1998 £	Allotted, called up and fully paid 1997 £
Ordinary shares of £1 each	500,000	500,000	100,000	100,000

RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1997	100,000	116,120	216,120
Profit for the year		57,670	57,670
At 31 December 1997	<u>100,000</u>	<u>173,790</u>	<u>273,790</u>
Loss for the year		(222,084)	(222,084)
At 31 December 1998	<u>100,000</u>	<u>(48,294)</u>	<u>51,706</u>

PENSION CONTRIBUTIONS

The company contributes to a money purchase scheme for one of its directors and other employees.

LEGO Lifestyle International Limited
(formerly LEGOLAND Park Design Limited)

NOTES TO THE ACCOUNTS
at 31 December 1998

OPERATING LEASE COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>	
	<i>1998</i>	<i>1997</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
In over five years	59,000	59,000

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 LEGO Lifestyle International Limited (formerly LEGOLAND Park Design Limited) have been consolidated. The ultimate parent undertaking of the largest group into which the company's accounts are consolidated is LEGO A/S, a company incorporated in Denmark. Copies of the accounts of LEGO A/S are available from Erhvervs og Selskabsstyrelsen, Kampmannsgade 1, DK-1780 Copenhagen V, Denmark.

RELATED PARTY TRANSACTIONS

The company has a royalty contract with Kirkbi A/S under which £57,456 was paid during the year and £101,858 was accrued and outstanding at 31 December 1998 (1997 - £57,456).