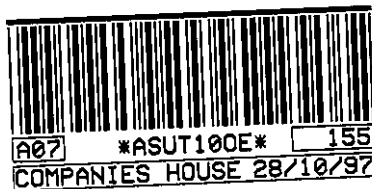


**MAGICAL CRUISE COMPANY, LIMITED**  
**(formerly Devonson Cruise Company, Limited)**  
**(Registered No: 3157553)**

**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE PERIOD FROM INCORPORATION**  
**TO 28 SEPTEMBER 1996**



## **MAGICAL CRUISE COMPANY, LIMITED**

### **REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 28 SEPTEMBER 1996**

The directors present their report and the audited accounts of the Company for the period ended 28 September 1996.

#### **REVIEW OF ACTIVITIES**

The Company was incorporated on 6 February 1996 to operate two luxury cruise vessels, which are presently in the course of construction.

The Company changed its name from Devonson Cruise Company, Limited to Magical Cruise Company, Limited by a special resolution dated 26 September 1996 which became effective on 1 October 1996.

#### **RESULTS**

The Company has not traded since the date of incorporation. Consequently no profit and loss account has been prepared (see page 4 and note 2).

#### **DIRECTORS**

The following directors, all appointed on 6 February 1996, held office during the period:

SE Davies  
AA Rodney  
SR Salter  
JH Smith  
S Warrener

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

#### **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 and 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;
- 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.

**MAGICAL CRUISE COMPANY, LIMITED**

**REPORT OF THE DIRECTORS  
FOR THE PERIOD ENDED 28 SEPTEMBER 1996 (Continued)**

**AUDITORS**

A resolution was passed on 26 September 1996 to appoint Price Waterhouse as auditors. Price Waterhouse have indicated their willingness to continue in office and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

By Order of the Board on 23 October 1997

A handwritten signature in black ink, appearing to be 'M. S. Lee', written over a faint circular stamp or seal.

Director

*Price Waterhouse*



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
MAGICAL CRUISE COMPANY, LIMITED**

We have audited the accounts on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on pages 1 and 2 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**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 judgements made by the directors in the preparation of the accounts, 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 accounts.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 28 September 1996 and of its result and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse  
Chartered Accountants  
and Registered Auditors  
London

27 October 1997


**MAGICAL CRUISE COMPANY, LIMITED**

**BALANCE SHEET AS AT 28 SEPTEMBER 1996**

	<u>Note</u>	<u>As at 28 September 1996</u>	
		<u>\$</u>	<u>\$</u>
<b>FIXED ASSETS</b>			
Tangible fixed assets	4		4,751,469
<b>CURRENT ASSETS</b>			
Debtors	5	2	
<b>CREDITORS</b> (amounts falling due within one year)	6	<u>(4,751,469)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(4,751,467)</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>			<u>2</u>
<b>EQUITY CAPITAL AND RESERVES</b>	7, 8		
Called up share capital			2
Profit and loss account			<u>-</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>			<u>2</u>

Approved by the Board on 23 October 1997

On behalf of the board:



JH Smith  
Director

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 28 SEPTEMBER 1996**

There were no recognised or unrecognised gains or losses in the period.

The notes on pages 5 to 7 form part of these accounts.

# MAGICAL CRUISE COMPANY, LIMITED

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 28 SEPTEMBER 1996

### 1 ACCOUNTING POLICIES

#### (1) Convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### (2) Reporting currency

The accounts are presented in US dollars as that is the currency in which it generates its net cash flows.

#### (3) Foreign currencies

Balances denominated in foreign currencies are translated into US dollars at the appropriate rate ruling at the balance sheet date. Transactions in foreign currencies are translated at the rates ruling at the transaction date.

#### (4) Fixed Assets and depreciation

Tangible fixed assets will be depreciated on a straight line basis over their estimated useful economic life. The useful economic life is estimated to be as follows:

Stage show and other on-board entertainment costs	5 years
Infrastructure costs associated with on-board entertainment	15 years (life of lease)
Depreciation for the above items will begin one month after each ship is placed in service.	
Landside systems	3 and 5 years
Landside fixtures and fittings	Estimated useful life or life of leases, whichever is shorter

Depreciation for landside items will begin once the asset is completed and placed in service.

#### (5) Cash flow statement

The cash flows of the Company are included in the consolidated group cash flow statement of Walt Disney Holdings (UK) Limited, the immediate parent company. Consequently, the Company is exempt under the provisions of Financial Reporting Standard No. 1 from publishing a cash flow statement.

### 2 RESULTS

The directors received no remuneration in respect of their services to the Company.

The auditors' remuneration was borne by a fellow subsidiary undertaking.

The Company had no employees during the period.

**MAGICAL CRUISE COMPANY, LIMITED**

**NOTES TO THE ACCOUNTS  
FOR THE PERIOD ENDED 28 SEPTEMBER 1996 (Continued)**

**3 TAXATION**

	Period ended 28 September 1996 \$
United Kingdom corporation tax at 33% based on the result for the year	Nil

**4 TANGIBLE FIXED ASSETS**

During the year, project costs associated with development of the on-board entertainment and infrastructure costs of \$4,751,469 have been capitalised.

**5 DEBTORS**

	28 September 1996 \$
Amount owed by group undertaking	<u>2</u>
Amount represents called up share capital not paid.	

**6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	28 September 1996 \$
Amount owed to group undertaking	<u>4,751,469</u>
The amount owed to group undertaking is unsecured, has no set repayment date and bears no interest.	

**7 EQUITY SHARE CAPITAL**

	28 September 1996 \$
Authorised: 100 ordinary shares of £1 each	<u>154</u>
Allotted and fully paid: 1 ordinary share of £1 (converted at an exchange rate of \$1.54)	<u>2</u>

## MAGICAL CRUISE COMPANY, LIMITED

### NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 28 SEPTEMBER 1996 (Continued)

#### 8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period Ended 28 September <u>1996</u>
	\$
Issue of shares	2
Result for the year	<u>-</u>
Closing shareholders' funds	<u><u>2</u></u>

#### 9 COMMITMENTS

The Company had contractual obligations of \$880,719 at 28 September 1996.

#### 10 ULTIMATE PARENT UNDERTAKING

##### Ultimate Parent

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

##### Immediate Parent

The immediate parent is Walt Disney Holdings (UK) Limited.

##### Parent undertaking

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

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