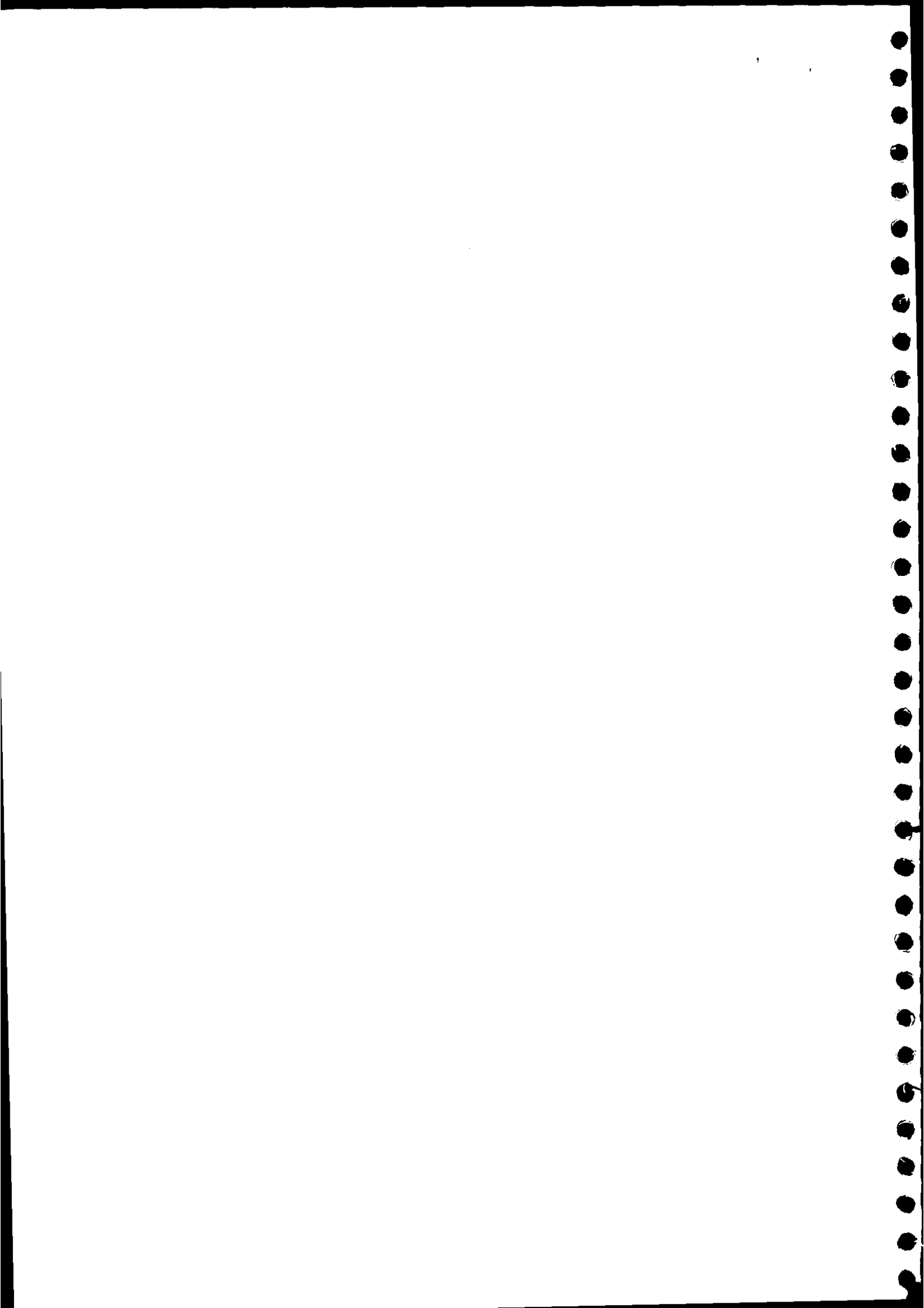


Magical Cruise Company, Limited

(Registered Number 3157553)

**Directors' Report and Financial
Statements
Year Ended 30 September 2004**





Magical Cruise Company, Limited

Directors' Report For The Year Ended 30 September 2004

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2004.

Review of activities and future developments

The Company's principal activity is the operation of two luxury cruise vessels. The directors are satisfied with the performance of the Company and look forward to the future with optimism.

It is considered that the company's activities will remain unchanged for the foreseeable future.

Results and dividends

The Company's profit for the financial year is \$32,298,000 (2003: \$21,288,000). The directors do not recommend the payment of a dividend (2003: \$Nil).

Directors

The directors who held office during the year, and up to the date of approval of the accounts, are given below:

B Ellis	
J Heaney	
K Holz	(appointed 20 November 2003, resigned 5 October 2004)
M Ouimet	(resigned 20 November 2003)
C Rose	
SR Salter	
J Smith	
S Warrener	(resigned 5 November 2004)
A Weiss	
P Wiley	
N Cook	(appointed 5 November 2004)
T McAlpine	(appointed 5 October 2004)

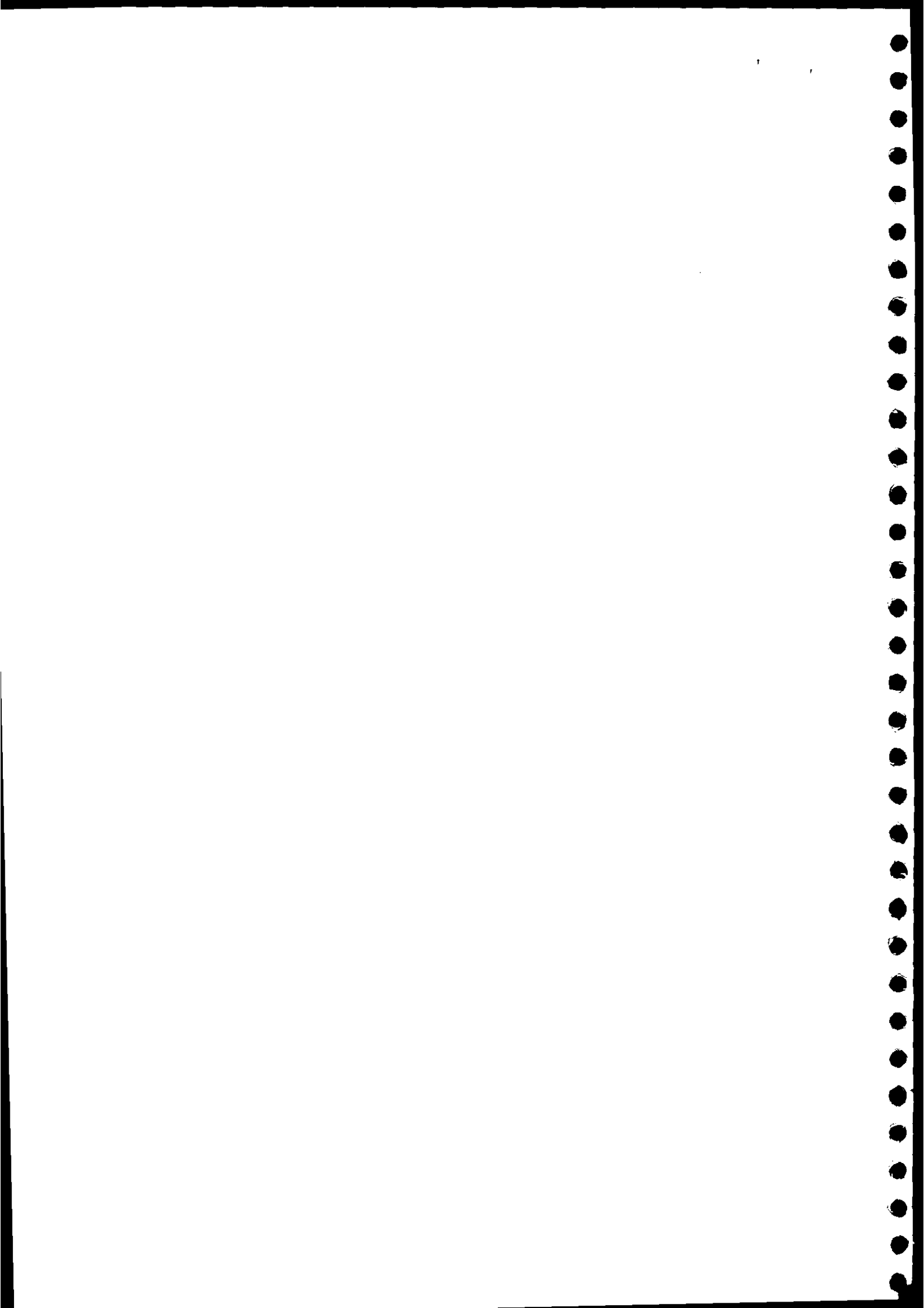
None of the directors have an interest in the shares of the Company or any other body corporate in the same group.

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 is 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.



Magical Cruise Company, Limited

Directors' Report For The Year Ended 30 September 2004 (Continued)

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Statement of directors' responsibilities

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

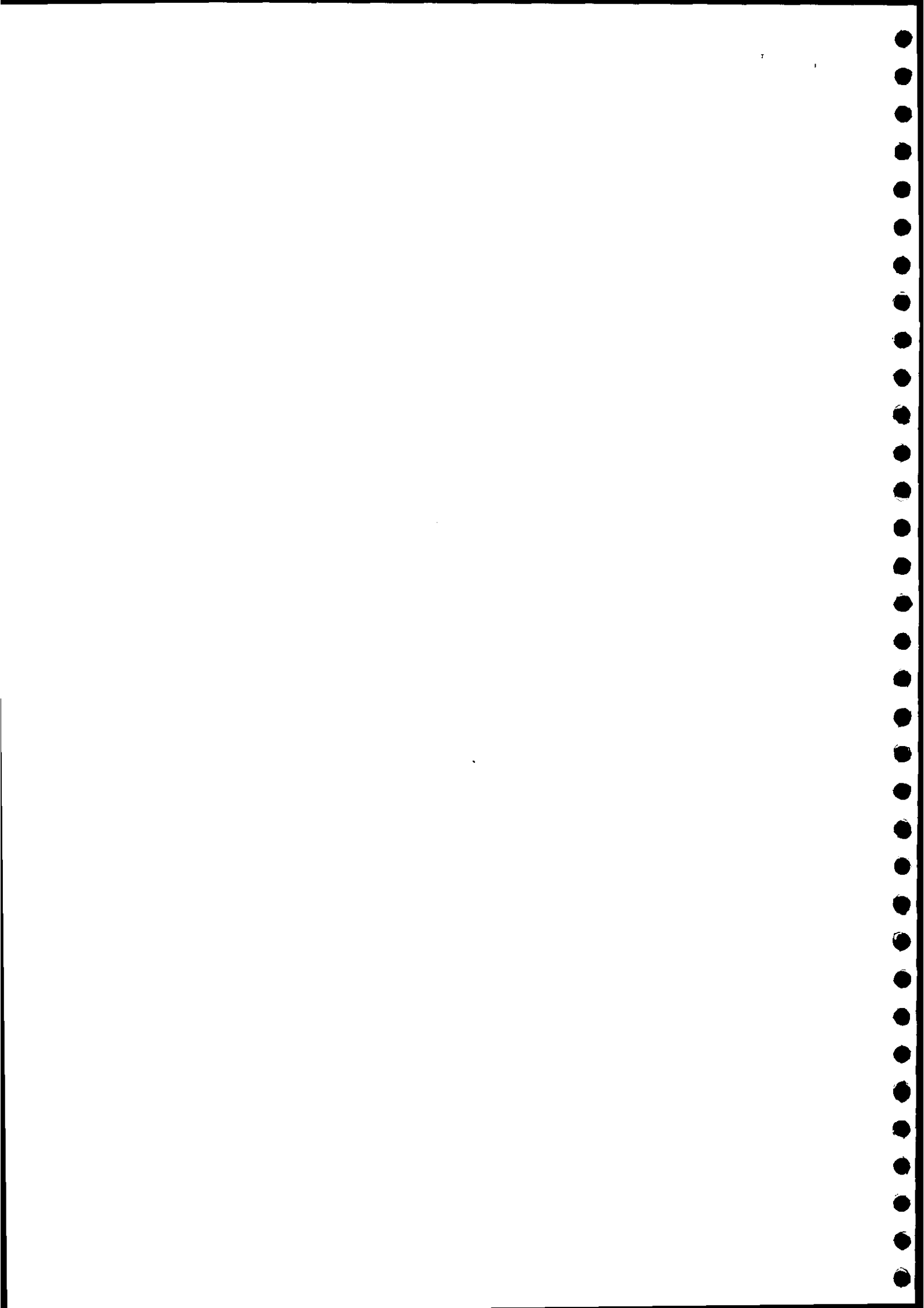
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2004 and that applicable accounting standards have been followed.

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

By Order of the Board on 23 September 2005



Director



Independent Auditors' Report To The Members Of Magical Cruise Company, Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We 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.

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 judgments 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.

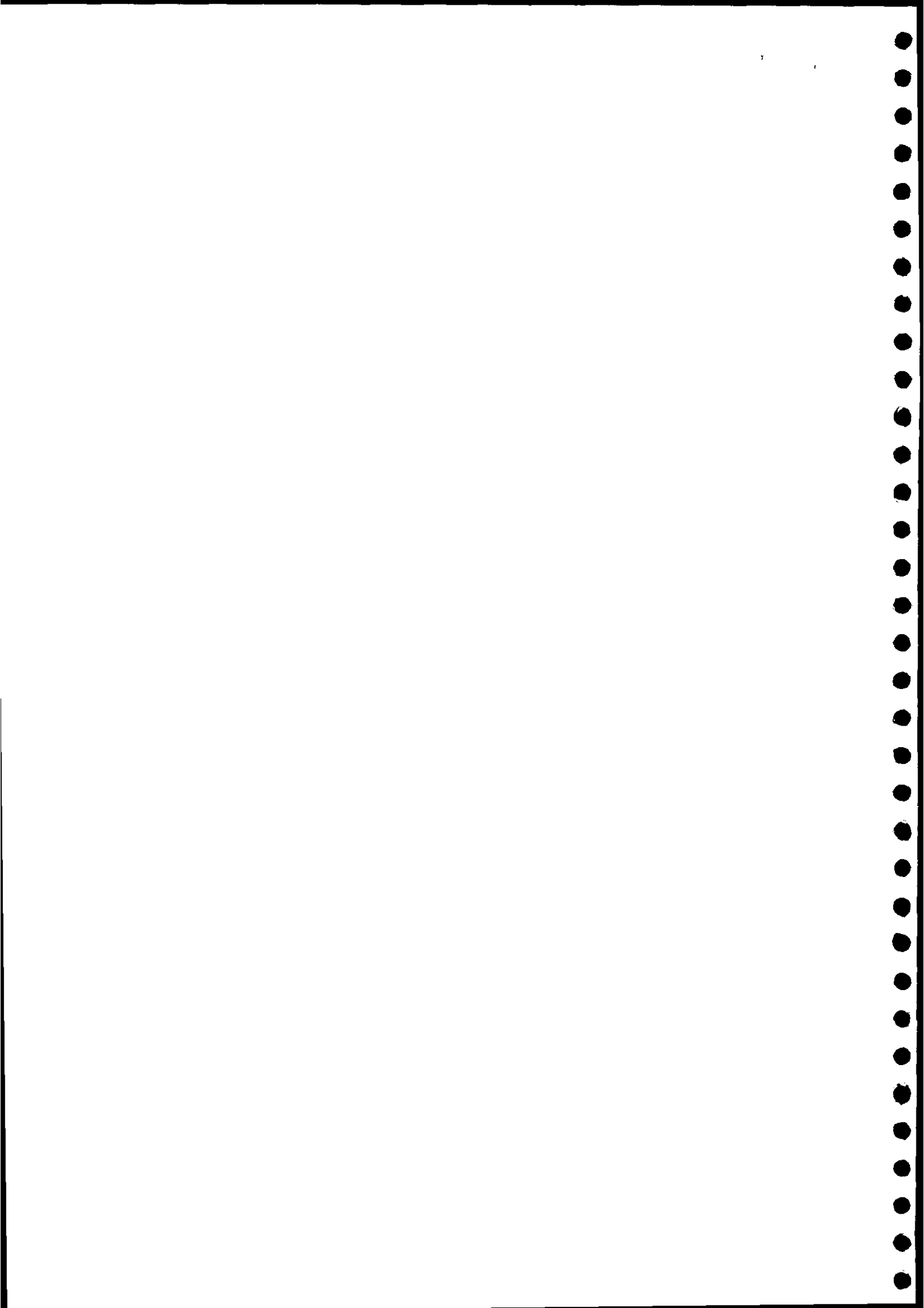
Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

23 September 2005

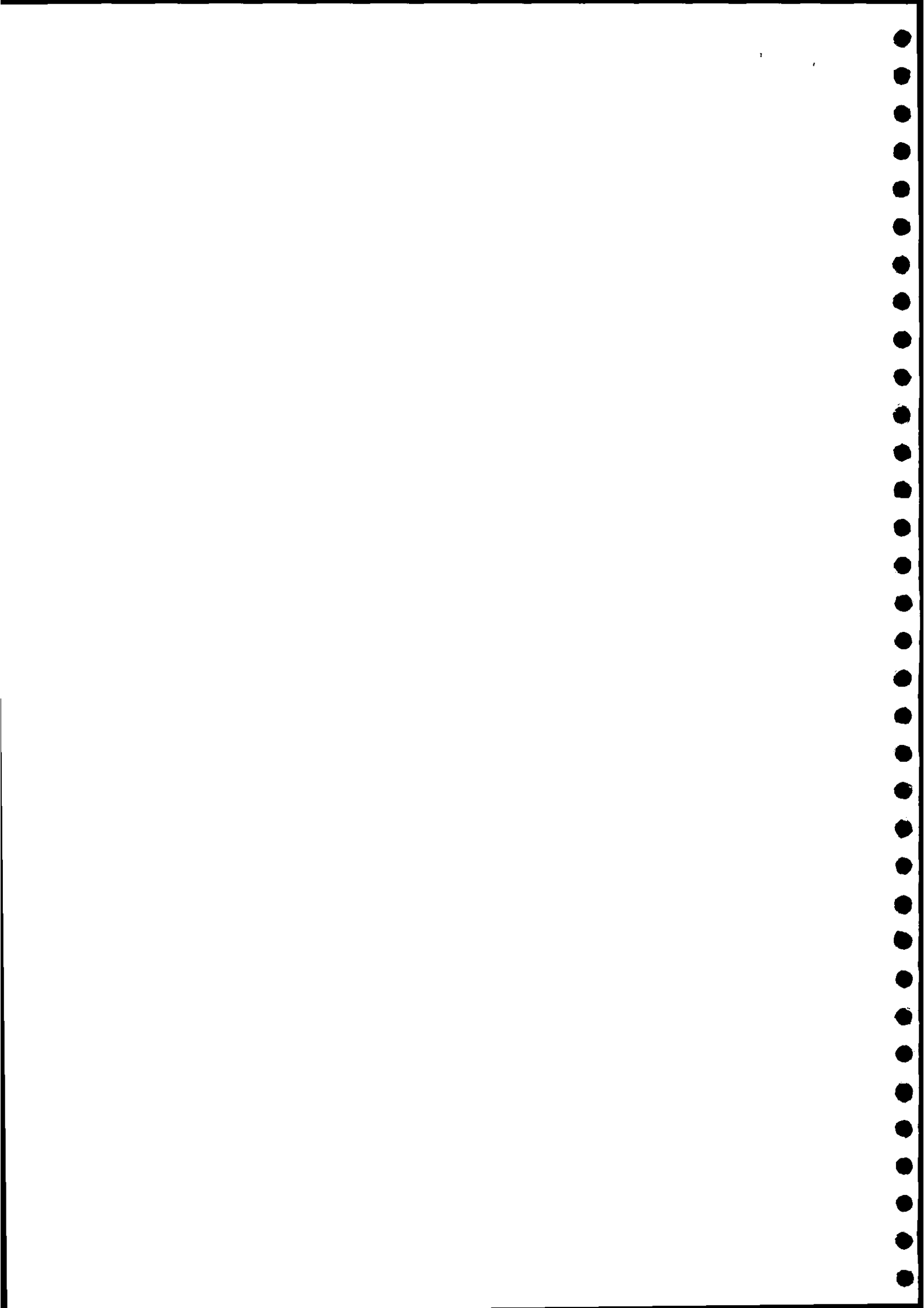


Profit And Loss Account For The Year Ended 30 September 2004

	<i>Note</i>	2004 \$'000	2003 \$'000
Turnover – continuing operations	2	413,640	379,561
Cost of sales		<u>(274,653)</u>	<u>(252,011)</u>
Gross profit		138,987	127,550
Distribution expenses – selling and other		(81,304)	(75,333)
Administrative expenses		<u>(23,592)</u>	<u>(22,175)</u>
Operating profit – continuing operations	3	34,091	30,042
Profit on ordinary activities before taxation		34,091	30,042
Tax on profit on ordinary activities	4	(1,793)	(8,754)
Retained profit for the financial year		32,298	21,288

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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



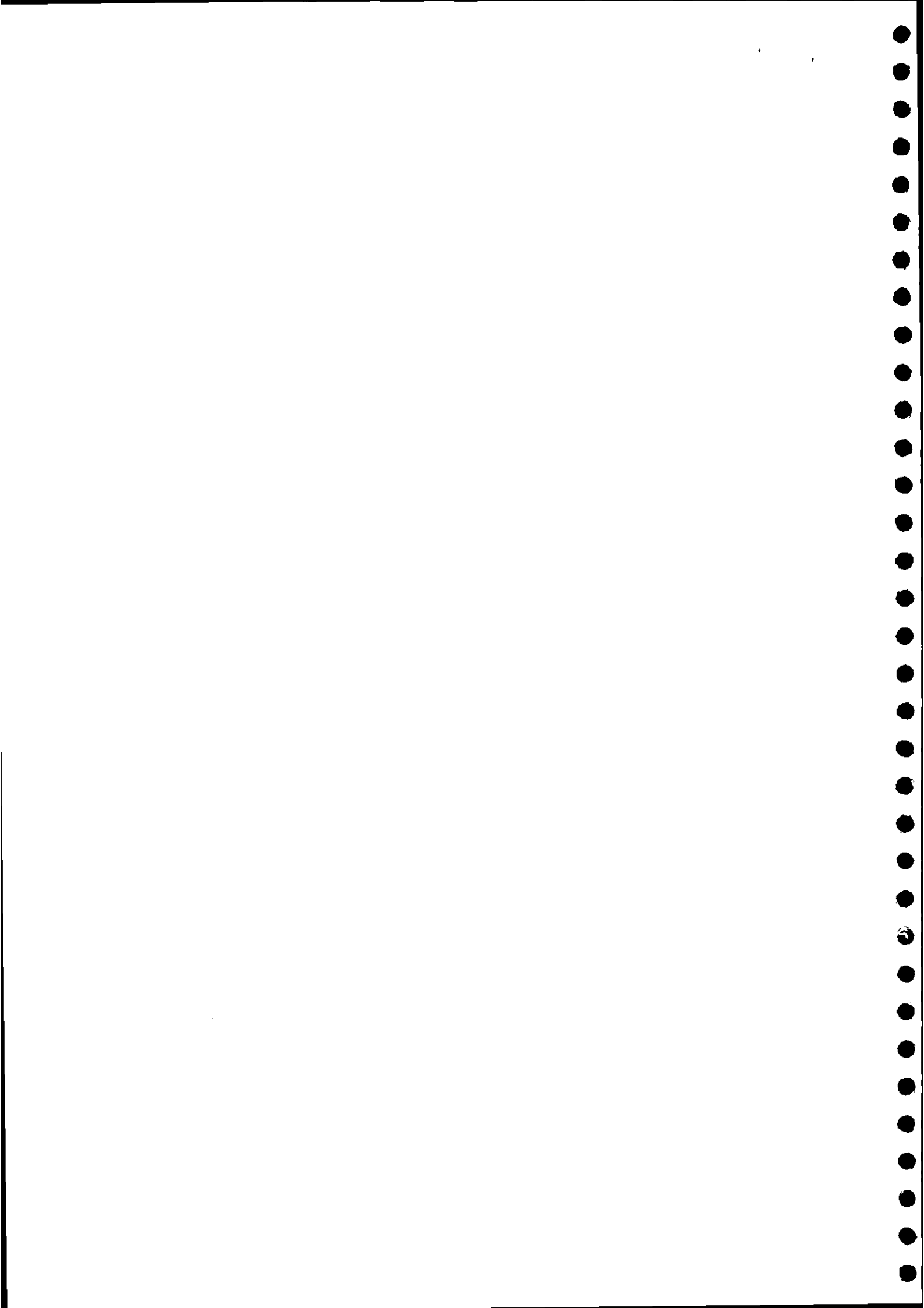
Balance sheet as at 30 September 2004

		2004	2003
	Note	\$'000	\$'000
Fixed assets			
<i>Tangible assets</i>	5	26,412	17,465
Current assets			
Stock	6	2,307	1,803
Debtors	7	1,399,977	1,121,882
Cash at bank and in hand		4,496	3,675
		1,406,780	1,127,360
Creditors – amounts falling due within one year	8	(1,446,491)	(1,190,990)
Net current liabilities		(39,711)	(63,630)
Total assets less current liabilities		(13,299)	(46,165)
Provision for liabilities and charges	9	(568)	-
Net Liabilities		(13,867)	(46,165)
Capital and reserves			
Called up share capital	10	-	-
Share premium account	11	1,063	1,063
Profit and loss account	11	(14,930)	(47,228)
Total shareholders' deficit	12	(13,867)	(46,165)

The financial statements on pages 4 to 15 were approved by the Board of Directors on 23 September 2005 and were signed on its behalf by:



Director



Notes To The Financial Statements For The Year Ended 30 September 2004

1 Accounting policies

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

a) Reporting currency and presentation

The Financial Statements are presented in US dollars as that is the currency in which the Company generates its net cash flows.

b) Turnover

Revenue related to the provision of cruise berths is recognised using the accruals method. All other revenue, including the sale of merchandise, beverage, amenities, and recreational activities provided during the cruises as well as other operating income, is recognised when the good is delivered or service is provided.

c) Fixed assets and depreciation

Fixed assets are stated at cost. When brought into service, tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic life or the life of the lease, whichever is shorter. The useful economic life of the assets are estimated to be as follows:

Stage show and other on-board entertainment and programming costs	5 years
Furniture, fixtures, leasehold improvements and equipment	3 to 13 years

d) Drydock costs

Drydock costs are broken into two categories:

Overhaul Costs – costs which are typically more repair and maintenance in nature and do not generally add economic value to the vessel. These costs are expensed as incurred;

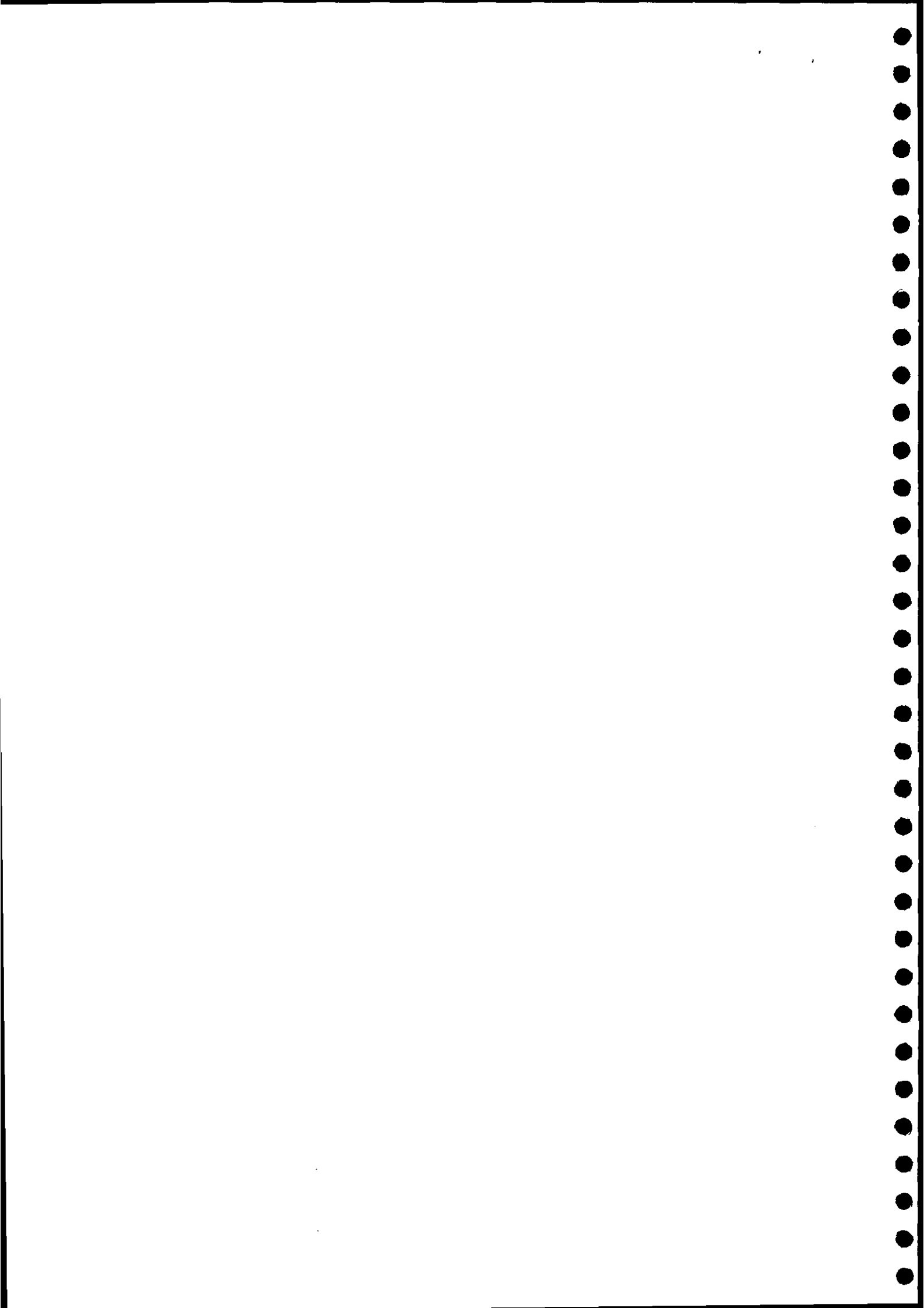
Additions/Improvements – costs are typical capital costs and add economic value to the vessel. When these assets can be identified and quantified separately, they are depreciated over the shorter of the normal useful life of the asset or the length of the vessel lease.

e) Stock

Stock is stated at the lower of cost or market value.

f) Pension Costs

Contributions are made on behalf of the Company by the parent undertaking to a defined contribution 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 contributions for the group as a whole.



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

1 Accounting policies (Continued)

g) Cruise deposits

Cruise deposits are recorded upon receipt by the Company's agents.

h) Operating leases

Rental costs under operating leases are charged to operating profit on a straight-line basis over the lease term.

i) Deferred taxation

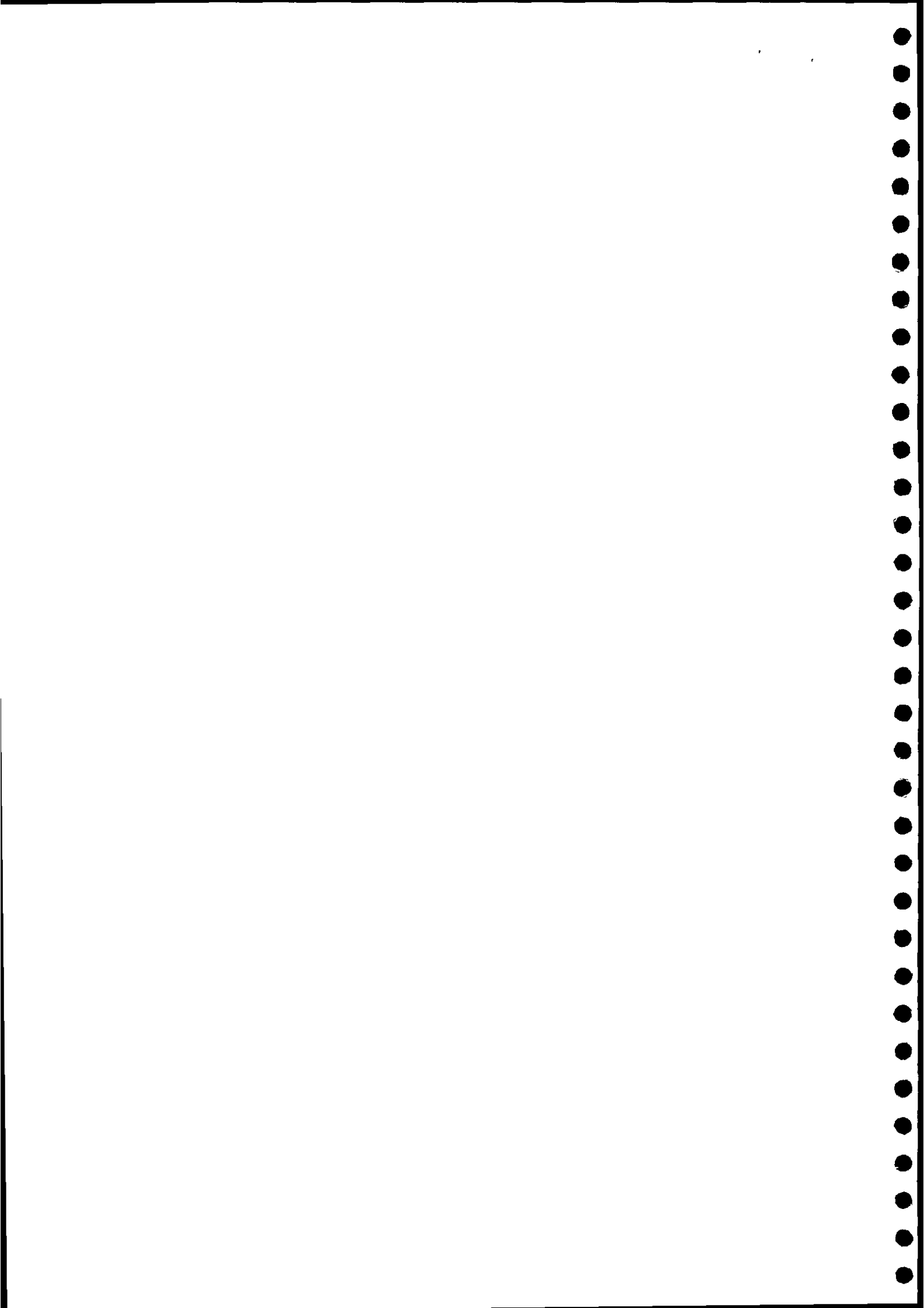
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

j) Cash flow statement

The Company is a wholly owned subsidiary of The Walt Disney Company, incorporated in the United States of America, and 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).



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

2 Turnover

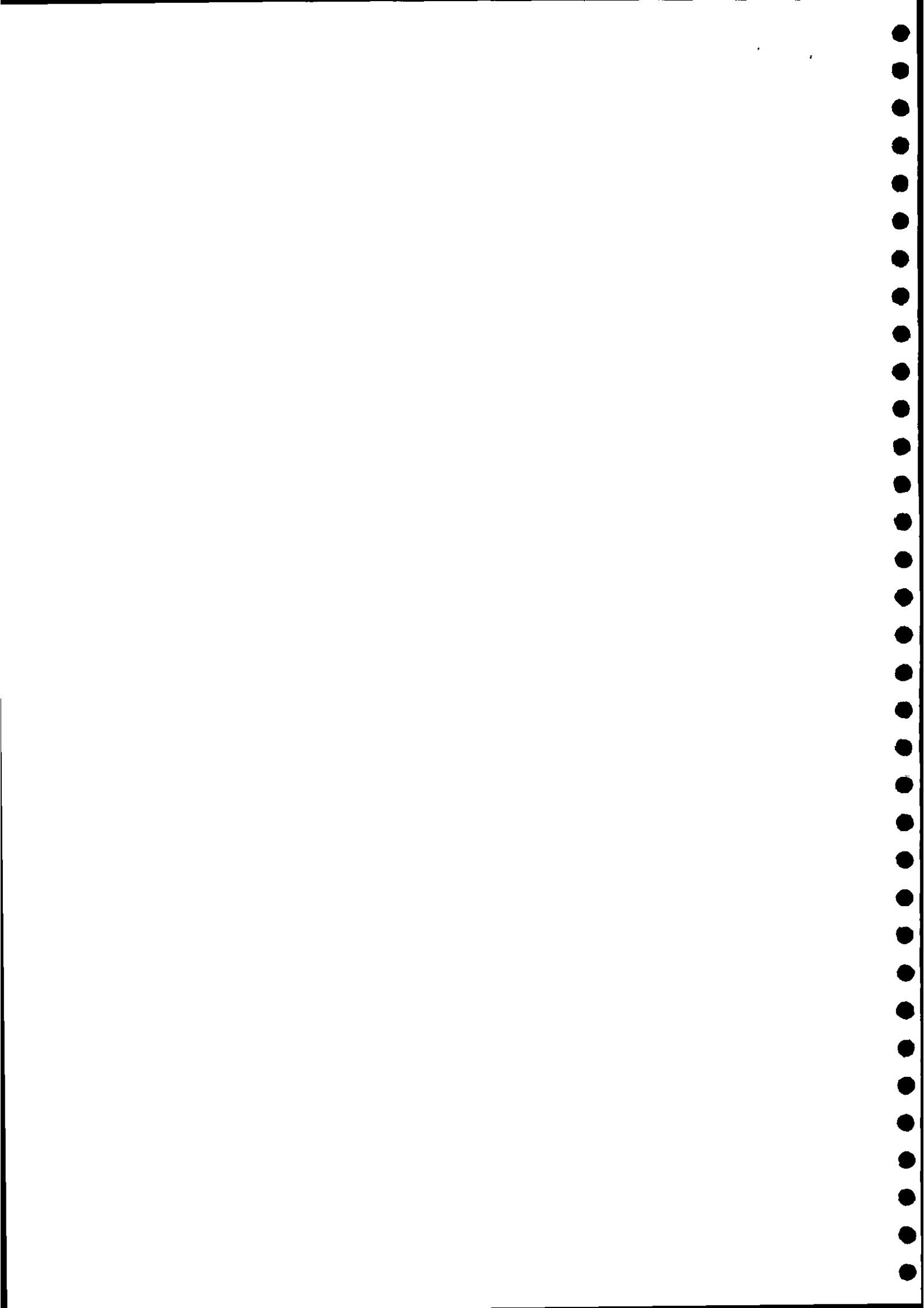
	2004 \$'000	2003 \$'000
Cruise revenue	404,066	371,073
Other revenue	9,574	8,488
Total	413,640	379,561

Cruise revenue consists of amounts earned for the provision of cruise berths as well as amounts earned from the sale of merchandise, beverage, amenities, and recreational activities provided during the cruises. Other revenue, all of which was earned from group undertakings, represents fees charged for the provision of labour and related costs, general accounting, human resources and other administrative services.

3 Operating profit

	2004 \$'000	2003 \$'000
Operating profit is stated after charging		
Wages and salaries	47,883	45,106
Social security costs	561	485
Other pension costs	1,254	418
Staff costs	49,698	46,009
Depreciation of tangible fixed assets	4,228	8,362
Operating lease charges – Cruise vessel	65,160	65,160
Auditors' remuneration		
Audit services	117	86
Non-audit services	-	-

The average number of persons employed by the Company during the year was 2,076 consisting of 1,965 shipboard personnel and 111 administrative personnel (2003: 1,938 shipboard personnel and 108 administrative personnel).



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

4 Tax on profit on ordinary activities

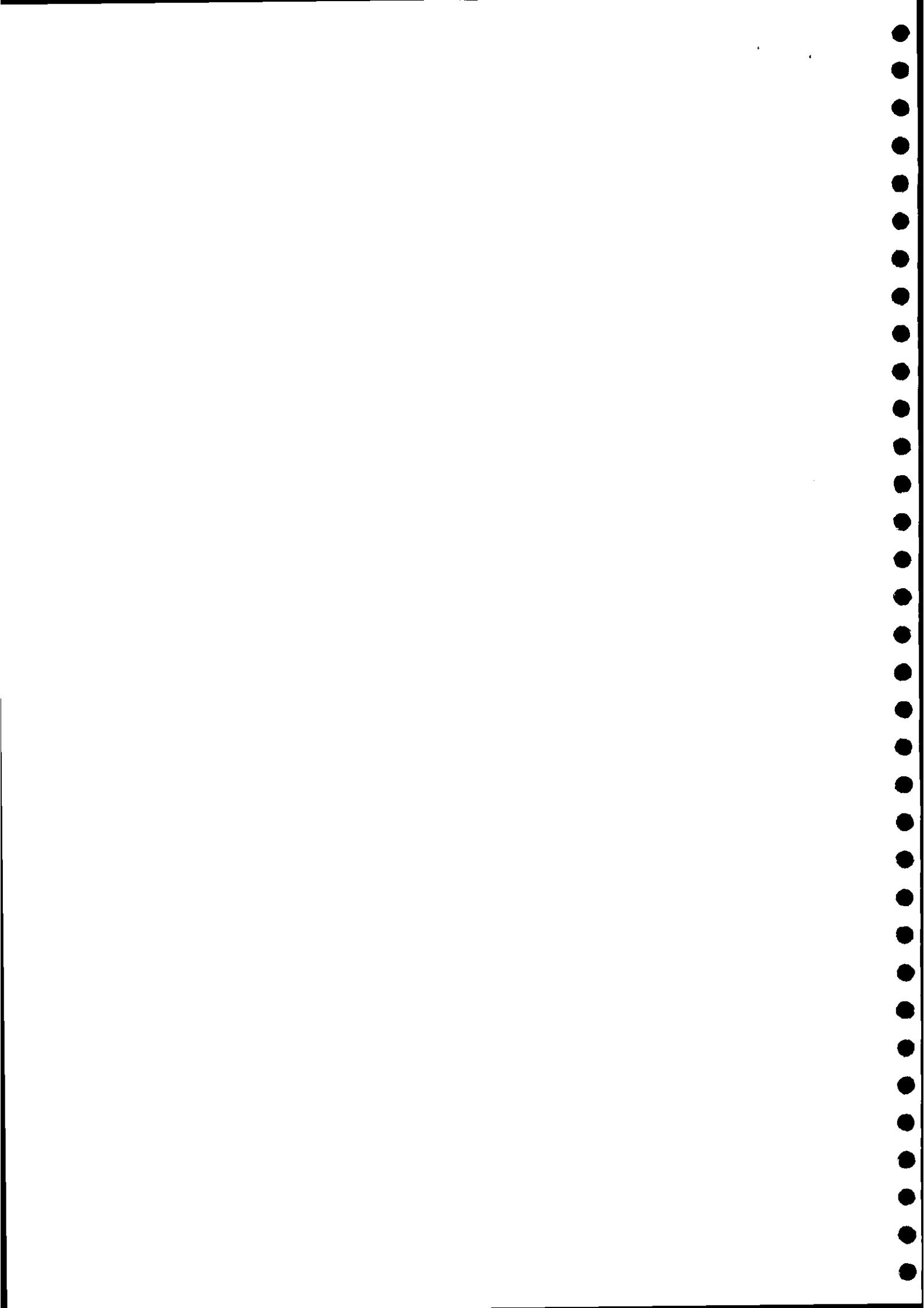
The charge for taxation is based upon the taxable profit for the year and comprises:

	2004 \$'000	2003 \$'000
Tax on profit on ordinary activities:		
Analysis of charge in period		
Current tax:		
UK corporation tax at 30% (2003: 30%)	9,080	9,672
Prior year over provision	(8,612)	(391)
Total current tax	468	9,281
Deferred tax:		
Origination and reversal of timing differences	1,091	(527)
Prior year under provision	234	-
Total deferred tax	1,325	(527)
Tax on profit on ordinary activities	1,793	8,754

(a) Factors affecting tax charge for the period:

The tax assessed for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 \$'000	2003 \$'000
Profit on ordinary activities before tax	34,091	30,042
Expected tax at 30%	10,227	9,013
Effects of:		
Expenses not deductible for tax purposes	36	15
Depreciation in excess of capital allowances	(1,183)	644
Adjustments relating to prior years	(8,612)	(391)
Current tax charge for period	468	9,281



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

5 Tangible fixed assets

	Assets under course of construction \$'000	Stage Shows & other on board entertainment & programming costs \$'000	Furniture, fixtures, leasehold improvements and equipment \$'000	Total \$'000
Cost				
At 30 September 2003	3,503	33,024	13,542	50,069
Additions	7,866	2,154	3,460	13,480
Transfers	(5,981)	1	5,980	-
Disposals	-	(3,303)	(296)	(3,599)
At 30 September 2004	5,388	31,876	22,686	59,950
Accumulated depreciation				
At 30 September 2003	-	(28,486)	(4,118)	(32,604)
Charge for the year	-	(2,856)	(1,372)	(4,228)
Disposals	-	3,271	23	3,294
At 30 September 2004	-	(28,071)	(5,467)	(33,538)
Net book amount at 30 September 2004	5,388	3,805	17,219	26,412
At 30 September 2003	3,503	4,538	9,424	17,465

6 Stock

	2004 \$'000	2003 \$'000
Food and beverage	1,034	639
Merchandise goods for resale	1,050	934
Consumables	223	230
Total	2,307	1,803

The replacement cost of stock does not materially differ from the cost.

Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

7 Debtors

	2004 \$'000	2003 \$'000
Trade debtors	3,127	2,804
Amounts owed by group undertakings	1,393,465	1,115,663
Deferred tax asset	-	757
Prepayments	3,385	2,658
Total	1,399,977	1,121,882

Amounts owed by group undertakings, representing called up share capital not paid and amounts due under management service agreements, are unsecured, interest free, and have no fixed date of repayment.

8 Creditors – amounts falling due within one year

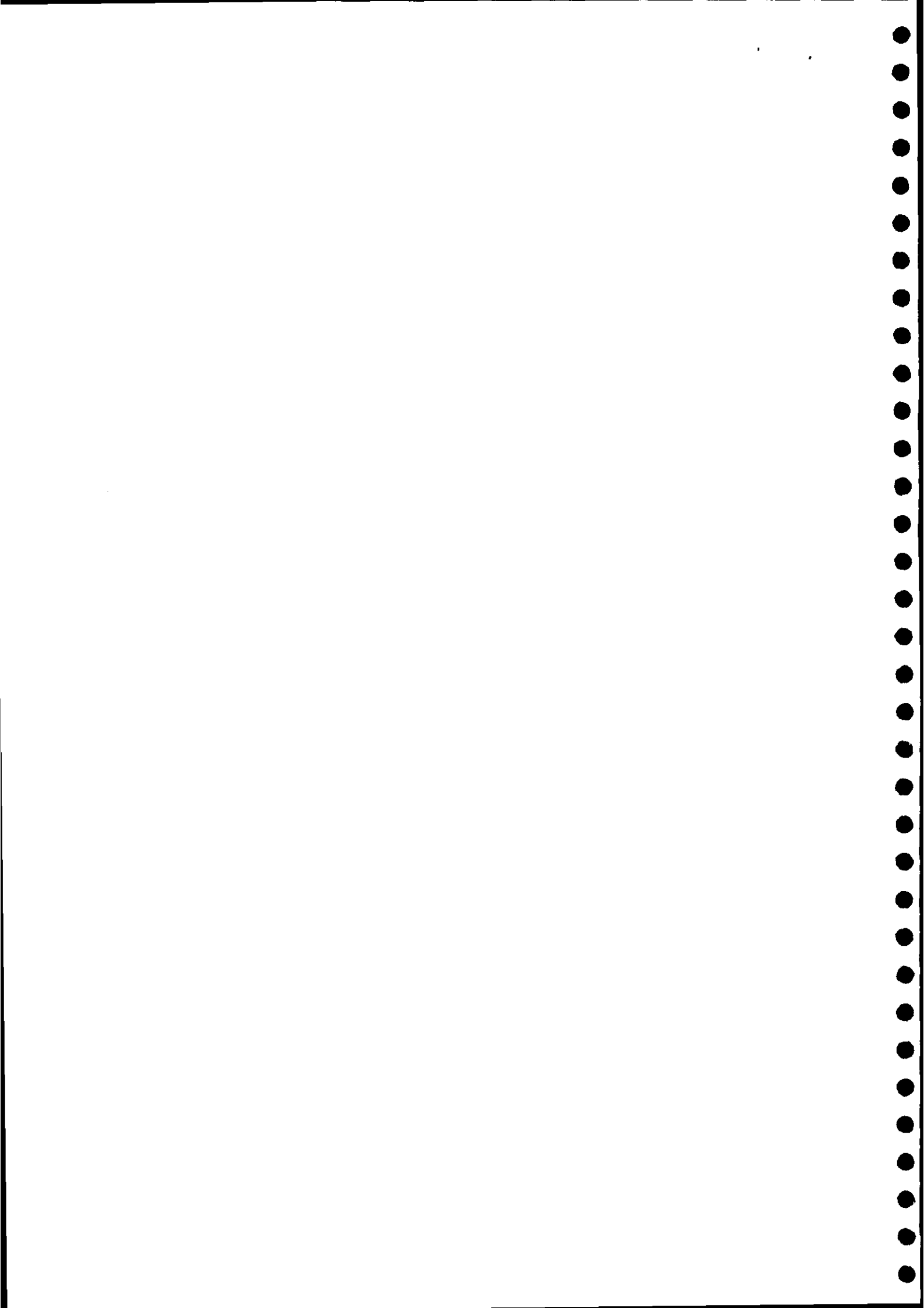
	2004 \$'000	2003 \$'000
Amounts due to group undertakings	1,333,839	1,092,799
Trade creditors	7,297	4,884
Taxation and social security	6,486	14,258
Deposits received on future cruises	97,773	76,647
Other accrued expenses	1,096	2,402
Total	1,446,491	1,190,990

The amounts owed to group undertakings are unsecured and bear no interest. The amounts have no set repayment date and, therefore, have been classified as due on demand.

9 Deferred taxation

The deferred tax (liability) / asset comprises the following amounts:

	2004 \$'000	2003 \$'000
Capital allowances	(568)	757
Undiscounted deferred tax (liability) / asset	(568)	757
Deferred tax asset at start of period	757	230
Deferred tax (debit) / credit in profit and loss account	(1,325)	527
Deferred tax (liability) / asset at end of period	(568)	757



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

10 Share capital

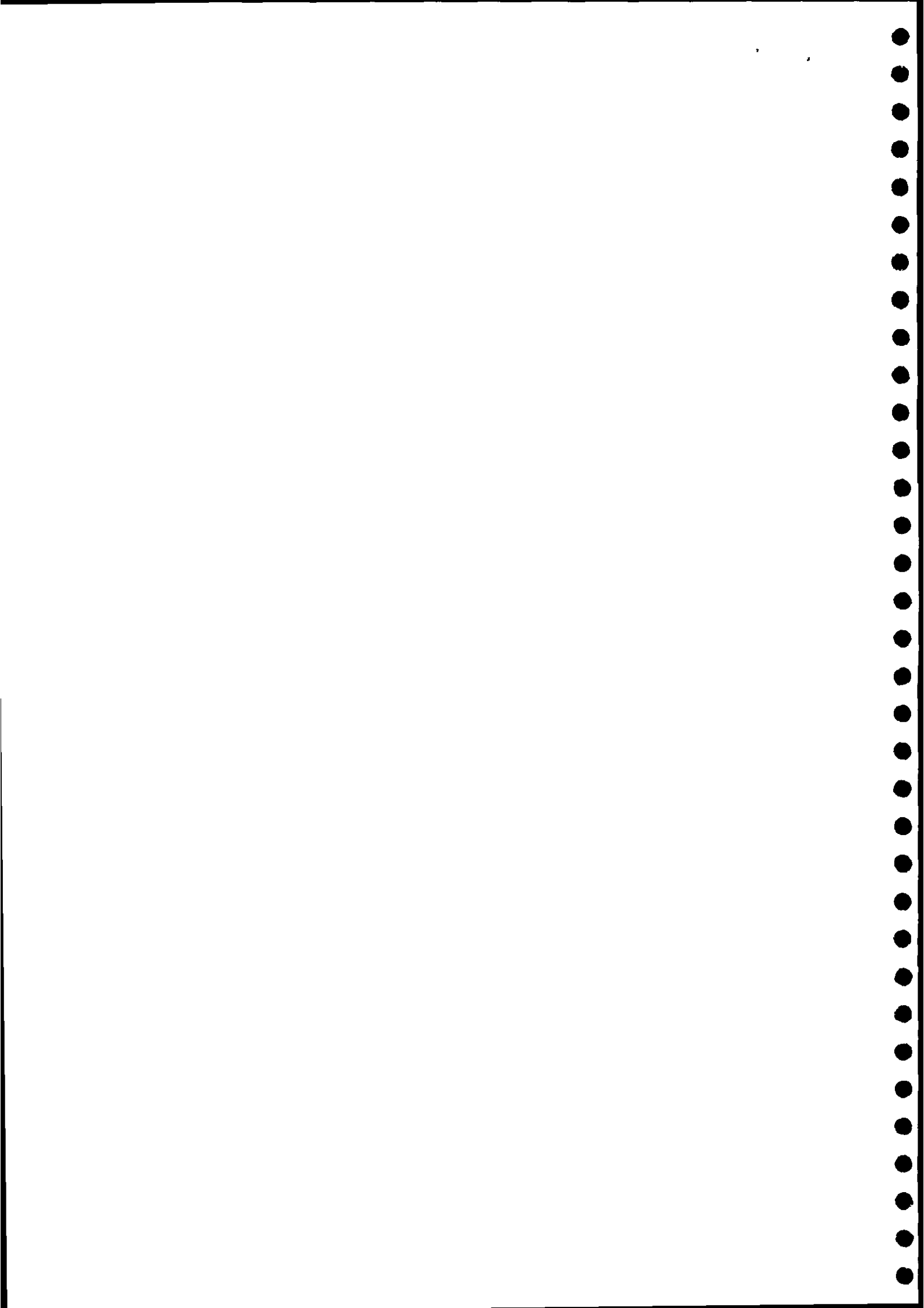
	2004	2003
	\$	\$
Authorised: 100 Ordinary shares of £1 each converted at an exchange rate of \$1.80 (2003: \$1.66)	<u>180</u>	<u>166</u>
Allotted and called up: 2 ordinary shares of £1 each (1 converted at an exchange rate of \$1.70 and 1 converted at \$1.54)	<u>3</u>	<u>3</u>

11 Reserves

	Share Premium account \$'000	Profit and Loss Account \$'000	Total Reserves \$'000
At 30 September 2003	1,063	(47,228)	(46,165)
Retained profit for the financial year	-	32,298	32,298
At 30 September 2004	<u>1,063</u>	<u>(14,930)</u>	<u>(13,867)</u>

12 Reconciliation of movements in shareholders' deficit

	\$'000
Profit for the year	32,298
Shareholders' deficit as at beginning of year	<u>(46,165)</u>
Shareholder's deficit as at 30 September 2004	<u>(13,867)</u>



Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

13 Operating lease commitments and other contractual obligations

The Company has entered into operating leases to operate two luxury cruise vessels for a fifteen-year period. Under the lease agreements, the Company makes semi-annual payments on each cruise vessel of \$18,050,000 and \$16,923,000 beginning one year after each respective cruise vessel becomes operational. The total lease payments due during the next year under the operating lease commitments, analysed by the date the commitments expire, are:

	2004 \$'000	2003 \$'000
Within one year	-	-
Between two and five years	-	-
After five years	69,946	69,946

The Company has contractual obligations for maintenance and other services of \$6,988,000 at 30 September 2004 (2003: \$8,926,000). The total payments due under maintenance contracts are \$6,563,000 in financial year 2005 and \$425,000 in financial year 2006.

14 Pension commitments

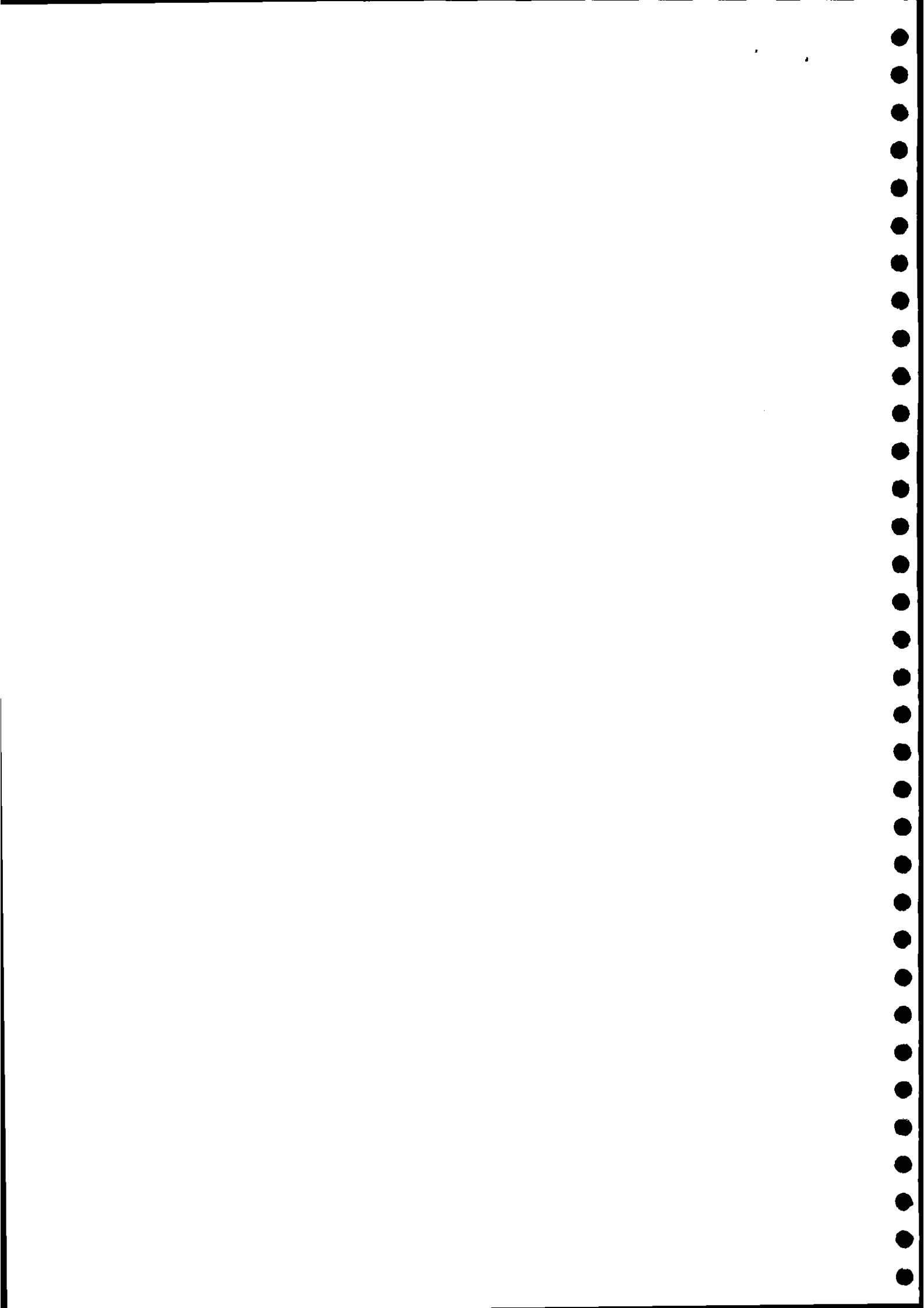
The shoreside employees of the Company participate in the Group defined benefit pension plan. The defined benefit pension plan is provided under the Walt Disney World Co. & Associated Companies' Retirement Plan and the Disney Salaried Retirement Plan. The cost of contributions to the group scheme are based on pension costs across the Group as a whole. Pension costs incurred by the Company for the year amounted to \$1,254,000 (2003: \$418,000).

Details of the Group defined benefit plan are given in the financial statements of The Walt Disney Company and Subsidiaries. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the company accounts for the contributions to the scheme as if it were a defined contribution scheme. Details of the more significant points of the scheme are discussed below.

The cost is assessed in accordance with the advice of Mellon Human Resources & Investor Solutions, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 1 July 2004 using the five-year weighted average method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 7.5% (2003: 7.5%) per annum, the rate of salary increase would be 4.0% (2003: 3.75%), and the discount rate 6.3% (2003: 5.85%).

At the date of the latest actuarial valuation at July 1, 2004, the market value of the assets of the scheme was \$1,475,000,000 (2003: \$1,164,000,000), and the actuarial value of the assets was sufficient to cover 83.5% (2003: 66.3%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The Company also operates a Group defined contribution plan. The defined contribution plan is provided under the Disney Salaried Savings and Investment Plan. The Plan calls for contributions being made by its members and the Company on a matching basis. Pension costs incurred by the Company for fiscal 2004 and 2003 were not material.



**Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)**

15 Directors' emoluments

	2004 \$'000	2003 \$'000
Aggregate emoluments	651	507

Highest paid director

	2004 \$'000	2003 \$'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	269	365
Defined benefit pension scheme:		
<i>Accrued pension</i>	250	248

Retirement benefits are accruing to three directors under the defined benefit scheme (2003: three). No directors (2003: none) exercised share options in the ultimate parent company during the year, and no directors (2003: none) received shares under long term incentive schemes.

16 Ultimate parent undertaking and financial support

Ultimate Parent

The ultimate parent, The Walt Disney Company, incorporated in the United States of America, has indicated its present intention to continue providing support to this entity.

Immediate Parent

The immediate parent is Walt Disney International Limited.

Parent undertaking

The largest and smallest group for which accounts are prepared and of which the Company is a member are as follows:

	<u>Largest</u>	<u>Smallest</u>
Name	The Walt Disney Company	Walt Disney International Limited
Country of incorporation	United States of America	England and Wales
Address from which copies of the group accounts can be obtained	500 South Buena Vista Street Burbank California 91521 USA	3 Queen Caroline Street Hammersmith London W6 9PE

Notes To The Financial Statements
For The Year Ended 30 September 2004 (Continued)

17 Related party transactions

As previously stated, the Company is a wholly owned subsidiary of The Walt Disney Company and utilises the exemption contained in FRS 8, Related Party Disclosures, not to disclose any transactions with entities that are included in the consolidated financial statements of The Walt Disney Company. The address at which the consolidated financial statements of the ultimate parent Company are publicly available is included in note 16.