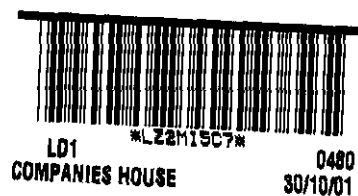


Magical Cruise Company, Limited

(Registered Number 3157553)

Directors' Report and Financial Statements

Year Ended 30 September 2000



Magical Cruise Company, Limited

Directors' Report For The Year Ended 30 September 2000

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2000.

Review of activities and future developments

The Company's principal activity is the operation of two luxury cruise vessels. The Company commenced trading in September 1996. The directors are satisfied with the performance of the Company and look forward to the future with optimism.

Results and dividends

The Company's loss for the financial year is \$7,168,000 (1999: \$30,502,000). The directors do not recommend the payment of a dividend (1999: \$Nil).

Directors

The directors who held office during the year and up to, but not including, the date of the Annual General Meeting are given below:

SE Davies (resigned 28 June 2001)
T McAlpin
P Wiley
M Ouimet
B Ellis
F Ioppolo
SR Salter
S Warrener

None of the directors have an interest in the shares of the Company.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made which are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units, and of the Company as a whole. Communication with all employees continues through newsletters, briefing groups and the availability of the annual report.

Magical Cruise Company, Limited

Directors' Report For The Year Ended 30 September 2000 (Continued)

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be proposed at the Annual General Meeting.

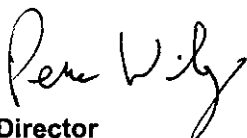
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board on ^{29 October} 2001
^


Director

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

We have audited the financial statements on pages 4 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

29 October 2001

Magical Cruise Company, Limited

Profit And Loss Account For The Year Ended 30 September 2000

	Note	2000 \$'000	1999 \$'000
Turnover – Continuing operations	2	346,065	224,723
Cost of sales		(252,820)	(167,194)
Gross profit		93,245	57,529
Distribution expenses – Selling and other		(75,760)	(58,215)
Administrative expenses		(25,078)	(29,492)
Operating loss		(7,593)	(30,178)
Disposal of continuing operations - fixed assets		(3,161)	-
Operating loss on ordinary activities before taxation		(10,754)	-
Tax on loss on ordinary activities	4	3,586	(324)
Retained loss for the financial year		(7,168)	(30,502)

The Company had no recognised gains or losses during the year other than those reflected in the profit and loss account above.

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

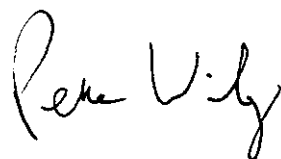
The notes on pages 6 to 14 form part of these accounts.

Magical Cruise Company, Limited

Balance sheet as at 30 September 2000

	Note	2000 \$'000	1999 \$'000
Fixed assets			
Tangible assets	5	24,265	30,493
Current assets			
Stock	6	2,902	6,232
Debtors	7	391,018	135,641
Cash at bank and in hand		2,010	1,404
		395,930	143,277
Creditors – amounts falling due within one year	8	(520,853)	(263,674)
Net current liabilities		(124,923)	(120,397)
Total assets less current liabilities		(100,658)	(89,904)
Provision for liabilities & charges	13	(923)	(4,509)
Net liabilities		(101,581)	(94,413)
Capital and reserves			
	9, 10, 11		
Called up share capital		-	-
Share premium account		1,063	1,063
Profit and loss account		(102,644)	(95,476)
Total shareholders' deficit		(101,581)	(94,413)

The financial statements on pages 4 to 14 were approved by the Board of Directors on 29 October 2001 and were signed on its behalf by: ^



Director

The notes on pages 6 to 14 form part of these accounts.

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000

1 Accounting policies

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards on a basis consistent with the previous year.

a) Reporting currency and presentation

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

b) Turnover

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

c) Fixed assets and depreciation

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

Stage show and other on-board entertainment and programming costs	5 years
Furniture, fixtures and equipment	3 to 10 years

d) Drydock costs

Drydock costs are capitalised and amortised over the shorter of the estimated useful life of the asset, the period until the next scheduled drydock, or the vessel's remaining lease term on a straight-line basis.

e) Capitalised Interest

Interest borne by the Company in relation to the funding of the tangible fixed assets is capitalised within tangible fixed assets.

f) Stock

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

g) Pension Costs

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

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

1 Accounting policies (Continued)

h) Cruise deposits

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

i) Operating leases

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

j) Deferred taxation

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes unless such timing differences are likely to give rise to a taxation liability.

k) Cash flow statement

The Company is a wholly owned subsidiary of The Walt Disney Company, incorporated in the United States of America, and is included in its consolidated financial statements, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

2 Turnover

	2000 \$'000	1999 \$'000
Cruise income	336,755	202,277
Other operating income	9,310	22,446
Total	346,065	224,723

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

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

3 Operating loss

	2000 \$'000	1999 \$'000
Operating loss is stated after charging		
Wages and salaries	48,377	38,817
Social security costs	597	929
Other pension costs	208	244
Staff costs	49,182	39,990
Depreciation of tangible fixed assets	7,814	5,120
Operating lease charges – Cruise vessel	65,160	42,413
Auditors' remuneration		
Audit services	118	85
Non-audit services	-	-

The average number of persons employed by the Company during the year was 2,006 consisting of 1,864 shipboard personnel and 142 administrative personnel (1999: 1,214 shipboard personnel and 146 administrative personnel).

4 Tax on loss on ordinary activities

	2000 \$'000	1999 \$'000
Taxation on the loss for the year		
UK corporation tax at 30.0% (1999: 30.5%)	-	-
Under/(over) provision in respect of previous years	-	-
Deferred taxation (credit)/charge	(3,586)	324
Total	(3,586)	324

Deferred taxation represents provision for accelerated capital allowances expected to give rise to a taxation liability in the foreseeable future.

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

5 Tangible fixed assets

	Assets under course of construction \$'000	Stage Shows & other on board entertainment & programming costs \$'000	Furniture, fixtures and equipment \$'000	Total \$'000
Cost				
At 30 September 1999	-	35,189	1,040	36,229
Additions	144	3,362	1,241	4,747
Disposals	-	(5,577)	-	(5,577)
At 30 September 2000	144	32,974	2,281	35,399
Accumulated depreciation				
At 30 September 1999	-	(5,490)	(246)	(5,736)
Charge for the year	-	(7,560)	(254)	(7,814)
Disposals	-	2,416	-	2,416
At 30 September 2000	-	(10,634)	(500)	(11,134)
Net book amount				
at 30 September 2000	144	22,340	1,781	24,265
At 30 September 1999	-	29,699	794	30,493

Assets under course of construction represent costs associated with improvements to the ship that have not been completed as of year-end. Included in the amounts capitalised are interest costs of \$490,000 (1999: \$663,000).

In August of the current fiscal year, the company disposed of certain stage show assets to allow for a change in entertainment venue in conjunction with the 7 Day Cruise offered aboard the Disney Magic. Upon disposal of the assets, the Company recognised a loss of \$3,161,000.

6 Stock

	2000 \$'000	1999 \$'000
Food and beverage	1,126	1,468
Merchandise goods for resale	1,424	4,527
Consumables	352	237
Total	2,902	6,232

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

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

7 Debtors

	2000 \$'000	1999 \$'000
Trade debtors	2,952	1,505
Amounts owed by group undertakings	387,457	132,596
Other debtors	-	205
Prepayments	609	1,335
Total	391,018	135,641

Amounts owed by group undertakings, a portion representing amounts due under management service agreements, are unsecured, interest free, and have no fixed date of repayment.

8 Creditors – amounts falling due within one year

	2000 \$'000	1999 \$'000
Bank overdrafts	2,704	8,297
Amounts due to group undertakings	424,026	175,925
Trade creditors	11,849	13,365
Taxation and social security	334	475
Deposits received on future cruises	80,388	64,588
Other accrued expenses	1,552	1,024
Total	520,853	263,674

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

9 Called up equity share capital

	2000 \$	1999 \$
Authorised: 100 Ordinary shares of £1 each converted at an exchange rate of £1.50 (1999: \$1.65)	150	165
Allotted and called up: 2 ordinary shares of £1 each (1 converted at an exchange rate of \$1.54 and 1 converted at \$1.70)	3	3

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

10 Reserves

	Share Premium account \$'000	Profit and Loss Account \$'000	Reserves \$'000
At 30 September 1999	1,063	(95,476)	(94,413)
Retained loss for the financial year	-	(7,168)	(7,168)
At 30 September 2000	1,063	(102,644)	(101,581)

11 Reconciliation of movements in shareholders' deficit

	2000 \$'000	1999 \$'000
Loss for the year	(7,168)	(30,502)
Shareholders' deficit as at beginning of year	(94,413)	(63,911)
Shareholder's deficit as at 30 September	(101,581)	(94,413)

12 Operating lease commitments and other contractual obligations

The Company has entered into operating leases to operate the luxury cruise vessels for a fifteen year period. Under the lease agreements, the Company makes semi-annual payments on each cruise vessel of \$18,050,000 and \$16,923,000 beginning one year after each respective cruise vessel becomes operational. The total lease payment due under the operating leases are \$69,946,000 in financial year 2001, \$279,784,000 from financial year 2002 to 2005 inclusive, and \$559,571,000 thereafter.

The Company has contractual obligations for maintenance and other services of \$8,311,000 at 30 September 2000 (1999: \$6,085,000). The total payments due under maintenance contracts are \$2,781,000 in financial year 2001, \$5,159,000 from financial year 2002 to 2005 inclusive, and \$371,000 thereafter.

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

13 Provision for liabilities & charges

	Deferred tax provision \$'000
At 1 October 1999	4,509
Released during the year	(3,586)
<hr/>	
At 30 September 2000	923

The provision for deferred taxation has been made in respect of accelerated capital allowances that are expected to give rise to a taxation liability in the foreseeable future. There are no potential deferred tax liabilities which are unprovided (1999: \$Nil).

14 Pension commitments

The shoreside employees of the Company participate in the Group defined benefit pension plan. The defined benefit pension plan is provided under the Walt Disney World Co. & Associated Companies' Retirement Plan and the Disney Salaried Retirement Plan. The cost of contributions to the group scheme are based on pension costs across the Group as a whole. Pension costs incurred by the Company for the year amounted to \$208,000 (1999: \$244,000).

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 are discussed below.

The cost is assessed in accordance with the advice of William M. Mercer, Inc., consulting actuaries. The latest actuarial valuation of the scheme was performed as at 1 July 2000 using the five-year weighted average method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 10.0% (1999: 10.5%) per annum, the rate of salary increase would be 5.5% (1999: 5.1%) per annum, and the discount rate 8.0% (1999: 7.5%).

At the date of the latest actuarial valuation at 1 July 2000, the market value of the assets of the scheme was \$1,455,400,000 (1999: \$1,478,700,000) and the actuarial value of the assets was sufficient to cover 161% (1999: 133%) of the benefits that had accrued to members, after allowing for expected future increases in earnings.

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

No pension benefits are currently available for shipboard employees.

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

15 Directors' emoluments

	2000 \$'000	1999 \$'000
Aggregate emoluments	473	630
Company contributions paid to a money purchase scheme	3	12

Highest paid director

	2000 \$'000	1999 \$'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	260	204
Defined benefit pension scheme:		
Accrued pension	195	246

Retirement benefits are accruing to five directors under a defined contribution scheme (1999: nine) and to four directors under the defined benefit scheme (1999: four).

16 Ultimate parent undertaking and financial support

Ultimate Parent

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

Immediate Parent

The immediate parent is Walt Disney International Limited.

Parent undertaking

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

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

Magical Cruise Company, Limited

Notes To The Financial Statements For The Year Ended 30 September 2000 (Continued)

17 Related Party Transactions

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