Disney Magic Company Limited
(Registered Number 3585635)

Directors' Report and Financial Statements
Year Ended 27 September 2008

Disney Magic Company Limited

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Disney Magic Company Limited

Directors' Report For The Year Ended 27 September 2008

The Directors present their annual report and financial statements of the Company for the year ended 27 September 2008.

Principal activities, business review and future developments

The Company's principal activity is the leasing of a luxury cruise vessel. The Company was incorporated and commenced trading in June 1998. The Directors are satisfied with the performance of the Company and look forward to the future with optimism.

It is considered that the Company's activities will remain unchanged for the foreseeable future.

The Company's profit for the year is $44,987,000 (2007: $37,572,000 loss). The Directors do not recommend the payment of a dividend (2007: $nil).

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 Inc and are not managed separately. Accordingly, the Walt Disney Company Incorporated annual report should be referred to in order to gain a more detailed understanding of business performance and related risks and uncertainties.

Key performance indicators ("KPIs")

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

Financial risk management

The Company's operations expose it to financial risks, the most significant of which is 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.

Going concern

The intermediate parent company, Disney Enterprises Inc. provides sufficient support to enable the Company to continue its operations throughout the year. This support shall continue to be provided, which has been confirmed in writing to the Directors, and therefore the Directors consider the financial statements should be prepared on a going concern basis to give a true and fair view.

Directors

The Directors who held office during the year and up to the date of approval of the accounts are given below:

Nigel Cook
Marsha Reed
Cindy Rose

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

Disney Magic Company Limited

Directors' Report For The Year Ended 27 September 2008 (Continued)

Provision of Information to Auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board:

Nigel Cook

25 February 2009

Disney Magic Company Limited

Independent Auditors' Report to the Members of Disney Magic Company Limited

We have audited the financial statements of Disney Magic Company Limited for the year ended 27 September 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Disney Magic Company Limited

Independent Auditors' Report to the Members of Disney Magic Company Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 27 September 2008 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
25 February 2009

Disney Magic Company Limited

Profit And Loss Account for the Year Ended 27 September 2008

	Note	Year ended 27 September 2008 $'000	Year ended 29 September 2007 $'000
Turnover		**33,710**	33,710
Cost of sales		**(13,788)**	(14,234)
Gross profit		**19,922**	19,476
Administrative expenses		**(59)**	(151)
Operating profit	*2*	**19,863**	19,325
Interest receivable and similar income	*3*	**6,189**	6,591
Net interest receivable / (payable) on finance leases	*4*	**17,446**	(63,319)
Profit / (loss) on ordinary activities before taxation		**43,498**	(37,403)
Tax on profit on ordinary activities	*5*	**1,489**	(169)
Profit/(loss) for the financial year		**44,987**	(37,572)

There were no other gains or losses for the year other than those reported in the profit and loss account and consequently no statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities as reported above and its historical cost equivalent.

The results shown above are derived from continuing operations.

The notes on pages 8 to 14 form part of these accounts.

Disney Magic Company Limited

Balance Sheet As At 27 September 2008

	Note	2008 $'000	2007 $'000
Tangible fixed assets	6	**229,187**	242,973
Current assets			
Debtors	7	**168,334**	155,264
Creditors – amounts falling due within one year	8	**(64,934)**	(52,522)
Net current assets		**103,400**	102,742
Total assets less current liabilities		**332,587**	345,715
Creditors – amounts falling due after more than one year	9	**(407,747)**	(465,862)
Net liabilities		**(75,160)**	(120,147)
Equity capital and reserves			
Called up share capital	10	**-**	-
Other reserves	11	**1,179**	1,179
Profit and loss account	11	**(76,339)**	(121,326)
Total shareholders' deficit	12	**(75,160)**	(120,147)

The financial statements on pages 6 to 14 were approved by the Board of Directors on 25 February 2009 and were signed on its behalf by:

Nigel Cook

The notes on pages 8 to 14 form part of these financial statements.

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards on a basis consistent with the prior year. The principal accounting policies are set out below.

a) Going concern

The intermediate parent company, Disney Enterprises Inc. has indicated its intention to continue to support the company for a period of twelve months from the date of approval of these financial statements, and therefore the Directors consider the financial statements should be prepared on a going concern basis to give a true and fair view.

b) Reporting currency and presentation

The accounts are presented in US dollars as that is the functional currency in which the Company operates.

c) Turnover

Operating lease income is derived from a 15-year operating lease, which includes a one year lease holiday, between the Company and a fellow subsidiary undertaking and is recognised on a straight-line basis over the term of the lease.

d) Tangible fixed assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term and is stated at cost less accumulated depreciation. The corresponding lease commitments are shown as obligations to the lessor.

Depreciation on the relevant assets and interest are charged to the profit and loss account. Depreciation is calculated to write off the cost of these assets to estimated residual value, on a straight-line basis over the expected useful life of the asset concerned; for cruise ships this is 30 years and for leasehold improvements this is 10 years.

e) Capitalised interest

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

f) Operating and finance leases

Rental revenues under operating leases are recognised on a straight-line basis over the lease term. Assets held under finance leases are capitalised at the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Depreciation on the relevant assets and interest are charged to the profit and loss account.

1 Accounting Policies (Continued)

g) Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

The principal exchange rates against the US dollar affecting the Company were:

	2008		2007	
	Year end	**Average**	**Year end**	**Average**
British pound sterling	**£0.54**	**£0.51**	£0.49	£0.51

h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net 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 there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Cash flow statement

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

j) Accounting reference date

The Company has taken advantage of flexibility under the Companies Act 1985 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 27 September 2008 has been adopted for the current year.

The financial year represents the 52 weeks ended Saturday 27 September 2008 (prior year the 52 weeks ended 29 September 2007).

k) Change of accounting policies

The company adopted FRS 26 “Financial Instruments: Recognition and Measurement”, and FRS 29 “Financial Instruments: Disclosures”, in the 2008 financial statements. The adoption of the standards represents a change in accounting policy which has had no impact on the prior year figures.

2 Operating profit

Operating profit is stated after charging:

	2008 $'000	2007 $'000
Depreciation of assets held under finance leases	10,890	10,890
Depreciation of other assets	2,896	3,344
Auditors' remuneration	47	29

The Company had no employees during the year ended 27 September 2008 (2007: nil).

3 Interest receivable and similar income

	2008 $'000	2007 $'000
Interest from group undertakings	6,189	6,591
Total	6,189	6,591

4 Net interest receivable / (payable) on finance leases

	2008 $'000	2007 $'000
Interest payable on finance leases	29,025	26,352
Net interest payable	29,025	26,352
Foreign exchange (gains) / losses on finance lease obligations	(46,471)	36,967
Total	(17,446)	63,319

5 Tax on profit on ordinary activities

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

	2008 $'000	2007 $'000
Tax on profit on ordinary activities:		
Current tax:		
UK corporation tax at 29% (2007: 30%)	-	-
Tonnage tax	24	-
Adjustment in respect of prior year	(1,513)	169
Total current tax (credit)/charge for the year	(1,489)	169

Disney Magic Company Limited
Notes To The Accounts For The Year Ended 27 September 2008 (continued)

5 Tax on profit on ordinary activities (Continued)

Factors affecting tax (credit)/charge for the year:

The tax assessed for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (2008: 29%, 2007: 30%). The differences are explained below:

	2008 $'000	2007 $'000
Profit/(loss) on ordinary activities before tax	**43,498**	(37,403)
Expected tax at 29% (2007: 30%)	**12,615**	(11,221)
Effects of:		
Effect of income being taxable under the tonnage tax regime (Income not	**(10,124)**	-
assessable)/ expenses not deductible	**(2,778)**	11,090
Losses not utilised	**311**	131
Adjustment in respect of prior period	**(1,513)**	169
Current tax (credit)/charge for the year	**(1,489)**	169

Disney Magic Cruise Company Limited ("DMC") entered the UK tonnage tax regime on 29 June 2008. In 2007 and the period prior to 29 June 2008 the Company did not qualify for the UK tonnage tax regime. Accordingly, profits arising prior to 29 June 2008 have been taxed under normal UK corporation tax rules.

6 Tangible Fixed Assets

	Leasehold Improvements $'000	Cruise Ship $'000	Total $'000
Cost			
At 29 September 2007	26,747	346,473	373,220
At 27 September 2008	**26,747**	**346,473**	**373,220**
Accumulated depreciation			
At 29 September 2007	(24,520)	(105,727)	(130,247)
Charge for the year	(2,227)	(11,559)	(13,786)
At 27 September 2008	**(26,747)**	**(117,286)**	**(144,033)**
Net book amount			
At 27 September 2008	**-**	**229,187**	**229,187**
At 29 September 2007	2,227	240,746	242,973

Assets of cost $373,220,000 and accumulated depreciation $144,033,000 are held for the purpose of leasing under operating leases.

The net book value of the cruise ship of $229,187,000 (2007: $240,746,000) included an amount of $215,930,000 (2007: $226,821,000) in respect of an asset held under a finance lease. Cruise ship assets include capitalised interest of $2,439,000 (2007: $2,562,000).

7 Debtors

	2008 $'000	2007 $'000
Amounts owed by group undertakings	**163,510**	151,953
Tax and Social Security	**4,824**	3,311
Total	**168,334**	155,264

Amounts owed by group undertakings are unsecured, interest free, and have no fixed date of repayment.

8 Creditors – Amounts Falling Due Within One Year

	2008 $'000	2007 $'000
Amounts owed to group undertakings	**2,018**	17,528
Other creditors	**14,112**	-
Deferred income and accruals	**38**	29
Obligations under finance leases	**48,766**	34,965
Total	**64,934**	52,522

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

9 Creditors: Amounts Falling Due After More Than One Year

	2008 $'000	2007 $'000
Obligations under finance leases	**407,747**	465,862

Total obligations under finance leases are payable as follows:

	2008 $'000	2007 $'000
Within one year	**48,766**	34,965
Between one and two years	**31,618**	34,015
Between two and five years	**76,035**	96,600
In five or more years	**300,094**	335,247
Total	**456,513**	500,827

10 Called up share capital

	2008 $	2007 $
Authorised: 100 ordinary shares of £1 each converted at an exchange rate of $1.84 (2007: $2.03)	184	203
Allotted and fully paid: 1 ordinary share of £1 converted at an exchange rate of $1.64.	2	2

11 Reserves

	Other reserves $'000	Profit and Loss Account $'000	Total Reserves $'000
At 29 September 2007	1,179	(121,326)	(120,147)
Retained profit for the financial year	-	44,987	44,987
At 27 September 2008	**1,179**	**(76,339)**	**(75,160)**

12 Reconciliation of Movements in Shareholders' Deficit

	$'000
Profit for the year	44,987
Shareholders' deficit as at beginning of year	(120,147)
Shareholders' deficit as at 27 September 2008	(75,160)

13 Directors' Emoluments

The Directors received remuneration £nil (2007: £9,000) in respect of their qualifying services as a director of the company. Two Directors (2007: three) exercised share options in the ultimate parent company during the year. Retirement benefits are accruing to two Directors (2007: three) including the highest paid Director under a defined contribution scheme.

14 Ultimate Parent Undertaking and Financial Support

Ultimate parent

Disney Magic Company Limited is a wholly owned subsidiary of Disney Magic Incorporation whose ultimate parent is The Walt Disney Company incorporated in the United States of America.

Parent undertaking

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

Name	The Walt Disney Company
Country of Incorporation	United States of America
Address from where copies of the group accounts can be obtained	505 South Buena Vista Street Burbank, California 91521-9722 USA

15 Related Party Transactions

The Company is a wholly owned subsidiary of The Walt Disney Company and utilises the exemption contained in FRS 8, Related Party Disclosures, not to disclose any transactions with entities that are included in the consolidated financial statements of The Walt Disney Company. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in note 14.