Magical Cruise Company, Limited
(Registered Number 03157553)

Annual report and financial statements for the year ended 28 September 2019

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Magical Cruise Company, Limited

Directors' report and financial statements for the year ended 28 September 2019

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Magical Cruise Company, Limited

Strategic report for the year ended 28 September 2019

The Directors present their Strategic report for Magical Cruise Company, Limited (the 'Company') for the year ended 28 September 2019 (prior financial year ended 29 September 2018).

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 $406,170,000 (2018: $405,197,000). 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.

On 10 September 2019 the Board of Directors approved the reduction of share premium of $613,442,000 to be transferred to a distributable reserve.

In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. COVID-19 pandemic created a significant impact on the short-term operations of the Company.

Cruise ships have been suspended since 14 March 2020 and have not yet resumed operations. There is uncertainty on when operations will resume as this is reliant on government guidance. All departures are suspended until at least December 2020.

The Company has experienced increased cancellation and booking postponement requests which has led to refunds, cruise credits of 125% of the reservation amount as well as future booking payment deferrals. The Company has introduced a short term cruise date flexibility booking policy allowing guests to change their sail date up to 15 days before departure.

Operational expenses have been reduced or mitigated as a result of the suspension of all cruises, this includes reductions in operating labour.

DCL Maritime LLC (a related legal entity) has credit facilities to finance three new cruise ships, which were originally scheduled to be delivered in calendar 2021, 2022 and 2023. The impact of COVID-19 on the shipyard has resulted in a delay to the delivery of the cruise ships.

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. The Directors are managing day to day working capital requirements closely with its related parent entity in order to meet the Company's liabilities as they fall due.

The Directors have assessed COVID-19 as a non adjusting post balance sheet event. It is believed that the long lived assets of the Company have longer term prospects for sustained performance relative to the uncertain duration of the effects of the pandemic. Therefore, it was concluded that it was premature to consider any of these assets for impairment.

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 ('Group') and are not managed separately. Accordingly, the risks and uncertainties of The Group, which include those of the Company, are discussed in 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:

1) 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.

2) 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.

3) A variety of uncontrollable events may reduce demand for our products and services, impair our ability to provide our products and services or increase the cost of providing our products and services.

Demand for our products and services is highly dependent on the general environment for travel and tourism. The environment for travel and tourism, as well as demand for other entertainment products, can be significantly adversely affected in the U.S., globally or in specific regions as a result of a variety of factors beyond our control, including: adverse weather conditions arising from short-term weather patterns or long-term change, catastrophic events or natural disasters (such as excessive heat or rain, hurricanes, typhoons, floods, tsunamis and earthquakes); health concerns including global pandemics (such as Covid-19); international, political or military developments; and terrorist attacks. These events and others, such as fluctuations in travel and energy costs and computer virus attacks, intrusions or other widespread computing or telecommunications failures, may also damage our ability to provide our products and services or to obtain insurance coverage with respect to these events.

4) Changes in regulations applicable to our businesses may impair the profitability of our businesses.

These regulations may include, but are not limited to:

- Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety of consumer products and Cruise Line operations.
- Domestic and international wage laws, tax laws or currency controls.
- Environmental protection regulations.

Principal risks and uncertainties and future outlook (continued)

5) Fuel prices

Our objectives in managing exposure to commodity fluctuations are to use commodity derivatives to reduce volatility of earnings and cash flows arising from commodity price changes. The amounts hedged using commodity swap contracts are based on forecasted levels of consumption of certain commodities, such as fuel oil and gasoline. With respect to the risks the Directors regularly review such matters to mitigate their respective impact on the Company.

Key performance indicators ("KPIs")

The operations of the Group are managed at an operating segment level. For this reason, the Company's Directors believe that an analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Parks, Experiences and Products operating segment of the Group, which includes the Company, are discussed on page 39 of the Group's annual report, which does not form part of this report.

On behalf of the Board on 23 September 2020.

W Diercksen Jr
Director

Registered Office
3 Queen Caroline Street
Hammersmith
London W6 9PE

Magical Cruise Company, Limited

Directors' report for the year ended 28 September 2019

The Directors present their Directors' report and the audited financial statements of Magical Cruise Company, Limited for the year ended 28 September 2019 (prior financial year ended 29 September 2018).

Future developments

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

Dividends

Dividend income totalling $Nil (2018: $38,025,000) was received and dividends totalling $400,000,000 (2018: $970,000,000) were paid during the year.

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.

The Company requires all stateroom guests to make a minimum deposit to confirm a reservation. Guests have the option to pay in full or make partial payments until the full balance is due. Full payment is required in advance of sailing (timing varies depending on cruise itineraries and accommodations) and may be subject to service fees for changes or cancellation fees as applicable up to and including 100% of the fare. On-board Guest accounts have an established spending limit, the amount of which must be paid in full each time the existing limit is reached, before continuing to be able to charge to their accounts.

(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:

E Swets
S Konstanz
W Diercksen Jr
T Filippatos
J Filippatos (appointed on 28 October 2019)
D Londono (appointed 13 May 2020)
T Mazloum (appointed 1 June 2020)
M Grossman (resigned 3 June 2020)
J Vahle (resigned 1 June 2020)
S M Fox (resigned on 31 January 2019)
R Campbell (resigned on 4 October 2019)
P Wilber (resigned on 4 December 2018)

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 Annual report and the financial statements in accordance with applicable law and regulation.

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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

Directors' report for the year ended 28 September 2019 (continued)

Statement of Directors' Responsibilities (continued)

- 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 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.

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.

Directors' confirmations
In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves 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 23 September 2020

W Diercksen Jr
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 audit of the financial statements

Opinion

In our opinion, Magical Cruise Company, Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 28 September 2019; the Income Statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 28 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 and 8, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Magical Cruise Company, Limited

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas A Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 September 2020

Magical Cruise Company, Limited

Income statement for the year ended 28 September 2019

	Note	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Turnover	4	1,604,344	1,518,391
Cost of Sales		(980,516)	(937,124)
Gross profit		623,828	581,267
Distribution costs		(69,186)	(67,775)
Administrative expenses		(147,892)	(146,368)
Operating Profit	5	406,750	367,124
Income from shares in group undertakings	6	-	38,025
Interest receivable and similar income	7	5,687	5,366
Profit before taxation		412,437	410,515
Tax on profit	9	(6,267)	(5,318)
Profit for the financial year		406,170	405,197

The results shown above are derived from continuing operations.

There were no recognised gains or losses for the year other than those included in the Income statement above, and therefore no separate Statement of comprehensive income has been presented.

The notes on pages 15 to 35 form part of these financial statements.

Magical Cruise Company, Limited

Statement of financial position as at 28 September 2019
(Registered number: 3157553)

	Notes	28 September 2019	29 September 2018
		$'000	$'000
Fixed assets			
Tangible assets	10	1,495,378	1,536,657
Investments	11	315,300	315,300
Debtors: amounts falling due after more than one year			
Derivative financial assets	16	-	1,891
		1,810,678	1,853,848
Current assets			
Stocks	12	17,181	14,201
Debtors	13	92,764	49,068
Cash at bank and in hand		81,223	65,228
		191,168	128,497
Creditors: amounts falling due within one year	14	(804,037)	(777,682)
Net current liabilities		(612,869)	(649,185)
Total assets less current liabilities		1,197,809	1,204,663
Creditors: amounts falling due after more than one year	15	(23,029)	(21,218)
Net assets		1,174,780	1,183,445
Capital and reserves			
Called up share capital	17	-	-
Share premium account		1,063	614,505
Other reserves		433,004	447,839
Other distributable reserve		213,442	-
Retained earnings		527,271	121,101
Total equity		1,174,780	1,183,445

The financial statements on pages 12 to 35 were approved by the Board on 23 September 2020 and were signed on its behalf by W Diercksen Jr

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London W6 9PE

Magical Cruise Company, Limited

Statement of changes in equity for the year ended 28 September 2019

	Note	Called up share Capital	Share Premium Account	Other reserves	Other distributable reserve	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
As at 30 September 2017	**17**	**-**	**614,505**	**442,117**	**-**	**685,904**	**1,742,526**
Profit for the financial year		-	-	-	-	405,197	405,197
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	405.197	405,197
Dividends paid		-	-	-	-	(970,000)	(970,000)
Net movement on fuel hedges		-	-	5,722	-	-	5,722
Total transactions with owners, recognised directly in equity		-	-	5,722	-	(970,000)	(964,278)
As at 29 September 2018	**17**	**-**	**614,505**	**447,839**	**-**	**121,101**	**1,183,445**
Profit for the financial year		-	-	-	-	406,170	406,170
Other comprehensive income		-	-	-		-	-
Total comprehensive income for the year		-	-	-		406,170	406,170
Conversion of distributable reserve		-	(613,442)	-	613,442	-	-
Dividends paid		-	-	-	(400,000)	-	(400,000)
Net movement on fuel hedges		-	-	(14,835)	-	-	(14,835)
Total transactions with owners, recognised directly in equity		-	(613,442)	(14,835)	213,442	-	(414,835)
As at 28 September 2019	**17**	**-**	**1,063**	**433,004**	**213,442**	**527,271**	**1,174,780**

Other distributable reserves relates to a share premium conversion.

The notes on pages 15 to 35 represent an integral part of the financial statements.

The financial statements were approved by the Board on 23 September 2020 and were signed on its behalf by:

W Diercksen Jr
Director

Registered Office
3 Queen Caroline Street
Hammersmith
London
W6 9PE

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 28 September 2019

1 General information

Magical Cruise Company, Limited 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 Global Ventures LLP 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 consolidated 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.

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, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom on a basis consistent with the prior year.

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

COVID-19 pandemic created a significant impact on the short-term operations of the Company. It is believed that the long lived assets of the Company have longer term prospects for sustained performance relative to the uncertain duration of the effects of the pandemic.

Cruise ships have been suspended since 14 March 2020 and have not yet resumed operations. There is uncertainty on when operations will resume as this is reliant on government guidance. All departures are suspended until at least December 2020.

The Company has experienced increased cancellation and booking postponement requests which has led to refunds, cruise credits of 125% of the reservation amount as well as future booking payment deferrals. The Company has introduced a short term cruise date flexibility booking policy allowing guests to change their sail date up to 15 days before departure.

3 Summary of significant accounting policies (continued)

Operational expenses have been reduced or mitigated as a result of the suspension of all cruises, this includes reductions in operating labour.

DCL Maritime LLC (a related legal entity) has credit facilities to finance three new cruise ships, which were originally scheduled to be delivered in calendar 2021, 2022 and 2023. The impact of COVID-19 on the shipyard has resulted in a delay to the delivery of the cruise ships.

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. The Directors are managing day to day working capital requirements closely with a related parent entity, which has issued a letter of financial support to the Directors for at least 12 months from the date these financial statements are signed, in order to meet the Company's liabilities as they fall due.

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.

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 28 September 2019 has been adopted for the current year. The financial year represents the 52 weeks ended Saturday 28 September 2019 (prior financial year was the 52 weeks ended Saturday 29 September 2018).

3 Summary of significant accounting policies (continued)

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.

f) Turnover

Revenue related to the provision of cruise berths is recognised using the accruals method over the number of cruise days sailed by each voyage. 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 Statement of financial position 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 Statement of financial position 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

3 Summary of significant accounting policies (continued)

g) Taxation (continued)

substantively enacted by the Statement of financial position 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.

The accounting treatment of the distribution is determined by whether the distribution paid or received is considered to represent a return of the capital of the subsidiary or not. Where it is deemed to represent a return of capital, a reduction in the parent's investment balance in that subsidiary is recorded rather than the recognition of dividend income in the Income statement. The factors considered by the Directors when determining whether a distribution represents a dividend or return of capital include the following:

- The amount of the distribution relative to the original investment value;
- The legal form of the distribution; and
- The future operating plans for the subsidiary after the distribution.

If the amount of the distribution exceeds the carrying value of the investment balance, the excess gain is recognised in the Income statement, to the extent that it is realised or in the Statement of comprehensive income to the extent that it is unrealised. If the distribution is considered to represent a dividend the parent recognises the dividend in the Income statement.

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.

3 Summary of significant accounting policies (continued)

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. Depreciation for assets under the course of construction commences when assets are available to be placed in service. The residual values are reassessed annually and the Directors believe a 0% residual value remains appropriate considering all relevant factors. 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

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.

The componentisation method is used to capitalise and depreciate the cruise ships. Each component of a ship that has a cost that is significant in relation to the total cost is depreciated separately if the component is consumed in a different manner or over a different time period to the rest of the asset.

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.

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 28 September 2019 the Company held $47,154,000 in overnight cash deposits (2018: $31,321,000). As at 28 September 2019 the Company did not hold any bank overdrafts (2018: $Nil).

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.

3 Summary of significant accounting policies (continued)

m) Financial instruments (continued)

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 payments 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.

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 fuel 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

3 Summary of significant accounting policies (continued)

m) Financial instruments (continued)

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 and deferred until the cruise occurs at which time they are recognised as revenue.

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 after assigning a residual value 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.

3 Summary of significant accounting policies (continued)

q) Employee benefits (continued)

(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 recognised by the parent undertaking.

(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 22.

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.

3 Summary of significant accounting policies (continued)

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

(i) Useful economic lives of tangible assets (E)
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. As a result, impairments are made where required. See note 10 for the carrying amount of tangible assets and policy note 3j for the useful economic lives for each class of asset.

(ii) Investments (E)
The Company's fixed asset investments are held at historical cost, adjusted for impairment where applicable. Impairment assessments involve management's analysis and estimates of the respective investments' forecasted future cash flows, territory market conditions, recent applicable market transactions and net asset composition. See note 11 for the carrying amount of the Company's investments.

(iii) Defined benefit pension scheme (J)
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 19 for further details.

(iv) Share-based payments (E)
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.

(v) Inventory provisioning (E)
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 12 for the net carrying amount of the inventory.

(vi) Impairment of debtors (E)
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 13 for the net carrying amount of the Company's debtors.

3 Summary of significant accounting policies (continued)

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

(vii) Hedging arrangements (E)
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.

**(E - critical accounting estimates and assumptions; J - critical judgements in applying the Company's accounting policies)*

4 Turnover

The categories of revenue during the year were as follows:

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Cruise revenue	1,541,056	1,459,220
Other revenue	63,288	59,171
Total	**1,604,344**	1,518,391

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.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 28 September 2019 (continued)

5 Operating profit

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Operating profit is stated after charging:		
Wages and salaries	211,387	202,575
Social security costs	2,686	2,478
Other pension costs	4,023	3,695
Staff costs	218,096	208,748
Depreciation of tangible fixed assets	121,617	119,912
Operating lease charges – cruise vessel	48,403	48,403
Auditors' remuneration		
Fees payable to Company's auditors and its associates		
Audit services	190	265

Cost of sales includes $130,665,000 inventory expense for the year (2018: $118,877,000).

6 Income from shares in group undertakings

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Dividend received	-	38,025
Dividend paid	(400,000)	(970,000)

No dividend (2018: $35,000,000) was received from DCL Island Development Limited.

No dividend (2018: $3,025,000) was received from The Walt Disney Company Africa (Proprietary) Limited.

On 24 September 2019, a dividend of $400,000,000 (2018: $970,000,000) was paid to Wedco Global Ventures Three LP.

7 Interest receivable and similar income

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Bank interest receivable	5,687	5,366

8 Employee Information

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

	Year ended 28 September 2019 Number	Year ended 29 September 2018 Number
Employees:		
Shipboard Personnel	4,949	4,956
Administrative Personnel	963	890
Total	5,912	5,846

9 Tax on profit

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

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Tax on profit:		
Analysis of charge in year		
Current Tax:		
UK Corporation tax on profit for the year at 19% (2018: 19%)	6,006	4,005
Tonnage Tax	59	63
Adjustments in respect of prior periods	202	1,099
Foreign tax suffered	-	151
Total current tax	6,267	5,318
Tax on profit	6,267	5,318

9 Tax on profit (continued)

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than (2018: lower) the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	Year ended 28 September 2019 $'000	Year ended 29 September 2018 $'000
Profit before taxation	**412,437**	410,515
Profit before taxation multiplied by the standard rate in the UK 19% (2018: 19%)	78,363	77,998
Effects of:		
Adjustments in respect of prior periods	**202**	1,099
Non tonnage tax items	**(72,357)**	(73,993)
Tonnage tax profit	**59**	63
Foreign tax suffered	**-**	151
Total tax charge for the year	**6,267**	5,318

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. The Finance Bill 2020 was substantively enacted on 17 March 2020 which reversed this further reduction. As substantive enactment was after the year end date it has not been reflected in the above taxation notes. It is considered that the decrease in the future tax rate does not have a material impact for this company in this set of financial statements.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 28 September 2019 (continued)

10 Tangible Assets

	Assets under course of construction $'000	Stage Shows and other on board entertainment and programming costs $'000	Furniture, fixtures, leasehold improvements and equipment (including cruise ships) $'000	Total $'000
Cost				
At 30 September 2018	13,424	111,898	2,156,838	2,282,160
Additions	83,003	-	96	83,099
Transfers	(42,169)	11,345	30,824	-
Retirement	(5)	(261)	(5,183)	(5,449)
At 28 September 2019	**54,253**	**122,982**	**2,182,575**	**2,359,810**
Accumulated depreciation				
At 30 September 2018	-	86,642	658,861	745,503
Charge for the year	-	10,878	110,739	121,617
Retirement	-	(147)	(2,541)	(2,688)
At 28 September 2019	-	**97,373**	**767,059**	**864,432**
Net book amount				
At 28 September 2019	**54,253**	**25,609**	**1,415,516**	**1,495,378**
At 29 September 2018	13,424	25,256	1,497,977	1,536,657

The categories of fixed assets presented in the table above relate to luxury cruise vessels owned by the Company, other than approximately $300,000,000 (2018: $300,000,000) of net book value relating to leasehold improvements and show / entertainment expenditures on two luxury cruise vessels leased by the Company.

11 Investments

	28 September 2019 $'000	29 September 2018 $'000
Cost	315,300	315,300
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 2019	2018
The Walt Disney Company Africa (Proprietary) Limited	Distributing and Merchandising services	South Africa	100%	100%
DCL Island Development Limited	Exclusive port provider in Castaway Cay for Disney cruises	Bahamas	100%	100%

The Directors assessed and determined no events or circumstances identified to have a potential impairment trigger. The Directors are of the opinion that the recoverable amount of these investments is not less than the carrying value of the investments.

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 c/o the Alexander Corporate Group Limited
DCL Island Development Limited	One Millars Court, Millars Court, Nassau, Bahamas

The Company is a subsidiary of Wedco Global Ventures LLP 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.

12 Stocks

	28 September 2019 $'000	29 September 2018 $'000
Food and beverage	5,144	5,362
Merchandise goods for resale	8,265	4,169
Consumables (including fuel)	3,772	4,670
Total	17,181	14,201

There is no material difference between the carrying amount of stock and the replacement cost. Inventories are stated after provisions for impairment of $263,000 (2018: $418,000).

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 28 September 2019 (continued)

13 Debtors

	28 September 2019 $'000	29 September 2018 $'000
Trade debtors	**3,385**	3,140
Amounts owed by group undertakings	**81,668**	28,753
Derivative financial assets (note 16)	**315**	11,031
Prepayments and accrued income	**7,396**	6,144
Total	**92,764**	49,068

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.

14 Creditors: amounts falling due within one year

	28 September 2019 $'000	29 September 2018 $'000
Trade creditors	**70,978**	42,503
Amounts owed to group undertakings	**158,416**	221,626
Other taxation and social security	**2,495**	2,657
Corporation tax	**6,065**	4,067
Deposits received on future cruises	**548,534**	491,475
Derivative financial liabilities (note 16)	**2,452**	-
Accruals and deferred income	**15,097**	15,354
Total	**804,037**	777,682

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 28 September 2019 (continued)

15 Creditors: amounts falling due after more than one year

	28 September 2019 $'000	29 September 2018 $'000
Deposits received on future cruises	**18,630**	18,592
Accruals and deferred income	**4,399**	2,626
Total	**23,029**	21,218

16 Financial instruments by category

	Note	28 September 2019 $'000	29 September 2018 $'000
Financial assets measured at amortised cost:			
Trade debtors	13	**3,385**	3,140
Amounts owed by group undertakings	13	**81,668**	28,753
Cash at bank and in hand		**81,223**	65,228
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	13	**315**	11,031
Derivative financial instruments - maturing after one year		**-**	1,891
Total		**166,591**	110,043
Financial liabilities measured at amortised cost:			
Trade creditors	14	**70,978**	42,503
Amounts due to group undertakings	14	**158,416**	221,626
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	14	**2,452**	-
Total		**231,846**	264,129

Derivative financial assets maturing within one year on un-matured fuel hedges amounted to $315,000 as at 28 September 2019 (2018: $11,031,000). Derivative financial assets maturing after one year amounted to $Nil as at 28 September 2019 (2018: $1,891,000). 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 Income statement when the forecasted fuel purchases occur.

Derivative financial liabilities maturing within one year on un-matured fuel hedges amounted to $2,452,000 as at 28 September 2019 (2018: $Nil). Derivative financial liabilities maturing after one year on un-matured fuel hedges amounted to $Nil as at 28 September 2019 (2018: $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 Income statement when the forecasted fuel purchases occur.

17 Called up share capital

	28 September 2019 $	29 September 2018 $
Authorised: 100 (2018:100) Ordinary shares of £1 each converted at an exchange rate of $1.61(2018: $1.61)	161	161
Allotted and fully paid: 10 (2018:10) 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

18 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.

On 27 July 2017, the Company entered into an additional sale and purchase agreement with DCL Maritime LLC for a third ship to be delivered in 2022.

DCL Maritime LLC (a related legal entity) has credit facilities to finance three new cruise ships, which were originally scheduled to be delivered in calendar 2021, 2022 and 2023. The impact of COVID-19 on the shipyard has resulted in a delay to the delivery of the cruise ships.

On 29 March 2019, the Company entered into an agreement for the exclusive procurement of liquid natural gas for the upcoming fleet expansion. Under the agreement, the Company is not required to make any payments until year 2022.

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

	28 September 2019 $'000	29 September 2018 $'000
Within one year	50,538	50,538
Between two and five years	175,359	200,897
After five years	-	25,000
Total	225,897	276,435

The Company has contractual obligations for maintenance and other services of $8,128,000 at 28 September 2019 (2018: $10,143,000).

19 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 Walt Disney Company Group as a whole, and is allocated to the Company based on an estimate. The pension cost recognised in the Income statement for this scheme represents contributions payable by the Company to the scheme for the period, $4,023,000 (2018: $3,695,000). 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 28 September 2019 using the Project Unit Credit method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 7.25% (2018: 7.5%) per annum, the rate of salary increase would be 3.3% (2018: 4%), and the discount rate 3.26% (2018: 4.33%). At the date of the latest actuarial valuation at 28 September 2019, the market value of the assets of the scheme was $9,668,000,000 (2018: $8,431,000,000), and the actuarial value of the assets was sufficient to cover 86.7% (2018: 93.2%) 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 2019 and 2018 were not material.

20 Directors' emoluments

	2019 $'000	2018 $'000
Aggregate emoluments	1,574	2,172
Company contributions paid to defined contribution plan	167	22

Highest paid director

	2019 $'000	2018 $'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	859	1,172
Defined contribution pension scheme	10	5
Defined benefit amount accrued	54	112

Retirement benefits are accruing to 2 (2018:2) Directors under a defined benefit scheme and 3 (2018:3) Directors under a defined contribution plan in respect of their qualifying services. 2 (2018:2) Directors exercised share options in the ultimate parent Company in the year and no (2018: no) Directors received shares under long term incentive schemes.

20 Directors' emoluments (continued)

The services of one (2018: one) of the Directors was recharged to the Company by other group Companies.

The above details of Directors' emoluments do not include the emoluments of 7 (2018: 9) Directors who are paid by other group companies. It is not possible to identify separately the amount relating to these directors.

21 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 2019 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.

22 Related party transactions

The Company is a wholly owned subsidiary of Wedco Global Ventures LLP 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 23.

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 Global Ventures LLP whose ultimate parent is The Walt Disney Company, incorporated in the United States of America.

23 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

The ultimate parent undertaking was The Walt Disney Company as detailed above. On 21 March 2019, the ultimate parent undertaking changed to The Walt Disney Company, an entity incorporated in the United States of America with a tax identification number of 83-0940635.

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%

24 Post balance sheet events

a) Revolving credit facility arrangement

On 18 March 2020 the Company entered into a revolving credit facility agreement with Disney Enterprise Inc. whereby the Company lent $300,000,000. The maturity date of the agreement is 15 December 2021. Interest is payable semi-annually to the Company using USD Libor rate plus 28 basis points.

b) COVID-19 pandemic

In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. This is considered by the Directors to be a non-adjusting post balance sheet event. COVID-19 pandemic created a significant impact on the short-term operations of the Company. It is believed that the long lived assets of the Company have longer term prospects for sustained performance relative to the uncertain duration of the effects of the pandemic. Therefore, it was concluded that it was premature to consider any of these assets for impairment.