Magical Cruise Company, Limited
(Registered Number 3157553)

Directors' Report and Financial Statements
Year Ended 27 September 2008

Magical Cruise Company, Limited

Directors' Report For The Year Ended 27 September 2008

The Directors present their report and the audited financial statements of the Magical Cruise Company, Limited ('the Company') for the 52 weeks to 27 September 2008.

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.

On 24 July 2008, Magical Cruise Company ('MCC') entered into an asset purchase agreement with Disney Cruise Vacations ('DCV') to purchase all assets of DCV with the exception of cash and cash equivalents, accounts and notes receivables, intercompany receivables, and other receivables for the sum of $818,000. DCV was in the business of soliciting and securing reservations for MCC. DCV and MCC are indirect, wholly-owned subsidiaries of The Walt Disney Company.

MCC also paid DCV additional amounts outside of the asset purchase agreement that included the termination of the booking contract between MCC and DCV. These payments were $7.5m in administrative expenses for 2008 and 2009 lost revenues, and $1m for certain recruiting costs related to retaining employees.

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 $6,335,000 (2007: $25,099,000). The Directors do not recommend the payment of a dividend (2007: $Nil).

Principal risks and uncertainties and Future outlook

From the perspective of the Company, its principal risks and uncertainties and future outlook are integrated with those of the group and are not managed separately. Accordingly, The Walt Disney Company's annual report should be referred to in order to gain a more detailed understanding of business performance and related risks and uncertainties.

Key performance indicators ("KPI's")

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Directors

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

J Heaney	
C Rose	
J Smith	(resigned 16 May 2008)
A Weiss	(resigned 2 September 2008)
P Wiley	(resigned 16 May 2008)
N Cook	
T McAlpin	(resigned 4 March 2009)
J James	
B. Swets	(appointed 16 May 2008)
T. Wolber	(appointed 16 May 2008)

None of the directors have a beneficial interest in the shares of the Company.

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.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Provision of Information to Auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Magical Cruise Company, Limited

Directors' Report For The Year Ended 27 September 2008 (continued)

Auditors

An elective resolution has been passed to dispense with the obligation to annually reappoint the auditors, and therefore PricewaterhouseCoopers LLP are deemed to be reappointed for the next financial year.

By Order of the Board on 30 July 2009

Nigel Cook
Director

Magical Cruise Company, Limited

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

We have audited the financial statements of Magical Cruise Company, Limited ('the Company') for the year ended 27 September 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 into 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Magical Cruise Company, Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 27 September 2008 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
30 July 2009

Magical Cruise Company, Limited

Profit And Loss Account For The Year Ended 27 September 2008

	Note	2008 $'000	2007 $'000
Turnover – continuing operations	2	**471,898**	**441,122**
Cost of sales		(344,121)	(301,207)
Gross profit		**127,777**	**139,915**
Distribution costs		(76,325)	(78,676)
Administrative expenses		(43,166)	(24,455)
Operating profit – continuing operations	3	**8,286**	**36,784**
Profit on ordinary activities before taxation		**8,286**	**36,784**
Tax on profit on ordinary activities	4	(1,951)	(11,685)
Retained profit for the financial year		**6,335**	**25,099**

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.

The results shown above are derived from continuing operations.

The notes on pages 8 to 17 form part of these accounts.

Magical Cruise Company, Limited

Balance Sheet as at 27 September 2008

	Note	2008 $'000	2007 $'000
Fixed assets			
Tangible assets	5	61,023	49,786
Current assets			
Stock	6	4,345	3,324
Debtors	7	224,702	218,393
Cash at bank and in hand		7,714	4,696
		236,761	226,413
Creditors – amounts falling due within one year	8	(227,497)	(210,092)
Net current assets		9,264	16,321
Total assets less current liabilities		70,287	66,107
Deferred taxation liability	9	-	(2,155)
Net assets		70,287	63,952
Capital and reserves			
Called up share capital	10	-	-
Share premium account	11	1,063	1,063
Profit and loss account	11	69,224	62,889
Total shareholders' funds	12	70,287	63,952

The financial statements on pages 5 to 17 were approved by the Board of Directors on 30 July 2009and were signed on its behalf by:

Director

The notes on pages 8 to 17 form part of these accounts.

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) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 1985 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 27 September 2008 has been adopted for the current year.

The financial year represents the 52 weeks ended Saturday 27 September 2008 (prior year the 52 weeks ended 29 September 2007.)

b) 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. The USD: GBP exchange rate at year end was $1.84 (2007: $2.03).

c) 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 goods are delivered or service is provided.

d) 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 & programming costs	3 to 5 years
Furniture, fixtures, leasehold improvements and equipment	2 to 15 years
Assets under the course of construction	Depreciation commences when assets are placed in service

e) 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.

f) Stock

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

1 Accounting policies (Continued)

g) Pension Costs

Contributions are made on behalf of the Company by the parent undertaking to a defined benefit 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.

h) Cruise deposits

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

i) Operating leases

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

j) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

The Company entered the UK tonnage tax regime on 29 June 2008. In 2007 and the period prior to 29 June 2008 the company did not qualify for the UK tonnage tax regime. Accordingly, profits arising prior to 29 June 2008 have been taxed under UK corporation tax rules.

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.

k) 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).

l) Change of accounting policies

The Company adopted FRS 26 "Financial Instruments: Recognition & Measurement" and FRS 29 "Financial Instruments: Disclosures" in the 2008 financial statements. The adoption of the standards represents a change in accounting policy which has had no impact on the prior year.

2 Turnover

	2008 $'000	2007 $'000
Cruise revenue	460,142	430,713
Other revenue	11,756	10,409
Total	471,898	441,122

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

	2008 $'000	2007 $'000
Operating profit is stated after charging		
Wages and salaries	58,213	50,654
Social security costs	557	519
Other pension costs	1,037	1,563
Staff costs	59,807	52,736
Depreciation of tangible fixed assets	12,557	13,591
Operating lease charges – other	65,160	65,160
Auditors' remuneration		
Fees payable to Company auditor and its associates		
Audit services	86	159

The average number of persons employed by the Company during the year was 2,512 consisting of 1,982 shipboard personnel and 530 administrative personnel (2007: 1,954 shipboard personnel and 88 administrative personnel).

4 Tax on profit on ordinary activities

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

	2008 $'000	2007 $'000
Tax on profit on ordinary activities:		
Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	6,385	11,903
Tonnage Tax	14	-
Prior year over provision	(2,293)	605
Total current tax	4,106	12,508
Deferred tax:		
Origination and reversal of timing differences		
Current year	(2,308)	(823)
Prior year	153	-
Total deferred tax	(2,155)	(823)
Tax on profit on ordinary activities	1,951	11,685

(a) Factors affecting tax charge for the period:

The tax assessed for the period is lower (2007: higher) than the standard rate of corporation tax in the UK (2008: 29%, 2007: 30%). The differences are explained below:

	2008 $'000	2007 $'000
Profit on ordinary activities before tax	8,286	36,784
Expected tax at 29% (2007: 30%)	2,403	11,035
Effects of:		
Expenses not deductible for tax purposes	326	15
Depreciation in excess of capital allowances	545	52
Adjustments relating to prior years	(2,293)	605
Income not taxable under tonnage tax regime	305	-
Losses not deductible under UK corporation tax	2,806	-
Tonnage Tax	14	-
Other permanent differences	-	801
Current tax charge for period	4,106	12,508

Magical Cruise Company, Limited
Notes To The Accounts For The Year Ended 27 September 2008 (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 29 September 2007	498	38,614	73,565	112,677
Additions	22,864	-	698	23,562
Transfers	(19,218)	3,305	15,913	-
Disposals	2	(1,444)	(3,699)	(5,141)
At 27 September 2008	4,146	40,475	86,477	131,098
Accumulated depreciation				
At 29 September 2007	-	33,131	29,760	62,891
Charge for the year	-	2,611	9,946	12,557
Disposals	-	(1.334)	(4,039)	(5,373)
At 27 September 2008	-	34,408	35,667	70,075
Net book amount				
At 27 September 2008	4,146	6,067	50,810	61,023
At 29 September 2007	498	5,483	43,805	49,786

6 Stock

	2008 $'000	2007 $'000
Food and beverage	1,450	1,221
Merchandise goods for resale	1,395	1,645
Consumables	1,500	458
Total	4,345	3,324

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

7 Debtors

	2008 $'000	2007 $'000
Trade debtors	1,167	1,457
Amounts owed by group undertakings	219,305	213,142
Prepayments	4,230	3,794
Total	224,702	218,393

Amounts owed by group undertakings, a portion 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

	2008 $'000	2007 $'000
Amounts due to group undertakings	72,199	69,708
Trade creditors	17,424	7,496
Taxation and social security	11,377	9,663
Deposits received on future cruises	120,777	120,716
Other accrued expenses	5,720	2,509
Total	227,497	210,092

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 provision relates to deferred tax. The deferred tax liability comprises the following amounts:

	2008 $'000	2007 $'000
Capital allowances	-	2,155
Undiscounted deferred tax liability	-	2,155
Deferred tax liability at start of period	2,155	2,978
Deferred tax (credit)/ debit in profit and loss account	(2,155)	(823)
Deferred tax liability at end of period	-	2,155

10 Share capital

	2008 $	2007 $
Authorised: 100 Ordinary shares of £1 each converted at an exchange rate of $1.84 (2006: $2.03)	184	203
Allotted, called up and not paid: 2 ordinary shares of £1 each (1 converted at an exchange rate of $1.70 and 1 converted at $1.54)	3	3

11 Reserves

	Share Premium Account $'000	Profit and Loss Account $'000	Total Reserves $'000
At 29 September 2007	1,063	62,889	63,952
Retained profit for the financial year	-	6,335	6,335
At 27 September 2008	1,063	69,224	70,287

12 Reconciliation of movements in shareholders' funds

	$'000
Profit for the year	6,335
Shareholders' funds as at beginning of year	63,952
Shareholder's funds as at 27 September 2008	70,287

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:

	2008 $'000	2007 $'000
Within one year	-	-
Between two and five years	69,946	-
After five years	-	69,946

The Company has contractual obligations for maintenance and other services of $2,538,560 at 27 September 2008 (2007: $10,500,000).

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 is based on pension costs across the Group as a whole. Pension costs incurred by the Company for the year amounted to $1,037,000 (2007 $1,563,000).

The Plan is a multi-employer, group defined benefit scheme. Although the scheme is a defined benefit arrangement, it is a multi-employer scheme for which it has not been possible to identify the underlying assets and liabilities attributable to each participating company and therefore has been accounted for as a defined contribution scheme. It has not been possible to identify the underlying assets and liabilities attributable to each participating company. Therefore, the pension cost recognised in the profit and loss account for this scheme represents contributions payable by the Company to the scheme for the year."

Details of the Group defined benefit plan are given in the financial statements of The Walt Disney Company and Subsidiaries. Details of the more significant points of the scheme are discussed below.

The cost is assessed in accordance with the advice of Mercer Human Resources & Investor Solutions, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 30 June 2008 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% (2007: 7.5%) per annum, the rate of salary increase would be 4% (2007: 4%), and the discount rate 7.0% (2007: 6.35%).

At the date of the latest actuarial valuation at 30 June 2008, the market value of the assets of the scheme was $2,921.6 million (2006: $3,057.5 million), and the actuarial value of the assets was sufficient to cover 100.2% (2007: 106.4%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The Company also participates in 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 2008 and 2007 were not material.

15 Directors' emoluments

	2008 $'000	2007 $'000
Aggregate emoluments	1,211	1,112
Company contributions paid to pension schemes	68	1

Highest paid director

	2008 $'000	2007 $'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	468	446

Retirement benefits are accruing to 10 Directors (2007: 9) under a defined benefit scheme in respect of their qualifying services. 10 Directors exercised share options in the ultimate parent Company in the period (2007: 9) and 10 Directors received shares under long term incentive schemes (2007: 1).

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:

Name	The Walt Disney Company Limited
Country of incorporation	United States of America
Address from which copies of the group accounts can be obtained	500 South Buena Vista Street Burbank California 91521 USA

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.