Magical Cruise Company, Limited
(Registered Number 3157553)

Annual Report and Financial Statements For The Year Ended 1 October 2016

Magical Cruise Company, Limited

Annual report and financial statements for the year ended 1 October 2016

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Strategic report for the year ended 1 October 2016

The Directors present their strategic report for Magical Cruise Company Limited (the 'Company') for the 52 weeks ended 1 October 2016 (prior year was for 53 weeks ended 3 October 2015).

Principal activities, business review and future developments

The Company's principal activity is the operation of luxury cruise vessels. It is considered that the Company's activities will remain unchanged for the foreseeable future.

The Company's profit for the financial year is $266,161,000 (2015: $258,512,000). 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.

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

The Company adopted Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') for the financial year ended 1 October 2016. The Company has also early adopted the amendments to FRS 102 (issued in July 2015). No impact was identified as a result of this change.

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 Walt Disney Company (the group) and are not managed separately. Accordingly, the risks and uncertainties of The Walt Disney Company (the group), which include those of the Company, are discussed in The Walt Disney Company (the group)'s annual report which does not form part of this report. However, the Directors view the following as being the principal risks facing the Company:

Our sales may be adversely affected by changes in economic factors, political uncertainty and changes in consumer spending patterns
Many economic and other factors outside our control, including consumer confidence, consumer spending levels, political uncertainty, employment levels, consumer debt levels, inflation and deflation, as well as the availability of consumer credit, affect consumer spending habits. A significant deterioration in the global financial markets and economic environment, recessions or an uncertain economic outlook adversely affects consumer spending habits and results in lower levels of economic activity. Any of these events and factors could cause consumers to curtail spending and could have a negative impact on our financial performance and position in future financial years.

Our industry is highly competitive and competitive conditions may adversely affect our revenues and overall profitability
The cruise industry is highly competitive and our results of operations are sensitive to, and may be adversely affected by, competitive pricing and other factors.

With respect to the risks the Directors regularly review such matters to mitigate their respective impact on the Company.

Key performance indicators ("KPIs")

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

On behalf of the Board on 25 May 2017

Terri A. Schultz

T Schultz
Director

Registered Office
3 Queen Caroline Street
Hammersmith
London W6 9PE

Magical Cruise Company, Limited

Directors' report for the year ended 1 October 2016

The Directors present their annual report and the audited financial statements of Magical Cruise Company Limited (the "Company") for the 52 weeks ended 1 October 2016 (prior year the 53 weeks ended 3 October 2015).

Future developments

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

Dividends

Dividend income totalling $25,000,000 (2015: $100,000,000) was received during the year from DCL Island Development Limited.

No dividends were declared or paid during the year, (2015: no dividends were paid during the financial year). The Directors do not recommend that a dividend is paid for the year ended 1 October 2016 (2015: $Nil).

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 its 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 the date of approval of the financial statements are given below:

K Holz
V Taggart (resigned on 26th February 2015)
A Connelly (resigned on 20th January 2016)
F De Heer
P Wilber
T Schultz
S Fox (appointed on 26th February 2015)
M Grossman (appointed on 10th November 2014)
T Wolber (appointed on 18th August 2016)
E Swets (appointed on 23rd February 2016 and resigned on 18th August 2016)

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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic report, 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 year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 or 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, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 1 October 2016 (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.

Independent 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.

On behalf of the Board on 25 May 2017

Terri A. Schultz

T 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, Magical Cruise Company Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 1 October 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 1 October 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinions on other matters 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.

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.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities on page 5, 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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

NAV Campbell Lambert

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 May 2017

Magical Cruise Company, Limited

Income statement for the year ended 1 October 2016

	Note	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Turnover	4	1,297,171	1,232,691
Cost of Sales		(872,360)	(882,849)
Gross profit		424,811	349,842
Distribution costs		(59,568)	(74,867)
Administrative expenses		(123,169)	(112,628)
Operating Profit	5	242,074	162,347
Income from shares in group undertakings	8	25,000	100,000
Interest receivable and similar income	6	702	-
Interest payable and similar charges	7	(424)	(2,152)
Profit on ordinary activities before taxation		267,352	260,195
Tax on profit on ordinary activities	10	(1,191)	(1,683)
Profit for the financial year		266,161	258,512

The results shown above are derived from continuing operations.

The notes on pages 13 to 32 form part of these financial statements.

Statement of comprehensive income for the year ended 1 October 2016

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Profit for the financial year	266,161	258,512
Other comprehensive income:		
Other comprehensive income	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	266,161	258,512

Magical Cruise Company, Limited

Statement of financial position as at 1 October 2016
(Registered number: 3157553)

	Notes	1 October 2016 $'000	3 October 2015 $'000
Fixed assets			
Tangible assets	11	**1,559,630**	1,517,642
Investments	12	**315,300**	315,300
		1,874,930	1,832,942
Debtors: amounts falling due after more than one year			
Derivative financial assets	17	**2,621**	-
Current assets			
Stocks	13	**11,954**	14,487
Debtors	14 / 17	**45,051**	49,121
Cash at bank and in hand		**386,589**	98,782
		443,594	162,390
Creditors: amounts falling due within one year	15 / 17	**(654,139)**	(598,121)
Net current liabilities		**(210,545)**	(435,731)
Total assets less current liabilities		**1,667,006**	1,397,211
Creditors: amounts falling due after more than one year	16 / 17	**(18,750)**	(35,614)
Net assets		**1,648,256**	1,361,597
Capital and reserves			
Share capital	18	**-**	-
Share premium account		**952,605**	952,605
Other reserves		**102,008**	81,510
Retained earnings		**593,643**	327,482
Total equity		**1,648,256**	1,361,597

The financial statements on pages 10 to 32 were approved by the Board on 25 May 2017 and were signed on its behalf by T Schultz

Terri A. Schultz

T Schultz
Director
25 May 2017

Magical Cruise Company, Limited

Statement of changes in equity for the year ended 1 October 2016

	Share Premium Account	Other Non-distributable reserves	Retained earnings	Total equity
	$'000	$'000	$'000	$'000
Balance as at 28 September 2014	952,605	93,747	68,970	1,115,322
Profit for the financial year	-	-	258,512	258,512
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	258,512	258,512
Net movement on cash flow hedges	-	(12,237)	-	(12,237)
Total transactions with owners, recognised directly in equity	-	(12,237)	-	(12,237)
Balance as at 3 October 2015	**952,605**	**81,510**	**327,482**	**1,361,597**
Profit for the financial year	-	-	266,161	266,161
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	266,161	266,161
Net movement on cash flow hedges	-	20,498	-	20,498
Total transactions with owners, recognised directly in equity	-	20,498	-	20,498
Balance as at 1 October 2016	**952,605**	**102,008**	**593,643**	**1,648,256**

The financial statements were approved by the Board on 25 May 2017 and were signed on its behalf by:

Terri A Schultz

T Schultz
Director

Registered Office
Director
3 Queen Caroline Street
Hammersmith
London
W6 9PE

The notes on pages 13 to 32 represent an integral part of the financial statements.

1 General information

Magical Cruise Company, Limited (the "Company") is a Company limited by shares. It is incorporated and domiciled in the United Kingdom. The address of its registered office is 3 Queen Caroline Street, Hammersmith, London, W6 9PE. The Company is a wholly owned subsidiary of Wedco US Ventures, Inc and Wedco International Holdings Inc 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.

The Company's principal activity is the operation of luxury cruise vessels.

The Company has 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.

2 Statement of compliance

The financial statements of Magical Cruise Company, Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company has also early adopted the amendments to FRS 102 (issued in July 2015).

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK on a basis consistent with the prior year. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 28 September 2014. Details of the transition to FRS 102 are disclosed in Note 26.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of this note.

b) Going concern

On the basis of their assessment of the Company's financial position and resources, the Directors believe that the Company is well placed to manage its business risks. Therefore the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3 Summary of significant accounting policies (continued)

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of The Walt Disney Company which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions in its financial statements:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102;
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102;
v) from the requirement to provide certain share-based payments disclosures as required by paragraphs 26.18(b), 26.19, 26.20, 26.21 and 26.23 of FRS 102, concerning its own equity instruments.

d) 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 1 October 2016 has been adopted for the current year. The financial year represents the 52 weeks ended Saturday 1 October 2016 (prior financial year was the 53 weeks ended Saturday 3 October 2015).

e) Foreign currency

(i) Functional and presentation currency
The Company's functional and presentation currency is US dollars and rounded to thousands.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3 Summary of significant accounting policies (continued)

f) 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.

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. The tax expense/(income) is recognized either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The Company entered the UK tonnage tax regime on 29 June 2008. The Company's trading profit is subject to the Tonnage tax regime for the full year and only non-trading income remains subject to corporation tax.

(ii) Deferred 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 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 they will be recovered against the reversal of deferred tax liability or other future taxable profits.

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.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

h) Fixed asset investments and investment income

Fixed asset investments are stated at historical cost. Provision is made where in the opinion of the Directors an investment is impaired. Income from investments is included to the extent of dividends and distributions received. Investments are reviewed for any impairment indicators at the reporting date.

3 Summary of significant accounting policies (continued)

i) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in the other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

j) Tangible assets and depreciation

Tangible assets are stated at historical purchase cost less accumulated depreciation. 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.

Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets over their estimated useful lives or the life of the lease, whichever is shorter. The principal useful lives in use are:

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

Depreciation for assets under the course of construction commences when assets are available to be placed in service.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in income statement.

k) Inventory

Stocks of finished goods and goods for resale are stated at the lower of cost and estimated selling price less cost to complete and sell. Estimated selling price is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provisions have been made for obsolescence, based upon aging of inventory, historical and forecasted sales, estimated margins and current events or changes in market conditions. The cost of stock is determined through the use of weighted average methodology.

3 Summary of significant accounting policies (continued)

l) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. As at 1 October 2016 the Company does not hold short-term highly liquid investments or bank overdrafts.

m) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets
Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method where applicable.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow Group Companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

3 Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Hedging arrangements

The Company manages exposure to commodity fluctuations by using derivatives to reduce volatility of earnings and cash flows arising from commodity price changes. The amounts hedged using derivative contracts are based on forecasted levels of consumption of certain commodities, such as fuel oil and gasoline.

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 income statement 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 income statement 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 102, any change in assets or liabilities is recognised immediately in the income statement. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

The Company has taken exemption from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102.

n) Cruise deposits

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

3 Summary of significant accounting policies (continued)

o) 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.

p) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

(ii) Lease incentives
Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease. The Company has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

q) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined benefit pensions and defined contribution pensions.

(i) Short term benefits
Short term benefits are recognized as an expense in the period in which the service is received. Holiday pay is recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan
Contributions are made on behalf of the Company by the parent undertaking into defined contribution plans and are charged to the income statement 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.

(iii) Defined benefit pension plan
In respect of the defined benefit plan, liabilities are measured using the projected unit method for reporting in these financial statements under section 28 of FRS 102. Annual valuations are prepared by independent professionally qualified actuaries. Actuarial gains and losses are recognises by the parent undertaking.

3 Summary of significant accounting policies (continued)

q) Employee benefits (continued)

(iii) Defined benefit pension plan (continued)
The plan is a group defined benefit scheme. Although the scheme is a defined benefit arrangement, it is a group scheme 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 income statement for this scheme represents contributions payable by the Company to the scheme for the period.

(iv) Share based payments
The fair value of grants made under the equity settled employee share option plans is calculated at the date of grant using an appropriate lattice model. Compensation expense for RSUs is based on the market price of the shares underlying the awards on the grant date. In accordance with FRS 20 'Share based payments', the fair value of equity-based awards is charged to the income statement over the vesting period of the awards with a corresponding credit to the retained earnings reserve. The value of the charge is adjusted to reflect expected and actual levels of option vesting. At each reporting date, the entity revises its estimates of the number of options that are expected to vest.

It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to reserves. The Company is required to compensate The Walt Disney Company for the difference between the market value of the underlying shares on exercise date and the proceeds from exercise of the share options. This intercompany charge is denominated in US Dollars based on the US Dollar market value of the underlying shares and exercise price. The intercompany charge is offset to equity against retained earnings.

r) Related party transactions

The Company has taken the exemption as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same Group that are wholly owned. The Company also does not disclose transactions with related parties which are not wholly owned with the same Group in note 23.

The Company has also taken exemption from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

s) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of tangible assets and policy note 3j for the useful economic lives for each class of asset.

3 Summary of significant accounting policies (continued)

s) Critical accounting judgements and key source of estimation uncertainty (continued)

(ii) Investments
The Company's fixed asset investments are held at historical cost, adjusted for impairment where applicable. Impairment assessments involve management's analysis of the respective investments' forecasted future cash flows, territory market conditions, recent applicable market transactions and net asset composition. See note 12 for the carrying amount of the Company's investments.

(iii) Defined benefit pension scheme
Certain employees participate in a Group defined benefit pension scheme with other companies in the region. In the judgment of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 20 for further details.

(iv) Share-based payments
The Company's employees have been granted share options by the ultimate parent Company, The Walt Disney Company. The Company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent Company's total expense. The parent company's total expense is estimated by management, involving subject-matter experts where required, and is based on the binomial valuation model which takes into account variables such as volatility, dividend yield and the risk-free interest rate. This binomial valuation model also considers the expected exercise multiple (the multiple of exercise price to grant price at which exercises are expected to occur on average) and the termination rate (the probability of a vested option being cancelled due to the termination of the option holder) in computing the value of the option. The assumptions that cause the greatest variation in fair value in the binomial valuation model are the expected volatility and expected exercise multiple. 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. See note 22 for the in-year movement of share-based payments.

(v) Inventory provisioning
The Company sells food and beverages, merchandise products and consumables and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, current events or changes in market conditions, as well as applying assumptions around anticipated saleability of inventory. See note 13 for the net carrying amount of the inventory.

(vi) Impairment of debtors and creditors
The Company makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the Company's debtors. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. See notes 15 and 16 for the net carrying amount of the Company's creditors.

(vii) Hedging arrangements
The Company manages exposure to commodity fluctuations by using derivatives to reduce volatility of earnings and cash flows arising from commodity price changes and also designates certain derivatives as cash flow hedging instruments. When entering into such derivative contracts and hedge accounting arrangements management carefully considers the accuracy of forecasted purchases and monitors the actual results in order to ensure hedge accounting arrangements are reported accurately.

3 Summary of significant accounting policies (continued)

t) Future Amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities will have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015).

The Company have elected to early adopt these amendments to FRS 102.

4 Turnover

Turnover 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 operating income was also earned from group undertakings.

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

5 Operating profit

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Operating profit is stated after charging:		
Wages and salaries	**184,107**	175,061
Social security costs	**2,152**	2,055
Other pension costs	**3,091**	2,991
Staff costs	**189,350**	180,107
Depreciation of tangible fixed assets	**92,513**	80,155
Loss on disposal of assets – tangible fixed assets	**385**	6,062
Operating lease charges – cruise vessel	**48,403**	48,403
Auditors' remuneration		
Fees payable to Company's auditors and its associates		
Audit services	**247**	212

Cost of sales includes $ 33,886,000 inventory expense for the year (2015: $31,176,000).

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 1 October 2016 (continued)

6 Interest receivable and similar income

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Bank interest receivable	**702**	-

7 Interest payable and similar charges

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Interest payable to other group companies	424	2,152

8 Income from shares in group undertakings

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Dividend received	**25,000**	**100,000**

On 13th September 2016 dividend income totalling $25,000,000 (2015: $100,000,000) was received from DCL Island Development Limited.

9 Employee Information

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

	2016	2015
Employees:		
Shipboard Personnel	4,900	5,039
Administrative Personnel	850	797
Total	**5,750**	5,836

10 Tax on profit on ordinary activities

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

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Tax on profit on ordinary activities:		
Analysis of charge in year		
Current Tax:		
UK Corporation tax on profit for the year at 20% (2015: 20.5%)	**1,506**	1,717
Tonnage Tax	**65**	79
Adjustments in respect of prior periods	**(380)**	(113)
Total current tax	**1,191**	1,683
Tax on profit on ordinary activities	**1,191**	1,683

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than (2015: lower) the standard rate of corporation tax in the UK 20% (2015: 20.5%). The differences are explained below:

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Profit on ordinary activities before taxation	**267,352**	260,195
Profit on ordinary activities multiplied by the standard rate in the UK 20% (2015: 20.5%)	**53,471**	53,340
Effects of:		
Adjustments in respect of prior periods	**(380)**	(113)
Non tonnage tax items	**(46,965)**	(31,123)
Non-taxable dividend income	**(5,000)**	(20,500)
Tonnage tax profit	**65**	79
Current tax charge for year	**1,191**	1,683

Factors affecting the future tax charges

The Finance Act 2015 introduced provisions to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and 18% from 1 April 2020.

The Finance Act 2016 received Royal Assent on 15 September 2016 enacting a further reduction in the main rate of corporation tax to 17% from 1 April 2020.

Notes to the financial statements for the year ended 1 October 2016 (continued)

11 Tangible 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 4 October 2015	49,316	75,963	1,867,759	1,993,038
Additions	134,886	-	-	134,886
Transfers	(85,589)	14,212	71,377	-
Retirement	(165)	(3,878)	926	(3,117)
At 1 October 2016	**98,448**	**86,297**	**1,940,062**	**2,124,807**
Accumulated depreciation				
At 4 October 2015	-	67,940	407,456	475,396
Charge for the year	-	4,672	87,841	92,513
Retirement	-	(83)	(2,649)	(2,732)
At 1 October 2016	-	**72,529**	**492,648**	**565,177**
Net book amount				
At 1 October 2016	**98,448**	**13,768**	**1,447,414**	**1,559,630**
At 3 October 2015	49,316	8,023	1,460,303	1,517,642

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 1 October 2016 (continued)

12 Investments

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Cost	315,300	315,300
Additions for the year	-	-
Impairment for the year	-	-
Net book value	**315,300**	**315,300**

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 2016	2015
The Walt Disney Company Africa (Proprietary) Limited	Commercial use of intellectual property rights	South Africa	**100%**	100%
DCL Island Development Limited	Exclusive port provider in Castaway Cay for Disney cruises	Bahamas	**100%**	100%

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

The registered address of the subsidiaries are:

The Walt Disney Company Africa (Proprietary) Limited	1 Oakdale Road, 1st Floor Oakdale House, The Oval Newlands 7700
DCL Island Development Limited	c/o the Alexander Corporate Group Limited One Millars Court, Millars Court, Nassau, Bahamas

The Company is a subsidiary of Wedco US Ventures, Inc. and Wedco International Holdings Inc. 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.

13 Stocks

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Food and beverage	**5,165**	6,047
Merchandise goods for resale	**3,872**	4,136
Consumables	**2,917**	4,304
Total	**11,954**	14,487

There is no material difference between the carrying amount of stock and the replacement cost. Inventories are stated after provisions for impairment of $260,000 (2015: $180,000).

14 Debtors

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Trade debtors	**3,602**	3,490
Amounts due from group undertakings	**31,812**	29,597
Derivative financial assets (note 17)	**3,240**	16,034
Prepayments and accrued income	**6,397**	-
Total	**45,051**	49,121

Amounts due from 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.

15 Creditors: amounts falling due within one year

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Trade creditors	**56,827**	57,162
Amounts due to group undertakings	**186,687**	178,145
Other taxation and social security	**2,391**	1,998
Corporation tax	**1,569**	1,793
Deposits received on future cruises	**389,704**	344,632
Derivative financial liabilities (note 17)	**3,143**	-
Accruals and deferred income	**13,818**	14,391
Total	**654,139**	598,121

Amounts due 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.

16 Creditors: amounts falling due after one year

	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Deposits received on future cruises	**14,895**	14,944
Derivative financial liabilities (note 17)	**192**	-
Other accrued expenses	**3,663**	20,670
Total	**18,750**	35,614

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 1 October 2016 (continued)

17 Financial instruments by category

	Note	Year ended 1 October 2016 $'000	Year ended 3 October 2015 $'000
Financial assets measured at amortised cost:			
Trade debtors	14	3,602	3,490
Amounts due from group undertakings	14	31,812	29,597
Cash at bank and in hand		386,589	98,782
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	14	3,240	16,034
Derivative financial instruments - maturing after one year		2,621	-
Total		427,864	147,903
Financial liabilities measured at amortised cost:			
Trade creditors	15	56,827	57,162
Amounts due to group undertakings	15	186,687	178,145
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	15	3,143	-
Derivative financial instruments - maturing after one year	16	192	-
Total		246,849	235,307

Derivative financial assets maturing within one year on un-matured fuel hedges amounted to $3,240,000 as at 1 October 2016 (2015: $16,034,000). Derivative financial assets maturing after one year on un-matured fuel hedges amounted to $2,621,000 as at 1 October 2016 (2015: $Nil). These derivative financial assets have been designated in a cash flow relationship and there was no ineffectiveness to be recorded in the income statement 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.

Derivative financial liabilities maturing within one year on un-matured fuel hedges amounted to $3,143,000 at 1 October 2016 (2015: $Nil). Derivative financial liabilities maturing after one year on un-matured fuel hedges amounted to $192,000 as at 1 October 2016 (2015: $Nil). These have been designated in a cash flow relationship and there was no ineffectiveness to be recorded in the income statement 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.

18 Share capital

	Year ended 1 October 2016 $	Year ended 3 October 2015 $
Authorised: 100 (2015:100) Ordinary shares of £1 each converted at an exchange rate of $1.61(2015: $1.61)	161	161
Allotted and fully paid: 10 (2015:10) 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)	16	16

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 1 October 2016 (continued)

19 Commitments and contingencies

The Company has operating leases to operate two luxury cruise vessels through September 2023 and September 2024, respectively. The leases were renegotiated in fiscal year 2011 and the Company makes semi-annual payments of $12,500,000 beginning in fiscal year 2011. Additionally, the Company has an operating lease for a warehouse facility located in Orlando, Florida that originally expired on 31 December 2015. The lease was renegotiated in fiscal year 2014 and effective as of 1 July 2014 it was extended to 31 May 2021.

On 17 March 2016, the Company entered into a sale and purchase agreement with DCL Maritime LLC, a fellow group undertaking, for two new ships scheduled to be delivered in 2021 and 2023.

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

	1 October 2016 $'000	3 October 2015 $'000
Within one year	**50,547**	50,547
Between two and five years	**201,993**	202,180
After five years	**125,000**	175,359
	377,540	428,086

The Company has contractual obligations for maintenance and other services of $11,000,000 at 1 October 2016 (2015: $14,000,000).

20 Pensions

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 $2,605,000 (2015: $2,535,000). 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 an external actuarial company. The latest actuarial valuation of the scheme was performed as at 1 October 2016 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 7.5% (2015: 7.50%) per annum, the rate of salary increase would be 4% (2015: 4.0%), and the discount rate 3.79% (2015: 4.24%). At the date of the latest actuarial valuation at 1 October 2016, the market value of the assets of the scheme was $6,864,000 (2015: $6,199,000), and the actuarial value of the assets was sufficient to cover 78.1% (2015: 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 and pension costs incurred by the Company for fiscal 2016 and 2015 were not material.

21 Directors' emoluments

	2016 $'000	2015 $'000
Aggregate emoluments	**2,847**	4,645
Company contributions paid to pension schemes	**187**	120

Highest paid director

	2016 $'000	2015 $'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**1,288**	3,584
Defined contribution pension scheme	**5**	15
Defined benefit amount accrued	**62**	51

Retirement benefits are accruing to 4 Directors (2015: 2) under a defined benefit scheme and 3 Directors (2015: 2) under a defined contribution plan in respect of their qualifying services. 1 director exercised share options in the ultimate parent Company in the year (2015: 1) and no Directors received shares under long term incentive schemes (2015: 2).

The above details of Directors' emoluments do not include the emoluments of 5 (2015: 7) 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 2016 amounted to $5,246,000 (2015: $4,161,000), 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.

22 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.

The restricted stock issued during 2016 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.

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.

23 Related party transactions

The Company is a wholly owned subsidiary of Wedco US Ventures, Inc. (0.0001%) and Wedco International Holdings Inc (99.9999%) whose ultimate parent undertaking and controlling party is The Walt Disney Company. Consequently the Company utilises the exemption contained in paragraph 33.1A of FRS 102, '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 24.

The Company has taken advantage of the exemption from providing certain related party transaction disclosures as mentioned in the accounting policy.

Key management includes the Directors and members of senior management. The Company has taken the exemption from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Ultimate parent

Magical Cruise Company, Limited is a wholly owned subsidiary of Wedco US Ventures, Inc. (0.0001%) and Wedco International Holdings Inc (99.9999%) whose ultimate parent is The Walt Disney Company, incorporated in the United States of America.

24 Ultimate parent undertaking and related undertakings

Parent undertaking

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

Name	The Walt Disney Company
Country of incorporation	United States of America
Address from where copies of the group financial statements can be obtained	500 South Buena Vista St. Burbank, California 91521-9722 USA

Related undertakings

The Company's Related Undertakings are listed below.

Direct Subsidiaries	Name	Country	Ownership
	The Walt Disney Company Africa (Proprietary) Limited	South Africa	100%
	DCL Island Development Limited	Bahamas	100%

25 Post balance sheet events

On 17 October 2016, the Company made a dividend payment of $205,000,000.

26 Transition to FRS 102

This is the first year that the Company have presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 3 October 2015. The date of transition to FRS 102 was 28 September 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 3 October 2015 and the total equity as at 27 September 2014 and 3 October 2015 between UK GAAP as previously reported and FRS 102. The Company has also early adopted the amendments to FRS 102 (issued in July 2015).

Transition exemptions

The Company has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

Reconciliations

In accordance with the requirements of FRS 102 a reconciliation of prior year profit and opening balances is provided as below:

Reconciliation of profit for the year	**2015 $'000**
Profit for the financial year as previously reported under UK GAAP	258,512
Profit for the financial year as reported under FRS 102	**258,512**

Reconciliation of other comprehensive income for the year	**2015 $'000**
Other comprehensive income for year as previously reported under UK GAAP	-
Other comprehensive income for year as reported under FRS 102	-

Reconciliation of equity for the year	**28 September 2014 $'000**	**3 October 2015 $'000**
Total equity as previously reported under UK GAAP	1,115,322	1,361,597
Total equity as reported under FRS 102	**1,115,322**	**1,361,597**

Notes to the reconciliations:

There were no transition adjustments identified on adoption of FRS 102.