

**Magical Cruise Company Limited**  
(Registered Number 3157553)

**Directors' Report and Financial Statements**  
**For The Year Ended 27 September 2014**

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# **Magical Cruise Company Limited**

## **Directors' Report and Financial Statements For The Year Ended 27 September 2014**

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## **Magical Cruise Company Limited**

### **Strategic Report For The Year Ended 27 September 2014**

The directors present their strategic report of Magical Cruise Company Limited (the 'Company') for the year ended 27 September 2014 (prior year was for 52 weeks ended 28 September 2013).

#### **Review of activities and future developments**

The Company's principal activity is the operation of luxury cruise vessels. The Directors consider the results for the year and the financial condition of the Company at the end of the year to be satisfactory and look forward to the future with optimism.

On 31 July 2014 the Company purchased the shares in The Walt Disney Company Africa (Proprietary) Limited for \$17,200,000. The company's main business is the exploitation of intellectual property rights of The Walt Disney Company in Southern Africa region.

On 7 August 2014 the Company acquired DCL Island Development Limited for \$338,100,000. The company privately owns Castaway Cay Island in the Bahamas and cater to the land-based requirements of the Company providing an exclusive port for the cruises.

Details of the investments can be found in note 7 of the financial statements.

The Company received a capital contribution of \$47,822,000 (2013: \$190,442,000) from the Company's immediate parent, Wedco Holdings (Netherlands) B.V. during the year, no shares were issued in exchange (2013: 4).

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

Revenue and Operating Income increased year over year primarily due to higher average ticket prices for sailings.

#### **Results and dividends**

The Company's profit after tax for the financial year is \$86,736,000 (2013: \$44,595,000). The Directors do not recommend the payment of a dividend (2013: \$Nil).

Dividend income totalling \$40,000,000 (2013: \$Nil) was received during the year from DCL Island Development Limited.

#### **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.

**Magical Cruise Company Limited**  
**Strategic Report For The Year Ended 27 September 2014 (continued)**

**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.

On behalf of the Board on 19 May 2015



**T.A Schultz**  
**Director**

Registered Office  
3 Queen Caroline Street  
Hammersmith  
London W6 9PE

## **Magical Cruise Company Limited**

### **Directors' Report For The Year Ended 27 September 2014**

The Directors present their annual report and the audited financial statements of Magical Cruise Company Limited (the "Company") for the year ended 27 September 2014 (prior year the 52 weeks ended 28 September 2013).

#### **Future developments**

The Company's future development plans are explained in the Strategic report.

#### **Financial risk management**

The Company's operations expose it to financial risks. The most significant are described below.

(1) Credit risk: The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is assessed continually by the Company's credit control function.

(2) Foreign exchange risk: The Company may hold assets and liabilities denominated in foreign currencies. No derivative financial instruments are used to manage the risk of fluctuating exchange rates, so no hedge accounting is applied. The Company has in place a foreign exchange policy, driven by ultimate parent company, The Walt Disney Company, and will reconsider the appropriateness of this policy should operations change in nature.

(3) Interest rate risk: The Company can have interest bearing assets and liabilities. The Company monitors its portfolio of interest bearing assets and liabilities and their financial impact. The Company will reconsider the appropriate structure of its portfolio should operations change in size or nature.

(4) Fuel hedge risk: The Company hedges pricing risk in relation to forecasted future fuel purchases by entering into cash flow hedge relationships.

#### **Directors**

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

K Holz

J Swindell (resigned on 17th June 2014)

V Taggart (resigned on 26<sup>th</sup> February 2015)

J Connelly

M Endemano (resigned on 7th November 2014)

J De Heer

P Wilber

T A Schultz (appointed on 17th June 2014)

S Fox (appointed on 26<sup>th</sup> February 2015)

M Grossman (appointed on 7th November 2014)

## **Magical Cruise Company Limited**

### **Directors' Report For The Year Ended 27 September 2014 (continued)**

#### **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 whilst in employment 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. Communication with all employees continues through newsletters, briefing groups and the availability of the annual report.

#### **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare financial statements for each financial period. Under the law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting 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.

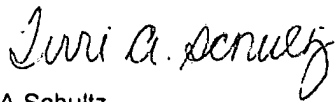
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**Magical Cruise Company Limited**  
**Directors' Report For The Year Ended 27 September 2014 (continued)**

**Disclosure 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/she ought to have taken in his/her duty as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board on 19 May 2015,



T A Schultz  
**Director**

Registered Office  
3 Queen Caroline Street  
Hammersmith  
London  
W6 9PE

# **Magical Cruise Company Limited**

## **Independent Auditors' Report to the Members of Magical Cruise Company Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 27 September 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Magical Cruise Company Limited, comprise:

- Balance sheet as at 27 September 2014;
- Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Magical Cruise Company Limited

## Independent Auditors' Report to the Members of Magical Cruise Company Limited (continued)

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

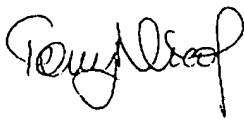
### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.



Tony Nicol (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
19 May 2015

**Magical Cruise Company Limited**  
**Profit and Loss Account For The Year Ended 27 September 2014**

	Note	2014 \$'000	2013 \$'000
Turnover	2	1,131,360	1,061,680
Cost of Sales		(855,556)	(852,284)
<b>Gross profit</b>		<b>275,804</b>	<b>209,396</b>
Distribution costs		(63,873)	(53,729)
Administrative costs		(103,232)	(96,102)
<b>Operating Profit</b>	3	<b>108,699</b>	<b>59,565</b>
Interest payable and similar charges	18	(20,817)	(21,257)
Income from shares in group undertakings	19	40,000	-
Impairment of fixed asset investment	7	(40,000)	-
<b>Profit on ordinary activities before taxation</b>		<b>87,882</b>	<b>38,308</b>
Tax on profit on ordinary activities	5	(1,146)	6,287
<b>Profit for the financial year</b>	13	<b>86,736</b>	<b>44,595</b>

The Company has no other gains or losses for the year other than those reported in the profit and loss account and consequently no statement of total recognised gains and losses has been presented.

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

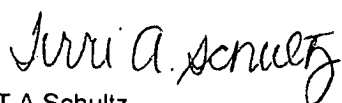
The results shown above are derived from continuing operations.

**Magical Cruise Company Limited**  
**Balance Sheet As At 27 September 2014**

(Registered number: 3157553)

	Note	As at 27 September 2014 \$'000	As at 28 September 2013 \$'000
<b>Fixed assets</b>			
Tangible assets	6	1,528,991	1,537,283
Investments	7	315,300	-
		<b>1,844,291</b>	<b>1,537,283</b>
<b>Current assets</b>			
Stocks	8	14,693	14,011
Debtors	9	16,718	16,341
Cash at bank and in hand		50,300	51,116
		<b>81,711</b>	<b>81,468</b>
<b>Creditors: amounts falling due within one year</b>	10	<b>(697,925)</b>	<b>(640,075)</b>
		<b>(616,214)</b>	<b>(558,607)</b>
<b>Total assets less current liabilities</b>		<b>1,228,077</b>	<b>978,676</b>
<b>Creditors: amounts falling due after more than one year</b>	11	<b>(112,755)</b>	<b>(284,609)</b>
<b>Net assets</b>		<b>1,115,322</b>	<b>694,067</b>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Share premium account	13	952,605	614,505
Other reserves	13	93,747	97,328
Profit and loss account	13	68,970	(17,766)
<b>Total shareholders' funds</b>	14	<b>1,115,322</b>	<b>694,067</b>

The financial statements on pages 10 to 26 were approved by the Board on 19 May 2015 and were signed on its behalf by T A Schultz



T A Schultz  
**Director**  
 19 May 2015

# Magical Cruise Company Limited

## Notes to the Financial Statements For The Year Ended 27 September 2014

### 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 2006 and applicable accounting standards in the United Kingdom on a basis consistent with the prior period. The principal accounting policies are set up below.

#### a) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 2006 to end the accounting year on the closest Saturday to 30 September each year. An accounting reference date of 27 September 2014 has been adopted for the current period.

The financial year represents the 52 weeks ended Saturday 27 September 2014 (2013: 52 weeks ended 28 September 2013).

#### 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.

#### c) Turnover

Revenue related to the provision of cruise berths is recognised using the accruals method. All other cruise 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

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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. Depreciation is provided to write off cost or valuation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The useful economic life of the assets is estimated to be as follows:

Stage show and other on-board entertainment and programming costs	3 to 5 years
Furniture, fixtures, leasehold improvements and equipment (including cruise ships)	2 to 40 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 capitalised and depreciated over the shorter of the normal useful life of the asset or the length of the vessel lease.

#### f) Stocks

Stocks are stated at the lower of cost or market value.

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**1 Accounting policies (continued)**

**g) Pension costs**

Contributions are made on behalf of the Company by the parent undertaking into defined benefit and defined contribution plans and are charged to the profit and loss account when they fall due. Pension costs were allocated to the Company based on its share of the costs of contributions for the group as a whole.

In respect of the defined benefit plan, liabilities are measured using the projected unit method for reporting in these financial statements under FRS17. Annual valuations are prepared by independent professionally qualified actuaries. Actuarial gains and losses are recognised by the parent undertaking.

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. 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 period.

**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 year prior to 29 June 2008 the Company did not qualify for the UK tonnage tax regime. The company's trading profits are now subject to the Tonnage Tax regime for the full year and that only non-trading income remains subject to corporation tax.

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.

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**1 Accounting policies (continued)**

**k) Exemption from group accounting**

Magical Cruise Company Limited is a wholly owned subsidiary of WEDCO Holdings (Netherlands) B.V., whose ultimate parent company is The Walt Disney Company, incorporated in the United States of America. The consolidated financial statements of The Walt Disney Company are publicly available.

**l) Cash Flow statement**

Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) 'Cash flow statements'. The Company has also taken advantage of the exemption under section 401 of the Companies Act 2006 from preparing group financial statements as it is a wholly owned subsidiary of The Walt Disney Company and is included within that company's consolidated financial statements.

**m) Financial Instruments**

The Company hedges pricing risk in relation to forecasted future fuel purchases by entering into cash flow hedge relationships.

Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the profit or loss account except where the derivative is a designated cash flow hedging instrument. Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity.

Gains or losses deferred in equity are transferred to the profit and loss account in the same year as the underlying fuel purchase. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss. For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under FRS 26, any change in assets or liabilities is recognised immediately in the profit and loss account.

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
 (continued)

**2 Turnover**

The split of revenue into categories of revenue during the year was as follows:

	2014 \$'000	2013 \$'000
Cruise revenue	1,093,596	1,026,319
Other revenue	37,764	35,361
<b>Total</b>	<b>1,131,360</b>	<b>1,061,680</b>

Cruise income 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 income, all of which was earned from group undertakings, represents fees charged for the provision of labour related costs, general accounting, human resources, and other administrative services.

There are no geographical segments to the business as vessels are in different locations and at sea during the year.

**3 Operating profit**

	2014 \$'000	2013 \$'000
<b>Operating profit is stated after charging/crediting:</b>		
Wages and salaries	166,676	155,118
Social security costs	1,905	1,708
Other pension costs	2,724	2,390
<b>Staff costs</b>	<b>171,305</b>	<b>159,216</b>
Depreciation of tangible fixed assets	80,179	97,258
Loss on disposal of assets – tangible fixed assets	(386)	(1,135)
Operating lease charges – cruise vessel	48,403	48,403
<b>Auditors' remuneration</b>		
<b>Fees payable to Company's auditors and its associates</b>		
Audit services	209	198

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**4 Employee Information**

The average monthly number of persons (including executive directors) employed by the Company during the year was as follows:

	2014	2013
<b>Employees:</b>		
Shipboard Personnel	4,876	4,732
Administrative Personnel	794	759
<b>Total</b>	<b>5,670</b>	<b>5,491</b>

**5 Tax on profit on ordinary activities**

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

	2014	2013
	\$'000	\$'000
<b>Tax on profit on ordinary activities:</b>		
Analysis of charge in year		
<b>Current Tax:</b>		
UK Corporation tax on profit for the period	1,727	2,001
Tonnage Tax	92	87
Adjustments relating to prior periods	(673)	(8,375)
<b>Total current tax</b>	<b>1,146</b>	<b>(6,287)</b>
<b>Tax on profit on ordinary activities</b>	<b>1,146</b>	<b>(6,287)</b>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than (2013: lower) the standard rate of corporation tax in the UK 22% (2013: 23.5%). The differences are explained below:

	2014	2013
	\$'000	\$'000
<b>Profit on ordinary activities before tax</b>	<b>87,882</b>	<b>38,308</b>
Profit on ordinary activities multiplied by the standard rate in the UK 22% (2013: 23.5%)	19,334	9,002
Effects of:		
Adjustments in respect of prior periods	(673)	(8,375)
Non tonnage tax items	(17,607)	(7,001)
Tonnage tax profit	92	87
<b>Current tax credit/charge for year</b>	<b>1,146</b>	<b>(6,287)</b>



**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**5 Tax on profit on ordinary activities (continued)**

**Factors affecting the future tax charges**

The Finance Act 2013 received Royal Assent on 17 July 2013. It included provisions to reduce the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015.

**6 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
<b>Cost</b>				
At 28 September 2013	72,439	73,553	1,721,628	1,867,620
Additions	68,397	-	3,876	72,273
Transfers	(129,017)	168	128,849	-
Retirement	(455)	(378)	(12,692)	(13,525)
<b>At 27 September 2014</b>	<b>11,364</b>	<b>73,343</b>	<b>1,841,661</b>	<b>1,926,368</b>
<b>Accumulated depreciation</b>				
At 28 September 2013	-	56,682	273,655	330,337
Charge for the year	-	6,493	73,686	80,179
Retirement	-	(347)	(12,792)	(13,139)
<b>At 27 September 2014</b>	<b>-</b>	<b>62,828</b>	<b>334,549</b>	<b>397,377</b>
<b>Net book amount</b>				
<b>At 27 September 2014</b>	<b>11,364</b>	<b>10,515</b>	<b>1,507,112</b>	<b>1,528,991</b>
At 28 September 2013	72,439	16,871	1,447,973	1,537,283

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**7 Fixed Asset Investments**

	2014 \$'000	2013 \$'000
Cost	-	-
Additions for the year	355,300	-
Impairment for the year	(40,000)	-
<b>Net book value</b>	<b>315,300</b>	<b>-</b>

The Company has investments in the following subsidiary undertakings:

Shares in group undertakings	Business	Country of registration / Incorporation	Proportion of nominal value of voting shares held	
			2014	2013
The Walt Disney Company Africa (Proprietary) Limited	Commercial use of intellectual property rights	South Africa	100%	-
DCL Island Development Limited	Exclusive port provider in Castaway Cay for Disney cruises	Bahamas	100%	-

The additions for the year relate to the acquisition of The Walt Disney Company Africa (Proprietary) Limited (\$17,200,000) and DCL Island Development Ltd (\$338,100,000) which took place on 31 July 2014 and 12 August 2014.

Impairment loss of \$40,000,000 has been recorded for the year in respect of the investment in DCL Island Development Limited following the payment of a dividend of \$40,000,000.

The directors believe that the carrying value of the investment is supported by their underlying net assets and the net present value of their discounted future cash flows.

The Company is a wholly-owned subsidiary of Wedco Holdings (Netherlands) B.V. and is included in the consolidated financial statements of The Walt Disney Company which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

**8 Stocks**

	2014 \$'000	2013 \$'000
Food and beverage	5,256	4,487
Merchandise goods for resale	3,677	3,613
Consumables	5,760	5,911
<b>Total</b>	<b>14,693</b>	<b>14,011</b>

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**9 Debtors**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade debtors	4,275	1,823
Amounts owed by group undertakings	4,257	3,902
Derivative financial instrument asset	3,797	216
Prepayments and accrued income	4,389	10,400
<b>Total</b>	<b>16,718</b>	<b>16,341</b>

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

The derivative financial instrument asset at 27 September 2014 arose on un-matured fuel hedges that hedge the pricing risk of anticipated future purchases is \$3,797,000 (2013: \$216,000). These have been designated in a cash flow relationship and there was no ineffectiveness to be recorded in the profit and loss for the year. These amounts have been recognised in equity and will be transferred to the profit and loss account when the forecasted fuel purchases occur.

**10 Creditors – amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade creditors	36,268	40,433
Amounts owed to group undertakings	347,875	300,593
Taxation and social security	2,225	2,118
Tax creditors	4,462	4,765
Deposits received on future cruises	294,049	256,009
Accruals and deferred income	13,046	36,157
<b>Total</b>	<b>697,925</b>	<b>640,075</b>

Amounts owed to group undertakings include long-term loan interest payable of \$1,688,000. Refer to Note 11 for further details. The remaining amounts owed to group undertakings are trade payables that are unsecured and bear no rate of interest. The amounts have no set repayment date and, therefore, have been classified as due on demand. Amounts are kept current through regular payments.

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**11 Creditors – amounts falling due after one year**

	2014 \$'000	2013 \$'000
Amounts owed to group undertakings	93,000	270,567
Deposits received on future cruises	12,821	10,246
Other accrued expenses	6,934	3,796
<b>Total</b>	<b>112,755</b>	<b>284,609</b>

Amounts owed to group undertakings consist of outstanding loans of \$93,000,000 (2013: \$270,567,000) which consists of: \$Nil at a rate of interest of 4.16% (2013: \$177,567,000 4.16%) repayable semi-annually by 2016 and \$93,000,000 at a rate of interest of 3.63% (2013: \$93,000,000, 3.63%) repayable semi-annually by 2019. Total accrued interest payable is \$1,688,000 (2013: \$1,729,000) which is shown under creditors – amounts falling due within one year.

**12 Called up share capital**

	2014 \$	2013 \$
<b>Authorised:</b> 100 (2013:100) Ordinary shares of £1 each converted at an exchange rate of \$1.61(2013: \$1.61)	<u>161</u>	<u>161</u>
<b>Allotted and fully paid:</b> 10 (2013:10) ordinary shares of £1 each (4 converted at \$1.61, 2 converted at \$1.56; 1 converted at an exchange rate of \$1.70, 1 converted at \$1.54 and 2 shares converted at 1.63)	<u>16</u>	<u>16</u>

**13 Reserves**

	Share Premium Account \$'000	Profit and Loss Account \$'000	Other Non-distributable Reserves \$'000	Total Reserves \$'000
At 28 September 2013	614,505	(17,766)	97,328	694,067
Net movement on pricing cash flow hedge	-	-	(3,581)	(3,581)
Capital Contribution	338,100	-	-	338,100
Profit for the financial year	-	86,736	-	86,736
<b>At 27 September 2014</b>	<b>952,605</b>	<b>68,970</b>	<b>93,747</b>	<b>1,115,322</b>

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
(continued)

**13 Reserves (continued)**

On 12<sup>th</sup> August 2014 the Company received a capital contribution of \$338,100,000 from Wedco Holdings (Netherlands) B.V., which was used to acquire the investment in DCL Island Development Limited.

On 20 September 2010 the Company received a voluntary capital contribution of \$97,543,000 from Wedco Holdings (Netherlands) B.V. with the condition of being a special non-distributable reserve.

**14 Reconciliation of movements in shareholder's funds**

	2014 \$'000	2013 \$'000
Profit for the financial year	86,736	44,595
Net movement on pricing cash flow hedge	(3,581)	(55)
Capital Contribution	338,100	190,442
Shareholders' funds as at beginning of year	694,067	459,085
<hr/>		
Shareholders' funds as at end of year	1,115,322	694,067

**15 Operating lease commitments and other contractual obligations**

The Company has operating leases to operate two luxury cruise vessels through September 2023 and September 2024, respectively. The leases were renegotiated in fiscal 2011 and the Company makes semi-annual payments of \$12,500,000 beginning in fiscal 2011.

Additionally, the Company has an operating lease for a warehouse facility located in Orlando, Florida, that originally expired on 31<sup>st</sup> December 2015. The lease was renegotiated in fiscal 2014 and effective as of 1 July 2014 it was extended to 31 May 2021.

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

	Land and buildings		Other	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	-	-	-	-
Between two and five years	-	200	-	-
After five years	449	-	50,000	50,000
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	449	200	50,000	50,000

The Company has contractual obligations for maintenance and other services of \$1,032,000 at 27 September 2014 (2013: \$51,419,000).

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**16 Pension commitments**

The shore side employees of the Company participate in the Group defined benefit pension plan. The defined benefit pension plan is provided under the Disney Associated Companies' Retirement Plan and the Disney Salaried Pension Plan D. 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 \$1,800,000 (2013: \$3,336,000).

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 27 September 2014 using the Project Unit Credit method. The measurement date was changed from June 30 to September 30, effective 30 September 2010. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 7.50% (2013: 7.75%) per annum, the rate of salary increase would be 4.0% (2013: 4.0%), and the discount rate 4.40% (2013: 5.00%).

At the date of the latest actuarial valuation at 27 September 2014, the market value of the assets of the scheme was \$6,373,000 (2013: \$5,826,000), and the actuarial value of the assets was sufficient to cover 75.3% (2013: 75.3%) 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 2014 and 2013 were not material.

**17 Directors' emoluments**

	2014	2013
	\$'000	\$'000
Aggregate emoluments	2,236	3,280
Company contributions paid to pension schemes	120	111

**Highest paid director**

	2014	2013
	\$'000	\$'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	1,047	1,093
Defined contribution pension scheme	14	3
Defined benefit amount accrued	43	14

Retirement benefits are accruing to 3 Directors (2013: 6) under a defined benefit scheme and 3 Directors (2013: 6) under a defined contribution plan in respect of their qualifying services. No directors exercised share options in the ultimate parent Company in the year (2013: Nil) and 3 Directors received shares under long term incentive schemes (2013: 6).

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**17 Directors' emoluments (continued)**

The above details of Directors' emoluments do not include the emoluments of 7 (2013: 5) directors who are paid by the parent company (fellow subsidiary) and recharged to the Company as part of a management charge. This management charge, which in 2014 amounted to \$4,817,000 (2013: \$6,651,000), also includes a recharge of administration costs borne by the parent company (fellow subsidiary) on behalf of the Company and it is not possible to identify separately the amount relating to these directors.

**18 Interest payable and other similar charges**

	2014 \$'000	2013 \$'000
Interest payable to other group companies	20,817	21,257

**19 Income from shares in group undertakings**

	2014 \$'000	2013 \$'000
Dividend received	40,000	-

On 9th September 2014 dividend income totalling \$40,000,000 (2013: \$Nil) was received from DCL Island Development Limited.

**20 Share-based payments**

Under the Disney Discretionary Stock Option Scheme, certain employees of the Company may be granted options to acquire shares of stock in the ultimate parent company, The Walt Disney Company, at exercise prices equal to or exceeding the market price at the date of grant. Options vest equally over a four-year period from the date of grant and expire seven to ten years after the date of grant. Restricted stock units (RSUs) generally vest equally on each of the four anniversaries of the grant date. Certain RSUs awarded to senior executives vest based upon the achievement of performance conditions. The share options are settled using the equity instruments of the Company's ultimate parent company, The Walt Disney Company.

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**20 Share-based payments (continued)**

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price in \$ per share	Options	Weighted average exercise price in \$ per share	Options
At start of the year	39.94	49,437	-	-
Granted	72.59	9,530	43.11	53,109
Forfeited	-	-	-	-
Exercised	-	-	20.81	(3,672)
<b>At end of the year</b>	<b>45.22</b>	<b>58,967</b>	<b>39.94</b>	<b>49,437</b>

Share options outstanding at the end of the year have the following terms:

Exercise Prices \$	Number of Options	Outstanding Weighted average remaining years of contractual life	Weighted average exercise price in \$ per share	Exercisable	
				Number of Options	Weighted average exercise price in \$ per share
20.9-39.7	37,465	6.29	36.32	37,465	36.32
39.8-72.59	21,502	8.71	60.73	21,502	60.73

The weighted average share price of Disney options exercised during the year was \$Nil (2013: \$20.81).

Details of restricted shares activity is as follows:

	2014	2013
	Number of restricted shares	Number of restricted shares
At start of the year	16,490	3,825
Granted	3,916	19,050
Forfeited	-	-
Exercised	(9,370)	(6,385)
<b>At end of the year</b>	<b>11,036</b>	<b>16,490</b>



**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**20 Share-based payments (continued)**

Year of Vesting	Number of Restricted Shares
2014	-
2015	4,690
2016	3,365
2017	2,039
2018	942
	<u>11,036</u>

The restricted stock issued during 2014 vests equally on each of the four anniversaries of the grant date and has a remaining contractual life of ten years. There are no performance conditions attached to the issue.

**Valuation assumptions:**

The valuation assumptions used to estimate the Group's share-based compensation expense for the share option plans are summarised below.

The weighted average assumptions used in the Lattice valuation option-pricing model were as follows:

\$'000	2014	2013	2012	2011	2010
Risk-free interest rate	2.97%	1.83%	1.98%	3.23%	3.51%
Expected years from grant until exercise	6.67	6.67	6.36	6.13	6.11
Expected volatility	24.57%	25.64%	30.86%	27.68%	32%
Dividend yield	1.37%	1.60%	1.56%	1.15%	1.41%

The volatility assumption considers both historical and implied volatility and may be impacted by the Company's performance as well as changes in economic and market conditions.

No stock based compensation charge was recognised by the company for the year ended 27 September 2014 (2013: \$Nil).

The weighted average grant-date fair value of options granted during the year ended 27 September 2014 as calculated using the Lattice valuation option-pricing model was \$19.21 (2013: \$12.38).

**Magical Cruise Company Limited**  
**Notes to the Financial Statements For The Year Ended 27 September 2014**  
**(continued)**

**21 Ultimate parent undertaking and financial support**

**Ultimate Parent**

The ultimate parent undertaking and controlling party, The Walt Disney Company, incorporated in the United States of America. The directors regard The Walt Disney Company to be the ultimate controlling party.

**Immediate Parent**

The immediate parent company is Wedco Holdings (Netherlands) B.V., incorporated in the Netherlands.

**Parent undertaking**

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

<b>Name</b>	The Walt Disney Company
<b>Country of incorporation</b>	United States of America
<b>Address from which copies of the group financial statements can be obtained</b>	500 South Buena Vista Street Burbank California 91521 USA

**22 Related party transactions**

The Company's ultimate parent undertaking and controlling party is The Walt Disney Company and utilises the exemption contained in paragraph 3(c) of 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 21.