

Disney Magic Company Limited
(Registered number: 3585635)

Directors' Report and Financial Statements
For the year ended 29 September 2012

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Directors' report and financial statements
For the year ended 29 September 2012

Contents	Pages
Directors' Report for the Year Ended 29 September 2012	3-4
Independent auditors' report to the Members of Disney Magic Company Limited	5-6
Profit and Loss Account for the Year Ended 29 September 2012	7
Balance sheet as at 29 September 2012	8
Notes to the Financial Statements for the Year Ended 29 September 2012	9-15

Directors' report for the year ended 29 September 2012

The directors present their annual report and audited financial statements of the Company for the year ended 29 September 2012. The financial year represents the 52 weeks ended Saturday 29 September 2012 (prior year the 52 weeks ended 1 October 2011).

Principal activities, review of business and future developments and outlook

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.

In FY11, Disney Magic Company Limited extended the operating lease on Disney Magic which expires in FY13.

Results and dividends

The Company's profit for the year is \$18,536,000 (2011: \$17,600,000). The directors do not recommend the payment of a dividend (2011: \$nil).

Principal risks and uncertainties

The principal risk is a decline in economic activity in the global market in which we do business which would adversely affect demand for any of our business, thus reducing our revenues. Economic conditions can also impair the ability of those with whom we do business to satisfy their obligations to us.

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.

Directors

The directors who held office during the year and up to the date of approval of the financial statements are

N Cook
M Reed
T Wolber

Directors' report for the year ended 29 September 2012 (continued)

Directors' Responsibilities Statement

The directors are responsible for preparing the directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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

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. 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.

Disclosure 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.

On behalf of the Board

N Cook
Director
8 April 2013



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

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 29 September 2012 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 29 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

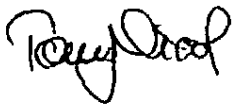
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Disney Magic Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Tony Nicol (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 April 2013

Profit and Loss Account for the year ended 29 September 2012

	Note	2012 \$'000	2011 \$'000
Turnover		24,135	28 213
Cost of sales		(7,250)	(11,557)
Gross profit		16,885	16,656
Administrative expenses		(32)	(44)
Operating profit	2	16,853	16,612
Interest receivable and similar income	3	2,186	1,311
Interest payable and similar charges	4	-	(17)
Profit on ordinary activities before taxation		19,039	17,898
Tax on profit on ordinary activities	5	(503)	(298)
Profit for the financial year	10	18,536	17,600

The Company has 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 is no material difference between the profit on ordinary activities before taxation and the profit for the year and their historical cost equivalents

The results shown above are derived from continuing operations

Balance Sheet as at 29 September 2012

(Registered number. 3585635)

	Note	As at 29 September 2012 \$'000	As at 1 October 2011 \$'000
Fixed assets			
Tangible assets	6	187,278	194,528
		<u>187,278</u>	<u>194,528</u>
Current assets			
Debtors	7	265,426	238,858
Cash at bank and in hand		346	346
Creditors amounts falling due within one year	8	(916)	(135)
Net current assets		<u>264,856</u>	<u>239,070</u>
Total assets less current liabilities		<u>452,134</u>	<u>433,598</u>
Net assets		<u>452,134</u>	<u>433,598</u>
Capital and reserves			
Called up share capital	9	-	-
Share premium account	10	400,514	400,514
Other reserves	10	1,179	1,179
Profit and loss account	10	50,441	31,905
Total shareholders' funds	11	<u>452,134</u>	<u>433,598</u>

The financial statements on pages 7 to 15 were approved by the Board on 8 April 2013
and were signed on its behalf by

N Cook
Director

8 April 2013



Notes to the Financial Statements for the year ended 29 September 2012

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 2006 and applicable accounting standards in the United Kingdom on a basis consistent with the prior period. The principal accounting policies are set out below.

a) Reporting currency and presentation

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

b) Turnover

Operating lease income is derived from a 12-year operating lease, which includes a reduced lease holiday, between the Company and a fellow subsidiary undertaking and is recognised on a straight-line basis over the term of the lease. In FY10, the operating lease was derived from a 15 year old lease which included a one year lease holiday between the Company and a fellow subsidiary undertaking and was recognised on a straight-line basis over the term of the lease.

c) Tangible fixed assets

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.

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 40 years and for leasehold improvements this is 10 years. During the year, management reviewed the useful life of the cruise ship and determined that this should increase from 30 to 40 years on the basis of major refurbishments to the cruise ship which extend the life of the cruise vessel. The useful life has also been extended to aligned to be consistent with the rest of the group companies.

d) 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.

Notes to the Financial Statements for the year ended 29 September 2012 (continued)

1 Accounting policies (continued)

e) 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

	2012		2011	
	Year end	Average	Year end	Average
British pound sterling	£0.62	£0.63	£0.64	£0.62

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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.

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 years 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.

g) 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).

h) 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 29 September 2012 has been adopted for the current year.

The financial year represents the 52 weeks ended Saturday 29 September 2012 (prior year: 52 weeks ended 1 October 2011).

Notes to the Financial Statements for the year ended 29 September 2012 (continued)

2 Operating Profit

Operating profit is stated after charging the following items

	2012 \$000	2011 \$000
Depreciation of assets	7,250	11,557
Auditor's remuneration for audit work	37	28

The Company had no employees during the year ended 29 September 2012 (2011: nil)

3 Interest receivable and similar income

	2012 \$000	2011 \$000
Interest from Group Undertakings	2,186	1,311

4 Interest Payable and Similar Charges

	2012 \$000	2011 \$000
Interest payable and similar charges	-	(17)
Total	-	(17)

5 Tax on profit on ordinary activities

The charge for taxation is based upon the taxable profit for the year and comprises

	2012 \$000	2011 \$000
Tax on profit on ordinary activities		
Current tax		
UK corporation tax at 25% (2011: 27%)	547	354
Tonnage tax	21	22
Adjustment in respect of prior year	(65)	(78)
Total current tax charge for the year	503	298

Notes to the Financial Statements for the year ended 29 September 2012 (continued)

5 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK (25%)
The differences are explained below

	2012 \$000	2011 \$000
Profit on ordinary activities before tax	19,039	17,899
Expected tax at 25% (2011 27%)	4,760	4,832
Effects of Tonnage tax income	(4,192)	(4,456)
Adjustment in respect of prior year	(65)	(78)
Current tax charge for year	503	298

Factors affecting the future tax charges

In addition to the changes in rates of Corporation tax disclosed [above/within the note on taxation] a number of further changes to the UK Corporation tax system have been announced. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. Further reductions to the main rate were announced in the 2012 Autumn Statement and the March 2013 Budget Statement to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. These changes are not expected to materially impact the financial statements.

The company has no deferred tax recognised or unrecognised, that would be affected by the change in the tax rates.

6 Tangible Fixed Assets

	Leasehold Improvements \$000	Cruise Ship \$000	Total \$000
Cost			
At 1 October 2011	26,747	346,473	373,220
At 29 September 2012	26,747	346,473	373,220
Accumulated depreciation			
At 1 October 2011	(26,747)	(151,945)	(178,692)
Charge for the year	-	(7,250)	(7,250)
At 29 September 2012	(26,747)	(159,195)	(185,942)
Net book amount			
At 29 September 2012	-	187,278	187,278
At 1 October 2011	-	194,528	194,528

During the year the company revised the useful life of its cruise ship to take into account refurbishments and group policy alignment. The effect of this revision is a decrease in the depreciation charge for the year of \$4.3m.

**Notes to the Financial Statements for the year ended 29 September 2012
(continued)**

7 Debtors

	2012 \$000	2011 \$000
Amounts owed by group undertakings	265,426	237,312
Tax debtor	-	1,546
Total	265,426	238,858

\$228,413,029 (2011 \$226,248,890) of amounts owed by group undertakings is unsecured, interest bearing at 0.95% (based on the six monthly LIBOR rates) and repayable on demand. The remaining amounts owed by group undertakings are unsecured, interest free, and have no fixed date of repayment.

8 Creditors: amounts falling due within one year

	2012 \$000	2011 \$000
Amount owed to group undertakings	522	135
Tax creditor	394	-
Total	916	135

9 Called up share capital

	2012 \$	2011 \$
Authorised 100 (2011 100) Ordinary shares of £1 each converted at an exchange rate of \$1.62 (2011 \$1.56)	162	156
Allotted and fully paid: 10 (2011 10) ordinary shares of £1 each (9 converted at an exchange rate of \$1.56 and 1 converted at \$1.64)	16	16

**Notes to the Financial Statements for the year ended 29 September 2012
(continued)**

10 Reserves

	Other reserves	Profit and Loss Account	Share Premium Account	Total Reserves
	\$000	\$000	\$000	\$000
At 1 October 2011	1,179	31,905	400,514	433,598
Retained profit for the financial year	-	18,536	-	18,536
At 29 September 2012	1,179	50,441	400,514	452,134

11 Reconciliation of movements in shareholders' funds

	2012 \$000	2011 \$000
Profit for the financial year	18,536	17,600
Shareholders' funds / (deficit) as at beginning of year	433,598	415,998
Shareholders' funds	452,134	433,598

12 Directors Emoluments

The directors received remuneration £nil (2011 £nil) in respect of their qualifying services as a director of the Company. The directors are remunerated by The Walt Disney Company and Magical Cruise Company Limited and details are available in the financial statements of those companies. It is not possible to determine the allocation of remuneration of the directors related to the Company. Two directors (2011 two) exercised share options in the ultimate parent company during the year. Retirement benefits are accruing to two directors (2011 two) under a defined contribution scheme held by the ultimate parent.

Notes to the Financial Statements for the year ended 29 September 2012 (continued)

13 Ultimate parent undertaking

Ultimate parent

The Company is a wholly owned subsidiary of Disney Magic Corporation, incorporated in the United States of America, whose ultimate parent is The Walt Disney Company, incorporated in the United States of America. The directors regard The Walt Disney Company to be the ultimate controlling party.

Parent undertaking

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

Name	The Walt Disney Company
Country of Incorporation	United States of America
Address from where copies of the group financial statements can be obtained	500 South Buena Vista St Burbank, California 91521-9722 USA

14 Related party transactions

As previously stated, the Company is a wholly owned subsidiary of The Walt Disney Company and utilises the exemption contained in FRS 8, Related Party Disclosures, not to disclose any transactions with entities that are included in the consolidated financial statements of The Walt Disney Company. The address at which the consolidated financial statements of the ultimate parent company are publicly available is included in Note 13.