Magical Cruise Company, Limited

(Registered Number 03157553)

Annual report and financial statements for the year ended 3 October 2020

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Strategic report for the year ended 3 October 2020

The Directors present their Strategic report for Magical Cruise Company, Limited (the 'Company') for the year ended 3 October 2020 (prior financial year ended 28 September 2019).

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 loss for the financial year is $255,853,000 (profit in 2019: $406,170,000). In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. The COVID-19 pandemic created a significant impact on the operations of the Company. Revenue and Operating Income decreased year over year primarily due to the COVID-19 outbreak and the suspension of cruise vessel operations since 14 March 2020.

Cruise ships sailings were suspended since 14 March 2020. Post year end operations have resumed. Disney Magic resumed sailing on 15 July 2021, Disney Fantasy resumed sailing on 11 September 2021, Disney Dream resumed sailing on 9 August 2021 and Disney Wonder will resume sailing on 1 October 2021.

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. However, there was a certain amount of cost that needed to be incurred monthly to maintain the ships in warm layup, which could not be mitigated by actions.

DCL Maritime LLC (an affiliated 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, now anticipated in calendar 2022, 2024, and 2025.

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. During the year the Directors have been managing and will continue to manage closely, for at least the next 12 months from the date of this Annual report, day to day working capital requirements with its related parent entity in order to meet the Company's liabilities as they fall due. This has seen the amounts owed to group undertakings increase from $158.4 million in the prior year to $551.8 million at the 3 October 2020. As there is an expectation that the Company will continue to rely on group undertakings to meet its liquidity requirements, the Company has received assurances of financial support from a group undertaking for at least the next 12 months from the date these financial statements are approved. The Company has not had to raise any external financing during the year.

As a result of the COVID-19 pandemic and in preparation for resumed operations which began 15 July 2021, the Company has developed multiple layers of health and safety measures in compliance with UK government regulations and the United States Centers for Disease Control and Prevention (CDC) including ship modifications and COVID-19 vaccination and testing protocols for crew and guests.

Management continues to believe the long lived assets of the Company have longer term prospects relative to the uncertain duration of the effects of the pandemic as evidenced by the post year end re-launch of the Disney Magic, Disney Dream, and Disney Fantasy and the imminent re-launch of the Disney Wonder.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Principal activities, business review and future developments (continued)

On 24th September 2021, the Company entered into a purchase agreement to acquire the Disney Wonder vessel from Disney Magic Corporation ("DMC") for the ship's determined fair market value of $303,950,000.

On 24th September 2021, the Company entered into a purchase agreement to acquire the Disney Magic vessel from Disney Magic Company Limited ("DMCL") for the ship's determined fair market value of $278,650,000.

In order to fund these purchases and repay an intercompany amount of $900,000,000, the Company allotted 989,248,884 ordinary shares of £1.00 (the amount payable being the USD equivalent of 1,352,600,000) to Wedco Global Ventures LLP.

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, pandemics, political uncertainty and changes in consumer spending patterns

Many economic and other factors outside our control, including consumer confidence, consumer spending levels, pandemics, 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. In addition, an increase in price levels generally, or in price levels in a particular sector such as the energy sector, could result in a shift in consumer demand away from the entertainment and consumer products we offer, which could also adversely affect our revenues and, at the same time, increase our costs. 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. The impact of pandemics on consumer confidence and ultimately occupancy levels could also affect our financial performance. We have resumed sailing since suspension on 14 March 2020 and are yet to see how occupancy levels bounce back.

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.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Principal risks and uncertainties and future outlook (continued)

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 and consumption of our products and services, particularly our cruise business, is highly dependent on the general environment for travel and tourism. The environment for travel and tourism, as well as demand for and consumption of 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 as it has been by 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 some of these events. An incident that affected our ships directly would have a direct impact on our ability to provide goods and services and could have an extended effect of discouraging consumers from attending our ships. Moreover, the costs of protecting against such incidents, including the costs of protecting against the spread of COVID-19, reduces the profitability of our operations

4) Changes in regulations applicable to our businesses may impair the profitability of our businesses and environmental risk to the Company.

These regulations may include, but are not limited to:

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

As well as the impacts of environmental protection regulations on profitability, there is also an increased focus on the environment, climate, public health of coastal communities and wildlife conservation. Any actions that cause an adverse impact will damage the brand and therefore the Company needs to continue to minimise its impact on the environment through utilising new technologies, increasing fuel efficiency, minimising waste and promoting conservation worldwide.

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 43 of the Group's annual report, which does not form part of this report.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement

As a subsidiary within the group of companies of which The Walt Disney Company is the ultimate parent company (the "Group"), Magical Cruise Company Limited (also known as Disney Cruise Line) is subject to organisational and management systems which enable the Board of Directors ("the Board") to oversee governance of the activities of the Company. As is normal for large companies, the Board delegates authority for day-to-day management of the Company to the managers responsible for the management of the Company. The Board ensures that when applying group policies and delegating responsibility for operational matters to the managers, it does so with due regard to its fiduciary duties and responsibilities.

The Directors are aware of their duty under section 172 of the Companies Act 2006 to act in a way that they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its Members as a whole. In doing so they have considered (amongst other matters) factors (1) (a) to (f) listed below:

a. the likely consequences of any decision in the long term,
b. the interests of the Company's employees (known as "Cast Members"),
c. the need to foster the Company's business relationships with suppliers, customers (known as "Guests") and others,
d. the impact of the Company's operations on the community and the environment,
e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
f. the need to act fairly between Members of the Company.

We have detailed below how, throughout the year, each of these factors have been considered by the Board, how stakeholder engagement has impacted its decision making and policies.

a. The likely consequences of any decision in the long term

We are aware that our decisions and strategies can have long-term effects on our business and its stakeholders. Therefore we aim to make well informed, fair and balanced decisions. Our key stakeholders include Crew Members, Cast Members, Guests, home ports and ports of call, regulators and suppliers who are at the forefront of our minds when making decisions. We set out below some of the decisions the Board has taken during the course of the year with a view to creating long term success for the Company and its stakeholders as a whole.

Immediately after the World Health Organization declared COVID-19 a pandemic in mid-March 2020, Disney Cruise Line voluntarily suspended passenger operations and responded swiftly by implementing health and safety protocols aboard all four ships, developed considering guidance from the government and public health experts. Ship staffing was reduced to levels supporting critical manning only, and we worked with national and international authorities to repatriate Crew Members to their home countries amid rapidly changing global travel restrictions. All non-essential Crew successfully returned home. Disney Cruise Line continued to work with governmental authorities and industry partners to identify a path toward resuming passenger operations as soon as practicable, which commenced from the UK on July 15, 2021 and from the U.S. on August 9, 2021.

As previously announced, in addition to its four current ships – the Magic, Wonder, Dream and Fantasy – Disney Cruise Line is building three additional cruise ships, each of them showcasing the immersive family entertainment, enchanting storytelling and unparalleled service that only Disney can deliver. Plans continued forward in FY20 and construction began on the fifth ship – the Disney Wish – although delivery dates for all three new ships to be operated by the company shifted from 2021, 2022 and 2023 to 2022, 2024 and 2025. The three new ships will be powered by liquefied natural gas and, at approximately 144,000 gross tons and 1,250 Guest staterooms, will be slightly larger than the Disney Dream and Disney Fantasy. The Disney Wish will sail its maiden voyage on June 9, 2022. At the current time the Company has no obligations or plans to fund these ship builds as they are initially being purchased by another group undertaking.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement (continued)

a. The likely consequences of any decision in the long term (continued)

Plans also continued for Disney Cruise Line's second private island destination, Lighthouse Point, in southern Eleuthera, The Bahamas. The project was originally scheduled to open in late 2022 / early 2023; however, the timing is being reassessed in conjunction with the new ship delivery dates. The destination will create sustainable economic opportunities for Bahamians, protect and sustain the natural beauty of the site, celebrate culture, and help strengthen the community in Eleuthera. It will complement Castaway Cay, a Disney destination located in the Abaco chain of The Bahamas, giving families the opportunity to enjoy the site's beautiful beaches and explore nature, as well as enjoy the broader tourism offerings in Eleuthera. At the current time the Company has no obligations or plans to fund this project but will evaluate the situation as the project progresses.

b. The interests of the Company's employees (known as "Crew" and "Cast Members")

Since its launch in 1998, Disney Cruise Line is a well-established name in the cruise industry, providing a setting where families can reconnect, adults can recharge and children can experience all Disney has to offer. We strive to provide exceptional service that reflects our iconic brand, enabled by the passion and hard work of our Cast and Crew. We understand the importance of our employees to our long-term success and are committed to providing a safe working environment, a diverse and inclusive culture and appropriate training and development.

The health and safety of our Cast and Crew Members is a top priority. Health and Safety policies are in place and relevant health and safety training is provided. As a result of the COVID-19 pandemic, Disney Cruise Line developed multiple layers of health and safety measures in compliance with UK government regulations, EU Healthy Gateways, and guidance from industry organizations such as Cruise Lines International Association (CLIA) and the UK Chamber of Shipping. This includes ensuring all Crew Members are vaccinated and tested routinely for COVID-19.

Disney Cruise Line also complies with, and in some cases exceeds, the requirements set forth in the International Labour Organization's (ILO's) Maritime Labour Convention (MLC) which governs almost all aspects of working aboard a ship. Crew Members are organized through a collective bargaining unit (union) through the Federazione Italiana Transporti (FIT). The current union agreement went into effect on January 1, 2020 and is binding for four years. It stipulates compensation, benefits, working hours, and contract lengths for the range of work positions on-board.

Disney Cruise Line Crew and Members receive a wide range of employment benefits. While on contract in service of the ship, Crew Members receive medical care by the on-board medical team. Officers are offered full health benefits year-round when signed to a contract. Crew Members have access to mental health resources through an Employer Assistance Program offered in multiple languages, as well as access to online resources and wellness content offered on-demand via Crew stateroom TVs.

Disney has an ongoing commitment to diversity and inclusion (D&I). In June 2020 TWDC CEO Bob Chapek launched a new Company-wide initiative comprised of six pillars focused on increasing D&I: Transparency, Representation, Accountability, Community, Content, and Culture.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement (continued)

c. The need to foster the Company's business relationships with suppliers, customers ("Guests") and others

We pride ourselves on delivering exceptional service and world-class family holidays. We have strong relationships with our suppliers and work closely with them to provide our Guests with high quality experiences and products.

Guests

Creating unforgettable holiday experiences for our Guests is the primary motivation of our dedicated Disney Cruise Line Crew Members and Cast. Disney Cruise Line is considered a leader in the cruise industry by travel professionals, hospitality industry groups, and most importantly — by our Guests. Families sailing with Disney Cruise Line expect a unique holiday experience that only Disney can deliver. At the heart of all we do is the Guest experience and satisfaction with the Disney Cruise Line product. Multiple touch points provide us the opportunity to hear directly from our Guests about what we're doing right and areas for improvement. Our Call Center and Guest Communications team resolves issues brought to our attention in a timely manner, corresponding directly with any Guest who reaches out to us for assistance before, during and after their cruise. Our team is specifically trained to assist our Guests with their holiday needs and consistently receives some of the highest Guest Service satisfaction ratings within our company. In response to the pandemic, Disney Cruise Line has implemented temporary booking and cancelations policies allowing Guests to adjust their sail date or receive a full refund should they choose.

Suppliers

Disney Cruise Line has high standards for suppliers and has a thorough process for sourcing products and services of the best quality and value. Suppliers of products are held to TWDC's International Labour Standards and Code of Conduct for Manufacturers. Our supply chains follow Disney policies and comply with UK government regulations. Food and beverage suppliers must follow a uniform set of TWDC guidelines that meet both Company and local standards, including conducting periodic sanitation and safety audits and maintaining liability insurance.

Disney Cruise Line also partners with travel agents for a significant source of cruise bookings. Travel agents must be a registered Member supplier in good standing with CLIA or the International Air Transport Association (IATA), and supply proof of all qualifying tax and other documentation required to do business as a travel agent/agency in its domestic and international markets. Travel agents and agencies must operate ethically, representing the Disney Cruise Line brand in good faith and providing accurate marketing and information about Disney Cruise Line's products.

Disney Cruise Line is committed to conducting business and providing products and services in an ethical manner. We also believe that including diverse suppliers in our sourcing process provides us the greatest opportunity to develop the most innovative, highest quality, and most cost-effective business solutions. We know this strengthens our Company as well as supporting our communities.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement (continued)

c. The need to foster the Company's business relationships with suppliers, customers ("Guests") and others (continued)

Port Communities

Disney Cruise Line is very mindful of our impact on local communities. We engage in an ongoing basis with all our relevant stakeholders whether port authorities, minsters of tourism, shore excursion operators, and other in-destination partners to best understand how we can best collaborate with them to maximize the positive impacts of our business on their communities. Today, 75 percent of the cruises offered by Disney Cruise Line have at least one stop in The Bahamas. Disney Cruise Line has made significant economic contributions to The Bahamas while demonstrating a strong commitment to the environment and the community. It is estimated that Disney Cruise Line operations contribute more than $70 million toward the Bahamas gross domestic product annually.

Disney Cruise Line takes careful steps to ensure it respects the communities, environment and culture of each of its destinations through collaboration with stakeholders and relevant partners in ports of call. This includes understanding how to introduce our brand most appropriately to those communities, as well as introduce the unique character and culture of each destination to Disney Cruise Line Guests. We source products in our ports of call when it meets our quality standards, and we work with a variety of tour providers in each destination to diversify our products.

d. The impact of the Company's operations on the community and the environment

Community

Disney's global Social Responsibility framework clarifies its mission as: "to be an honorable company that provides comfort to those in need, and creates inspiration and opportunity for those who want to improve their world".

Disney Cruise Line strives to make a positive impact in the many places around the world it calls home. The Cast and Crew of Disney Cruise Line support many charitable organizations that nurture the lives of children and enrich the environment. Crew Members lead reading education programs in schools, give to local animal shelters and bring Disney characters to entertain children in port communities around the globe. Disney VoluntEARS also donate their time to paint murals for hospitals and care facilities, raise funds for worldwide disaster relief efforts, and host annual shore clean-ups to remove litter and debris from fragile coastlines. Each year, Cast and Crew Members donate thousands of hours of their personal time to benefit worthwhile causes in port communities around the world.

In March 2020, as part of Disney Cruise Line's Captain Minnie initiative, Disney awarded scholarships to four female cadets to attend the LJM Maritime Academy in Nassau. The scholarships, one for each of the ships in the Disney Cruise Line fleet, include two years of study at LJM Maritime Academy and one year of service aboard a Disney ship.

Disney recognizes the importance of building generational wealth and is committed to helping small businesses and entrepreneurs maximize economic opportunities. In February 2020, Disney entered into an agreement with the National Small Business Development Centre and the Eleuthera Chamber of Commerce, providing more than $1 million (over three years) to fund a new Eleuthera Business Center.

Disney also made significant contributions to Hurricane Dorian relief and recovery efforts in September 2019, including monetary donations to non-profit organizations and supplies for impacted communities and direct assistance to Disney's Bahamian employees.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement (continued)

d. The impact of the Company's operations on the community and the environment (continued)

Environment

The Group aims to establish and sustain a positive environmental legacy for Disney and for future generations. The Company has ambitious environmental goals for 2030 focused on key areas of our business where we believe we can have a significant, lasting impact and make a positive difference in protecting our planet. Goals include:

- achieving net zero greenhouse gas emissions for direct operations;
- purchasing or producing 100% zero carbon electricity for all direct operations;
- collaborating with industry groups and investing in low carbon fuel innovation;
- investing in natural climate solutions;
- implementing site-specific watershed stewardship strategies at high-impact sites;
- working to achieve zero waste to landfill for Disney's wholly owned and operated parks and resorts;
- new construction projects to be designed to near net zero, minimize water consumption and support zero waste operations;
- reduce the Company's plastics footprint across all businesses.

At Disney Cruise Line, we are dedicated to minimizing our impact on the environment through efforts focused on utilizing new technologies, increasing fuel efficiency, minimizing waste and promoting conservation worldwide. We strive to instil positive environmental stewardship in our Cast and Crew Members and seek to inspire others through programs that engage our Guests and the communities in our ports of call.

Disney Cruise Line is consistently recognized as an industry leader. All four Disney Cruise Line ships have the U.S. Coast Guard's QUALSHIP 21 with Zero-E designation, which recognizes exemplary vessels that have consistently adhered to environmental compliance, while also demonstrating a commitment to environmental stewardship. Disney Cruise Line also regularly wins awards such as the Blue Circle Award from Port of Vancouver for voluntary efforts to conserve energy and reduce emissions.

As of Jan. 1, 2020, the International Maritime Organization instituted a regulation that requires all ships to use 0.5% sulfur fuel compared to 3.5% previously. Disney Cruise Line has taken this a step further by using 0.1% low sulfur fuel fleetwide at all times. As previously mentioned, the three additional cruise ships will be powered by liquefied natural gas, or LNG, one of the cleanest-burning fuels available. Currently, three Disney Cruise Line ships have the equipment necessary to plug into shore power if the option is available at the port. Disney Cruise Line coordinates itineraries to be sure shore power-capable ships sail to ports of call that offer this technology.

As part of the Group's overall efforts to reduce the amount of single-use plastics, Disney Cruise Line has taken great measures to eliminate single-use plastics on-board and on Disney Castaway Cay, Disney's island in The Bahamas. This effort has resulted in removing an annual volume of more than 14.7 million plastic straws and 2.2 million plastic amenity containers. Disney Cruise Line has also gone from annually distributing nearly 1 million plastic merchandise bags fleetwide annually to nearly zero. Other measures include the removal of plastic cutlery, stirrers and condiment packets. Disney Cruise Line is committed to diverting waste from traditional waste streams. Shipboard recycling processes have helped to eliminate on average more than 2,500 tons of metals, glass, plastic and paper from traditional waste streams each year.

Section 172 statement (continued)

d. The impact of the Company's operations on the community and the environment (continued)

Disney Cruise Line has invested in technology to ensure water purity and taken steps to select earth-friendly cleaners. All Disney Cruise Line ships feature Advanced Wastewater Purification Systems (AWPS) that utilize natural processes to treat and purify on-board wastewater to levels far exceeding international shipping standards, and in some cases shore side potable water standards.

Disney also is committed to ensuring a world where wildlife thrives and nature is treasured and protected by saving wildlife, inspiring action and protecting the planet. For more than 60 years, animals have been a part of Disney storytelling, and these stories continue today alongside immersive experiences that connect children and families around the world with the magic of nature. Since 1995, the Disney Conservation Fund (DCF) has directed more than $100 million to protect 1,000 species through community-led conservation efforts spanning half the countries in the world. This includes nearly $17M invested in ocean conservation programs aimed at protecting marine ecosystems and wildlife. In addition, the DCF has supported programs that have provided more than 12 million nature experiences to kids and families across the globe.

The Disney Conservation Fund is focused on saving wildlife for future generations through grants to leading conservation organizations working together to stabilize and increase the populations of at-risk animals including sea turtles, coral reefs, sharks and rays, apes, cranes, butterflies, elephants, monkeys, rhinos and tigers. A Disney conservationist works with each organization to identify where Disney expertise can also play a role in reversing the decline of these animals and their habitats.

Disney has long been committed to protecting the environment in The Bahamas. For more than a decade, several experts from Disney's Animals, Science and Environment team have been engaged in significant conservation work there in partnership with local organizations and scientists. Their work includes an initiative that has been underway since 2007 to rehabilitate coral reefs. DCL also supports summer eco camps and community engagement efforts in Abaco, and helps provide conservation curriculum support for Bahamian school children.

More details on Disney Cruise Line's dedication to minimizing its impact on the environment is available at: https://dclnews.com/uploads/sites/4/2021/07/DCL_Env_Fact_2021.pdf.

More details on TWDC's environmental goals can be found at: https://thewaltdisneycompany.com/environmental-sustainability.

e. The desirability of the Company maintaining a reputation for high standards of business conduct

We are committed to operating our businesses with integrity and adopting governance policies that promote the thoughtful and independent representation of our stakeholders' interests. The Board of Directors has adopted Corporate Governance Guidelines which address, among other things, the composition and functions of the Board of Directors. Our Board of Directors is also expected to uphold our Code of Business Conduct. Similarly, the Group Company's Standards of Business Conduct are applicable to all Cast Members of the Company including board Members.

We regularly engage our leaders and Cast Members on these Standards through training and other forms of communication. It is compulsory that all office based Cast Members complete the mandatory online courses, examples include: Standards of Business Conduct, Bribery and Avoiding Corrupt Business Practices.

Acting responsibly and conducting our business ethically is an integral part of our brand.

Magical Cruise Company, Limited

Strategic report for the year ended 3 October 2020 (continued)

Section 172 statement (continued)

f. The need to act fairly as between Members of the Company

We are a wholly owned subsidiary of Wedco Global Ventures LLP, whose ultimate parent company is The Walt Disney Company (TWDC). Magical Cruise Company Limited is consolidated within TWDC results as part of the Disney Parks, Experiences, and Products Segment. Our parent company as well as TWDC are aware of key decisions and financial performance of the Company and take a keen interest in the strategies and future outlook of the Company.

The strategic report is approved by the Board on 30 September 2021 and signed on its behalf by:

DocuSigned by:
Bill Dierckson
8CB2E1FFFC804B9...

W Diercksen Jr
Director

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

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020

The Directors present their Directors' report and the audited financial statements of Magical Cruise Company, Limited for the year ended 3 October 2020 (prior financial year ended 28 September 2019).

Future developments

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

Dividends

Dividend income totalling $20,000,000 (2019: $Nil) was received and dividends totalling $Nil (2019: $400,000,000) 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.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

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)
R Campbell (resigned on 4 October 2019)

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.

Stakeholder engagement

We focus on providing unforgettable family cruising for our Guests and operating our business responsibly. We continue to maintain strong relationships and open communication with all of our stakeholders. Our ongoing and transparent communication with our stakeholders allows them to provide feedback and allows us to make well informed and appropriate decisions which benefit the company and stakeholders as a whole.

Throughout the year and especially due to the impacts of the COVID-19 pandemic, our Crew and Cast Members' and Guests' health, safety and wellbeing have been key in our decision making. We have followed government guidance in our offices and on our ships, suspending passenger operations and putting COVID-19 health safety measures in place.

Our strategic decisions were made with our stakeholders in mind and we will continue to engage with them and incorporate their views in our future planning and decision making.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

Streamlined energy and carbon reporting (SECR) disclosure

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year. For the Magical Cruise Company Limited Scope 1 emissions are only applicable, which is demonstrated by the table below.

	Year to 3rd October 2020
Energy consumption used to calculate emissions (kWh)	2,043,627,827
Emissions from combustion of fuel for transport purposes (Scope 1) tCO_2e	527,992
Emissions from purchased electricity (Scope 2) tCO2e (see paragraph below for purchased electricity at head office)	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3) tCO2e	-
Total gross tCO_2e based on above	527,992
Intensity ratio (tCO_2e/gross tonnage of ships)	6.287936

All emissions from our head office at 3 Queen Caroline Street have been included in The Walt Disney Company Limited's SECR disclosure. The Walt Disney Company Limited is the owner of the building and all invoices are billed to The Walt Disney Company Limited and therefore we have disclosed all emissions in their financial statements as it was immaterial to these financial statements.

Energy efficiency action summary - Year to 3rd October 2020
Magical Cruise Company Limited continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including;

- Shipping companies apply relevant International, Flag and Port State requirements. Some examples include:
    - EU, UK MRV
      https://info.lr.org/l/12702/2020-12-22/9wp9w1
    - MARPOL Convention
      https://www.imo.org/en/About/Conventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-(MARPOL).aspx
    - IMO Energy Efficiency Measures
      https://www.imo.org/en/OurWork/Environment/Pages/Technical-and-Operational-Measures.aspx
- Measures taken (not exhaustive and ongoing):
    - Regulation compliance
    - Fuel and water consumption reports and monitoring
    - Propeller upgrade
    - Motor variable speed drives installation
    - Ship air lubrication system
    - Ship propulsion system and power management upgrade
    - LED lighting replacements
    - Disney Cruise Line use 0.1% low sulfur fuel fleetwide at all times and CO_2 is reported by ship.

This list reflects normal operation with Guests only.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

Streamlined energy and carbon reporting (SECR) disclosure (continued)

Methodology notes

Reporting Period	29th September 2019 – 3rd October 2020
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Magical Cruise Company Limited annual accounts made up to 3rd October 2020.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions factor source	DEFRA, 2020 for all emissions factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020
Conversion factor source	Marine Gas Oil: https://www.epa.gov/sites/production/files/2021-04/documents/emission-factors_apr2021.pdf
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Other relevant information on calculation	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from metric tons to kWh and GHG emissions using the method above.
Reason for the intensity measurement choice	Following the recommendations of the SECR legislation and based on the nature of our business, gross tonnage of ships (tCO2e /gross tonnage of ships) gives the best overview on our efficiency performance on a longer scale.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions (no more than 1%).

Corporate Governance Statement

This section sets out the Company's corporate governance controls, policies and procedures as required by The Companies (Miscellaneous Reporting) Regulations 2018.

As a subsidiary within the group of companies of which The Walt Disney Company is the ultimate parent company (the "Group"), the Company adheres to the Group's governance ethos and practices. The Company operates in accordance with its Memorandum and Articles of Association; The Walt Disney Company Standards of Business Conduct; and the governance principles set out below.

The Group strategy is set and managed by The Walt Disney Company and, as a subsidiary of the Group, the Company is responsible for the implementation of all local elements of the Group strategy, as necessary and where appropriate. The Board and wider Disney leadership oversee the Company's alignment with the Group's purpose, goals, strategies, ethics and compliance with the Group's Standards of Business Conduct and associated policies.

Owing to the extensive governance protocols already in place, it was decided that the Wates Principles for Large Private Companies should not be formally adopted by the Company but used as useful principles of good governance by which to measure its own existing corporate governance practices.
These corporate governance practices are detailed in the table below:

Board composition	The composition of the Board aims to reflect a balance of skills, experience and knowledge. Along with the Managing Director of DCL and the President of Disney Signature Experiences, the Board includes members from Finance, Consumer Products, Global Public Policy, Media Network Content and Global Marine and Technical Operations. Supporting the Board Members at all meetings are representatives from DCL Finance and Consumer Insights, with regular updates from Marketing and other areas. The Board's strong backgrounds and varied skillsets enables them to make effective decisions, meet the organisation's strategic needs, and overcome strategic challenges faced by the Company. The Group has an ongoing commitment to progress diversity and inclusion (D&I), including board composition. In June 2020, the Group CEO Bob Chapek outlined a multi-faceted plan to bring about important changes across the Group, comprised of six pillars: Transparency, Representation, Accountability, Community, Content, and Culture. The Company is committed to moving these efforts forward. Board members must abide by The Group's Standards of Business Conduct and must exhibit high standards of integrity, commitment and independence of thought and judgement. Directors have sufficient time, energy and attention to ensure the diligent performance of his or her duties, including attending meetings of the Board. Directors also receive regular updates on new legislation, regulatory requirements and other changes, to ensure that they are fully equipped when making decisions about the business. The Board ensures its composition is appropriate given the size and interests of the Company and all board composition changes are approved by the Board.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

Corporate Governance Statement (continued)

Director responsibilities	The Directors are primarily responsible for overseeing the delivery of the Group strategy in the UK, EMEA and North America by directing the management of the business, including the day-to-day running of the Company's business and operations. Directors work closely with management to ensure strategy is implemented and the Board monitor progress, including via Board meetings and more informal meetings with senior management. The Board review and where appropriate approve the Company's major financial objectives, plans and actions. They review accounting principles and practices to be used in the preparation of the Company's financial statements and meet with the auditors to discuss any audit findings. They also assess major risk factors relating to the Company and its performance, and review measures to address and mitigate such risks. The Board typically approves corporate actions through Board meetings held four times a year. *Meetings can also be held on an ad-hoc basis if there is need to approve certain* resolutions. All meetings are minuted, signed and approved by the Chairperson. The Board receives regular reports and board packs on the Company's financial performance and presentations from different departments such as legal, tax and compliance on new legislation, strategy, corporate governance and regulatory requirements in order to make well-informed decisions. Some of the risks the Board consider are changes in economic conditions, impact of the pandemic and changes in regulations that impact the Company.
Remuneration	Directors' emoluments and any associated annual bonus (whether cash or equity-based) is determined by assessing individual performance against financial, strategic and individual targets are ultimately determined by US-based management of the Group. This enables Directors to be rewarded for annual financial performance delivered for the wider Group as a whole as well as performance against key strategic priorities. Additionally, benchmarking for senior level roles is undertaken using external consultants to ensure appropriate levels of remuneration. Directors do not receive any additional direct compensation for their service as Directors.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

Corporate Governance Statement (continued)

Purpose, Culture and Values	Since its launch in 1998, Disney Cruise Line has established itself as a leader in the cruise industry, providing a setting where families can reconnect, adults can recharge and children can experience all Disney has to offer. We strive to provide exceptional service that reflects our iconic brand, enabled by the passion and hard work of our Cast and Crew. We aim to conduct our business with honesty, integrity and in compliance with the laws everywhere we operate. We believe that our stakeholders value the way we conduct our business. We have a global commitment to conduct our business and create our products in a responsible and ethical manner focusing on six areas: ethical conduct, responsible content, environmental stewardship, community engagement, civic engagement and respectful workplaces. The Group has a whistleblowing hotline where Cast Members can report unethical, improper or illegal behaviour or questionable activities regarding the Company's business. The messages are then investigated by an independent group function with any issues cascaded up to senior management and the board where appropriate. All employees also complete training on Standards of Business Conduct, TWDC Agents Policy and Avoiding Corrupt Business Practices. Our key stakeholders include\Guests, Crew Members Cast Members, government organisations and regulators, shareholder, suppliers and port communities. The board aims to make well-informed decisions whilst being mindful of impacts on its stakeholders, long-term consequences and the values of the Group. The Board communicates strategies and business updates to its external and internal stakeholders through a variety of channels such as website and intranet communications, emails, newsletters, in person-meetings, and employee gatherings such as town halls and Crew assemblies which offer the opportunity for employees to hear directly from and ask questions to senior leadership.
Leadership, Opportunity & Risk, Stakeholder Relationships & Engagement	The Company focusses on providing quality products and best in class service to its customers and operating its business responsibly. The Company continues to maintain strong relationships and open communication with all of its stakeholders (please see our 'section 172 statement' starting on page 6 for more detail). The Board continues to monitor risk factors relating to the Company and its performance, and regularly reviews measures to address and mitigate such risks. It also monitors how the Group strategy is implemented and communicated. Financial risks are managed through careful monitoring of performance against budget, rolling quarterly forecasts as well as a long range planning process.

Magical Cruise Company, Limited

Directors' report for the year ended 3 October 2020 (continued)

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
- 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 30 September 2021

DocuSigned by:

Bill Dierksen

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W Dierksen 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 3 October 2020 and of its loss 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 3 October 2020; the Income statement and 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 3 October 2020 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, 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.

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 Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2021

Magical Cruise Company, Limited

Income statement for the year ended 3 October 2020

	Note	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Turnover	4	**703,043**	1,604,344
Cost of Sales		**(762,428)**	(980,516)
Gross (loss)/profit		**(59,385)**	623,828
Distribution costs		**(62,982)**	(69,186)
Administrative expenses		**(154,081)**	(147,892)
Grant income		**769**	-
Operating (loss)/profit	5	**(275,679)**	406,750
Income from shares in group undertakings	6	**20,000**	-
Other interest receivable and similar income	7	**3,519**	5,687
Interest payable and similar expenses	8	**(4)**	-
(Loss)/profit before taxation		**(252,164)**	412,437
Tax on (loss)/profit	10	**(3,689)**	(6,267)
(Loss)/profit for the financial year		**(255,853)**	406,170

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 27 to 47 form part of these financial statements.

Magical Cruise Company, Limited

Statement of financial position as at 3 October 2020

(Registered number: 3157553)

	Notes	3 October 2020 $'000	28 September 2019 $'000
Fixed assets			
Tangible assets	11	**1,414,166**	1,495,378
Investments	12	**315,300**	315,300
Debtors: amounts falling due after more than one year			
Derivative financial assets	17,14	**43**	-
Amounts owed by group undertakings	14	**100,000**	-
		1,829,509	1,810,678
Current assets			
Stocks	13	**18,449**	17,181
Debtors: amounts falling due within one year	14	**13,384**	92,764
Cash at bank and in hand		**93,320**	81,223
		125,153	191,168
Creditors: amounts falling due within one year	15	**(1,038,882)**	(804,037)
Net current liabilities		**(913,729)**	(612,869)
Total assets less current liabilities		**915,780**	1,197,809
Creditors: amounts falling due after more than one year	16	**(6,592)**	(23,029)
Net assets		**909,188**	1,174,780
Capital and reserves			
Called up share capital	18	**-**	-
Share premium account		**1,063**	1,063
Other reserves		**423,265**	433,004
Other distributable reserve		**213,442**	213,442
Retained earnings		**271,418**	527,271
Total equity		**909,188**	1,174,780

The financial statements on pages 24 to 47 were approved by the Board on 30 September 2021 and were signed on its behalf by W Diercksen Jr

DocuSigned by:
Bill Diercksen
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Registered Office
3 Queen Caroline Street
Hammersmith
London, W6 9PE

Magical Cruise Company, Limited

Statement of changes in equity for the year ended 3 October 2020

	Note	Called up share Capital	Share Premium Account	Other reserves	Other distributable reserves	Retained earnings	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
As at 29 September 2018	18	-	**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	18	-	**1,063**	**433,004**	**213,442**	**527,271**	**1,174,780**
Loss for the financial year		-	-	-	-	(255,853)	(255,853)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive expense for the year		-	-	-	-	(255,853)	(255,853)
Conversion of distributable reserve		-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-
Net movement on fuel hedges		-	-	(9,739)	-	-	(9,739)
Total transactions with owners, recognised directly in equity		-	-	(9,739)	-	(255,853)	(265,592)
As at 3 October 2020	18	-	**1,063**	**423,265**	**213,442**	**271,418**	**909,188**

Other distributable reserves relates to a share premium conversion.

The notes on pages 27 to 47 represent an integral part of the financial statements.

The financial statements were approved by the Board on 30 September 2021 and were signed on its behalf by:

DocuSigned by:
Bill Diercksen
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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 3 October 2020

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 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 sailings were suspended since 14 March 2020. Disney Magic resumed sailing on 15 July 2021, Disney Fantasy resumed sailing on 11 September 2021, Disney Dream resumed sailing on 9 August 2021 and Disney Wonder will resume sailing on 1 October 2021.

3 Summary of significant accounting policies (continued)

As the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. During the year the Directors have been managing and will continue to manage closely, for at least the next 12 months from the date of this Annual report, day to day working capital requirements with its related parent entity in order to meet the Company's liabilities as they fall due. This has seen the amounts owed to group undertakings increase from $158.4 million in the prior year to $551.8 million at the 3 October 2020. As there is an expectation that the Company will continue to rely on group undertakings to meet its liquidity requirements, the Company has received assurances of financial support from a group undertaking for at least the next 12 months from the date these financial statements are approved. The Company has not had to raise any external financing during the year.

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 3 October 2020 has been adopted for the current year. The financial year represents the 53 weeks ended Saturday 3 October 2020 (prior financial year was the 52 weeks ended Saturday 28 September 2019).

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

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

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 3 October 2020 the Company held $60,580,000 in overnight cash deposits (2019: $47,154,000). As at 3 October 2020 the Company did not hold any bank overdrafts (2019: $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

3 Summary of significant accounting policies (continued)

m) Financial instruments (continued)

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

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

n) Cruise deposits

Cruise deposits are recorded upon receipt by the Company's agents 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.The plan is a group defined benefit scheme. Although the scheme is a defined benefit arrangement, it is a group scheme. It has not been possible to identify the underlying assets and liabilities attributable to each participating company and therefore has been accounted for as a defined contribution scheme. Therefore, the pension cost recognised in the Income statement for this scheme represents contributions payable by the Company to the scheme for the period.

(iv) Share based payments

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

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

r) Related party transactions

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

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

s) Government grants

The Company recognises government grants when there is reasonable assurance the Company will comply with the conditions attached to them; and the grants will be received in accordance with section 24 of FRS 102. The grants are measured at the fair value of the asset received or receivable.

The Company recognises income from The Employee Retention Credit in the US for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. For the year ended 3 October 2020 the Company received $769,000 in response to the COVID-19 pandemic.

3 Summary of significant accounting policies (continued)

t) 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. To the extent there are changes to the assumptions underpinning the judgements or estimates used by the Company, adjustments to the financial statements would typically arise.

(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 11 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 12 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 20 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.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

3 Summary of significant accounting policies (continued)

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

(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 13 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 14 for the net carrying amount of the Company's debtors.

(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 3 October 2020 $'000	Year ended 28 September 2019 $'000
Cruise revenue	**664,126**	1,541,056
Other revenue	**38,917**	63,288
Total	**703,043**	1,604,344

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 3 October 2020 (continued)

5 Operating (loss)/profit

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Operating (loss)/profit is stated after charging:		
Wages and salaries	**186,040**	211,387
Social security costs	**2,656**	2,686
Other pension costs	**4,116**	4,023
Staff costs	**192,812**	218,096
Depreciation of tangible fixed assets	**130,667**	121,617
Operating lease charges – cruise vessel	**48,403**	48,403
Auditors' remuneration		
Fees payable to Company's auditors and their associates		
Audit services	**269**	190
Non-audit assurance services	**21**	21

Cost of sales includes $102,872,000 inventory expense for the year (2019: $130,665,000).

6 Income from shares in group undertakings

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Dividend received	**20,000**	-
Dividend paid	**-**	(400,000)

A dividend of $20,000,000 (2019: $Nil) was received from DCL Island Development Limited. It was agreed that this dividend would offset an intercompany debt rather than settled in cash.

7 Other interest receivable and similar income

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Bank interest receivable	**2,620**	5,687
Intercompany interest	**899**	-
Total interest receivable	**3,519**	5,687

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

8 Interest payable and similar expenses

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Interest payable	4	-

9 Employee Information

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

	Year ended 3 October 2020 Number	Year ended 28 September 2019 Number
Employees:		
Shipboard Personnel	3,259	4,949
Administrative Personnel	1,013	963
Total	4,272	5,912

10 Tax on (loss)/profit

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

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Tax on (loss)/profit:		
Analysis of charge in year		
Current Tax:		
UK Corporation tax on profit for the year at 19% (2019: 19%)	4,261	6,006
Tonnage Tax	61	59
Adjustments in respect of prior periods	(633)	202
Foreign tax suffered	-	-
Total current tax	3,689	6,267
Tax on (loss)/profit	3,689	6,267

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

10 Tax on (loss)/profit (continued)

(b) Factors affecting tax charge for the year:

The tax assessed for the year is higher than (2019: lower) the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
(Loss)/profit before taxation	**(252,164)**	412,437
(Loss)/profit before taxation multiplied by the standard rate in the UK 19% (2019: 19%)	(47,911)	78,363
Effects of:		
Adjustments in respect of prior periods	**(633)**	202
Non tonnage tax items	**55,972**	(72,357)
Tonnage tax profit	**61**	59
Non-taxable dividend income	**(3,800)**	-
Foreign tax suffered	**-**	-
Total tax charge for the year	**3,689**	6,267

Factors affecting the future tax charges

The Finance Act 2016 introduced provisions to reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. However, The Finance Act 2020 which received Royal Assent on 22 July 2020 has cancelled the planned reduction in corporation tax, and therefore the main rate remains at 19%. Additionally, as announced at the UK Budget, legislation has been introduced in Finance Bill 2021 to set the Corporation Tax main rate at 25% for financial years beginning 1 April 2023. The impact of this change is expected to be nil.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

11 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 29 September 2019	54,253	122,982	2,182,575	2,359,810
Additions	50,096	-	512	50,608
Transfers	(57,363)	11,078	46,285	-
Retirement	(9)	(369)	(5,821)	(6,199)
At 3 October 2020	**46,977**	**133,691**	**2,223,551**	**2,404,219**
Accumulated depreciation				
At 29 September 2019	-	97,373	767,059	864,432
Charge for the year	-	12,406	118,261	130,667
Retirement	-	(283)	(4,763)	(5,046)
At 3 October 2020	-	**109,496**	**880,557**	**990,053**
Net book amount				
At 3 October 2020	**46,977**	**24,195**	**1,342,994**	**1,414,166**
At 28 September 2019	54,253	25,609	1,415,516	1,495,378

The categories of fixed assets presented in the table above relate to luxury cruise vessels owned by the Company, other than approximately $212,000,000 (2019: $300,000,000) of net book value relating to leasehold improvements and show /entertainment expenditures on two luxury cruise vessels leased by the Company.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

12 Investments

	3 October 2020 $'000	28 September 2019 $'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 2020	2019
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.

13 Stocks

	3 October 2020 $'000	28 September 2019 $'000
Food and beverage	**5,277**	5,144
Merchandise goods for resale	**8,062**	8,265
Consumables (including fuel)	**5,110**	3,772
Total	**18,449**	17,181

There is no material difference between the carrying amount of stock and the replacement cost. Inventories are stated after provisions for impairment of $829,000 (2019: $263,000).

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

14 Debtors

	3 October 2020 $'000	28 September 2019 $'000
Trade debtors	1,539	3,385
Amounts owed by group undertakings	3,066	81,668
Derivative financial assets - maturing within one year (note 17)	111	315
Prepayments and accrued income	8,668	7,396
Total	13,384	92,764
Amounts owed after more than one year:		
Derivative financial assets (note 17)	43	-
Amounts owed by group undertakings	100,000	-
Total	100,043	-

Amounts owed by group undertaking after more than one year is represented by a $100,000,000 receivable pursuant to a $300,000,000 revolving credit facility loan agreement with Disney Enterprise Inc with a maturity date of 15 December 2021. The loan was interest bearing with a 6 month USD LIBOR rate plus 28 basis points. All other 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.

15 Creditors: amounts falling due within one year

	3 October 2020 $'000	28 September 2019 $'000
Trade creditors	43,121	70,978
Amounts owed to group undertakings	551,829	158,416
Other taxation and social security	588	2,495
Corporation tax	4,322	6,065
Deposits received on future cruises	418,326	548,534
Derivative financial liabilities (note 17)	12,436	2,452
Accruals and deferred income	8,260	15,097
Total	1,038,882	804,037

Amounts owed to group undertakings are trade payables paid on behalf of the Company 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 3 October 2020 (continued)

16 Creditors: amounts falling due after more than one year

	3 October 2020 $'000	28 September 2019 $'000
Deposits received on future cruises	**396**	18,630
Accruals and deferred income	**6,196**	4,399
Total	**6,592**	23,029

17 Financial instruments by category

	Note	3 October 2020 $'000	28 September 2019 $'000
Financial assets measured at amortised cost:			
Trade debtors	14	**1,539**	3,385
Amounts owed by group undertakings	14	**103,066**	81,668
Cash at bank and in hand		**93,320**	81,223
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	14	**111**	315
Derivative financial instruments - maturing after one year	14	**43**	-
Total		**198,079**	166,591
Financial liabilities measured at amortised cost:			
Trade creditors	15	**43,121**	70,978
Accruals	15,16	**11,504**	18,249
Amounts due to group undertakings	15	**551,829**	158,416
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments - maturing within one year	15	**12,436**	2,452
Derivative financial instruments - maturing after one year		**2,952**	1,247
Total		**621,842**	251,342

Derivative financial assets maturing within one year on un-matured fuel hedges amounted to $111,000 as at 3 October 2020 (2019: $315,000). Derivative financial assets maturing after one year amounted to $43,000 as at 3 October 2020 (2019: $Nil). These derivative financial assets have been designated in a cash flow relationship and there was no ineffectiveness to be recorded in the Income statement for the year. These amounts have been recognised in equity and will be transferred to the Income statement when the forecasted fuel purchases occur.

Derivative financial liabilities maturing within one year on un-matured fuel hedges amounted to $12,436,000 as at 3 October 2020 (2019: $2,52,000.00). Derivative financial liabilities maturing after one year on un-matured fuel hedges amounted to $2,952,000 as at 3 October 2020 (2019: $1,247,000). 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.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

18 Called up share capital

	3 October 2020 $	28 September 2019 $
Authorised: 100 (2019:100) Ordinary shares of £1 each converted at an exchange rate of $1.61(2019: $1.61)	**161**	161
Allotted and fully paid: 10 (2019:10) 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

19 Commitments and contingencies

As at the Statement of financial position date 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.

The Company has two operating leases for warehouse facilities located in Orlando, Florida. The first lease originally expired on 31 December 2015. This lease was renegotiated in fiscal year 2014 and effective as of 1 July 2014 it was extended to 31 May 2021.This lease was further extended in fiscal year 2019 to 30 November 2029. A new lease was entered into in the fiscal year commencing on 1 October 2020 for an additional warehouse facility and due to expire on 30 November 2030.

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 (an affiliated 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, now anticipated in calendar 2022, 2024, and 2025. Whilst DCL Maritime LLC is a separate entity to the Company the Directors have received assurances from DCL Maritime LLC, that the three new build ships remain covered fully from a financing perspective.

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:	3 October 2020 $'000	28 September 2019 $'000
Within one year	**50,882**	50,538
Between two and five years	**129,592**	175,359
After five years	**6,145**	-
Total	**186,619**	225,897

The Company has contractual obligations for maintenance and other services of $6,981,000 at 3 October 2020 (2019: $8,128,000).

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

20 Pensions

The shore side employees of the Company participate in the Group defined benefit pension plan. The defined benefit pension plan is provided under the Disney Associated Companies' Retirement Plan and the Disney Salaried Pension Plan D. The cost of contributions to the group scheme is based on pension costs across the 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, $4,116,000 (2019: $4,023,000). 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 3 October 2020 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% (2019: 7.25%) per annum, the rate of salary increase would be 3.3% (2019: 3.3%), and the discount rate 2.89% (2019: 3.26%). At the date of the latest actuarial valuation at 3 October 2020, the market value of the assets of the scheme was $10,202,000,000 (2019: $9,668,000,000), and the actuarial value of the assets was sufficient to cover 80.6% (2019: 86.7%) 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 2020 and 2019 were not material.

21 Directors' emoluments

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Aggregate emoluments	**1,935**	**1,574**
Company contributions paid to defined contribution plan	**36**	167

Highest paid director

	Year ended 3 October 2020 $'000	Year ended 28 September 2019 $'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**1,020**	859
Defined contribution pension scheme	**5**	10
Defined benefit amount accrued	**135**	54

Retirement benefits are accruing to 2 (2019:2) Directors under a defined benefit scheme and 3 (2019:3) Directors under a defined contribution plan in respect of their qualifying services. 2 (2019:2) Directors exercised share options in the ultimate parent Company in the year and no (2019: no) Directors received shares under long term incentive schemes.

21 Directors' emoluments (continued)

The services of one (2019: 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 (2019: 7) Directors who are paid by other group companies. It is not possible to identify separately the amount relating to these directors.

22 Share-based payments

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

The restricted stock issued during 2020 vests equally on each of the four anniversaries of the grant date and has a remaining contractual life of ten years. There are no performance conditions attached to the issue.

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

23 Related party transactions

The Company is a wholly owned subsidiary of Wedco 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 24.

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

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

Ultimate parent

Magical Cruise Company, Limited is a wholly owned subsidiary of Wedco Global Ventures LLP whose ultimate parent is The Walt Disney Company, incorporated in the United States of America.

Magical Cruise Company, Limited

Notes to the financial statements for the year ended 3 October 2020 (continued)

24 Ultimate parent undertaking and related undertakings

Parent undertaking

The ultimate parent undertaking was The Walt Disney Company as detailed below. 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
Tax identification number	83-0940635
Address from where copies of the group financial statements can be obtained	500 South Buena Vista St. Burbank, California 91521-9722 USA

Related undertakings

The Company's Related Undertakings are listed below.

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

25 Post balance sheet events

As a result of the COVID-19 pandemic and in preparation for resumed operations which began 15 July 2021, MCCL has developed multiple layers of health and safety measures in compliance with UK government regulations and the United States Centers for Disease Control and Prevention (CDC) including ship modifications and COVID-19 vaccination and testing protocols for crew and guests.

Management continues to believe the long lived assets of the Company have longer term prospects relative to the uncertain duration of the effects of the pandemic as evidenced by the post year end re-launch of the Disney Magic, Disney Dream, and Disney Fantasy and the imminent re-launch of the Disney Wonder.

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. The balance plus interest accrued from September – December 2020 was repaid in full in January 2021.

On 24th September 2021, the Company entered into a purchase agreement to acquire the Disney Wonder vessel from Disney Magic Corporation ("DMC") for the ship's determined fair market value of $303,950,000.

On 24th September 2021, the Company entered into a purchase agreement to acquire the Disney Magic vessel from Disney Magic Company Limited ("DMCL") for the ship's determined fair market value of $278,650,000.

In order to fund these purchases and repay an intercompany amount of $900,000,000, the Company allotted 989,248,884 ordinary shares of £1.00 (the amount payable being the USD equivalent of 1,352,600,000) to Wedco Global Ventures LLP.