

**Disney Magic Company Limited**  
(Registered Number 3585635)

**Annual Report and Financial Statements**  
**For The Year Ended 3 October 2009**



# **Disney Magic Company Limited**

## **Contents**

	<b>Pages</b>
Directors' Report for the Year Ended 3 October 2009	<b>1-2</b>
Independent Auditors' Report to the Members of Disney Magic Company Limited	<b>3-4</b>
Profit and Loss Account for the Year Ended 3 October 2009	<b>5</b>
Balance Sheet as at 3 October 2009	<b>6</b>
Notes to the Financial Statements for the Year ended 3 October 2009	<b>7-13</b>

# **Disney Magic Company Limited**

## **Directors' Report For The Year Ended 3 October 2009**

The Directors present their report and audited financial statements of the Company for the year ended 3 October 2009

### **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 \$69,744,000 (2008: \$44,987,000). The Directors do not recommend the payment of a dividend (2008: \$nil).

On 17 December 2009 the Company terminated its lease of the luxury cruise vessel. The Company utilised the existing termination provisions in the lease agreement and exercised its right to purchase the ship from Barclays at fair market value of £258,000,000.

### **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:

N Cook  
M Reed  
C Rose

(resigned 28 September 2009)

# Disney Magic Company Limited

## Directors' Report For The Year Ended 3 October 2009 (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.

### Statement of directors' responsibilities

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 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 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.

On behalf of the Board



N Cook  
**Director**  
14 June 2010

Registered Office  
3 Queen Caroline St  
Hammersmith  
London  
W6 9PE

# **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 ('the Company') for the year ended 3 October 2009 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 2, 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 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.

### **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 3 October 2009 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.

## **Disney Magic Company Limited**

### **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

*Stuart Newman*

Stuart Newman (Senior Statutory Auditor)  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

14 June 2010

## Disney Magic Company Limited

### Profit And Loss Account For The Year Ended 3 October 2009

	Note	2009 \$'000	2008 \$'000
Turnover		33,711	33,710
Cost of sales		(11,544)	(13,788)
<b>Gross profit</b>		<b>22,167</b>	<b>19,922</b>
Administrative expenses		(49)	(59)
<b>Operating profit</b>	2	<b>22,118</b>	<b>19,863</b>
Interest receivable and similar income	3	4,516	6,189
Net interest receivable/ (payable) on finance leases	4	45,275	17,446
<b>Profit on ordinary activities before taxation</b>		<b>71,909</b>	<b>43,498</b>
Tax on profit on ordinary activities	5	(2,165)	1,489
<b>Profit for the financial year</b>		<b>69,744</b>	<b>44,987</b>

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 as reported above and the retained profit for the year, and its historical cost equivalent

The results shown above are derived from continuing operations

# Disney Magic Company Limited

## Balance Sheet As At 3 October 2009

Registered Number 3585635

	Note	2009 \$'000	2008 \$'000
Tangible fixed assets	6	217,642	229,187
<b>Current assets</b>			
Debtors	7	175,868	168,334
<b>Creditors – amounts falling due within one year</b>	8	(29,291)	(64,934)
<b>Net current assets</b>		146,577	103,400
<b>Total assets less current liabilities</b>		364,219	332,587
<b>Creditors – amounts falling due after more than one year</b>	9	(369,635)	(407,747)
<b>Net liabilities</b>		(5,416)	(75,160)
<b>Equity capital and reserves</b>			
Called up share capital	10	-	-
Other reserves	11	1,179	1,179
Profit and loss account	11	(6,595)	(76,339)
<b>Total shareholders' deficit</b>	12	(5,416)	(75,160)

The financial statements on pages 5 to 13 were approved by the Board of Directors on 14 June 2010 and were signed on its behalf by

N Cook  
Director





# **Disney Magic Company Limited**

## **Notes To The Financial Statements For The Year Ended 3 October 2009**

### **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 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.

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 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.

# Disney Magic Company Limited

## Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)

### 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

	2009		2008	
	Year end	Average	Year end	Average
British pound sterling	£0.63	£0.64	£0.54	£0.51

#### h) 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. 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 UK corporation tax rules.

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 2006 to end the accounting period on the closest Saturday to 30 September each year. An accounting reference date of 3 October 2009 has been adopted for the current year.

The financial year represents the 53 weeks ended Saturday 3 October 2009 (prior year the 52 weeks ended 27 September 2008).

# Disney Magic Company Limited

## Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)

### 2 Profit On Ordinary Activities Before Taxation

Operating profit is stated after charging the following items

	2009 \$'000	2008 \$'000
Depreciation of assets held under finance leases	10,890	10,890
Depreciation of other assets	655	2,896
Auditors' remuneration for audit work	38	47

The Company had no employees during the period ended 3 October 2009 (2008: nil)

### 3 Interest receivable and similar income

	2009 \$'000	2008 \$'000
Interest from Group Undertakings	4,516	6,189

### 4 Net interest receivable/ (payable) on finance leases

	2009 \$'000	2008 \$'000
Interest payable on finance leases	16,551	29,025
Net interest payable	16,551	29,025
Foreign exchange (gains) / losses on finance lease obligations	(61,826)	(46,471)
Total	(45,275)	(17,446)

### 5 Tax on profit on ordinary activities

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

	2009 \$'000	2008 \$'000
Tax on profit on ordinary activities		
Current tax		
UK corporation tax at 28% (2008: 29%)	1,264	-
Tonnage tax	24	24
Adjustment in respect of prior period	877	(1,513)
Total current tax charge/ (credit) for the year	2,165	(1,489)

# Disney Magic Company Limited

## Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)

### 5 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower (2008 lower) than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2009 \$'000	2008 \$'000
Profit on ordinary activities before tax	71,909	43,498
Expected tax at 28% (2008 29%)	20,135	12,615
Effects of		
Tonnage tax income	(18,847)	(10,124)
Foreign exchange gains	-	(2,778)
Losses not utilised	-	311
Adjustment in respect of prior period	877	(1,513)
Current tax charge/ (credit) for period	2,165	(1,489)

### 6 Tangible Fixed Assets

	Leasehold Improvements \$'000	Cruise Ship \$'000	Total \$'000
<b>Cost</b>			
At 27 September 2008	26,747	346,473	373,220
<b>At 3 October 2009</b>	<b>26,747</b>	<b>346,473</b>	<b>373,220</b>
<b>Accumulated depreciation</b>			
At 27 September 2008	(26,747)	(117,286)	(144,033)
Charge for the year	-	(11,545)	(11,545)
<b>At 3 October 2009</b>	<b>(26,747)</b>	<b>(128,831)</b>	<b>(155,578)</b>
<b>Net book amount at 3 October 2009</b>	<b>-</b>	<b>217,642</b>	<b>217,642</b>
At 27 September 2008	-	229,187	229,187

Assets of cost \$373,220,000 and accumulated depreciation \$155,578,000 are held for the purpose of leasing under operating leases

The net book value of the cruise ship of \$217,642,000 (2008 \$229,187,000) included an amount of \$205,040,000 (2008 \$215,930,000) in respect of an asset held under a finance lease Cruise ship assets include capitalised interest of \$2,316,000 (2008 \$2,439,000)

# Disney Magic Company Limited

## Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)

### 7 Debtors

	2009 \$'000	2008 \$'000
Amounts owed by group undertakings	173,327	163,510
Tax and Social Security	2,541	4,824
	<b>175,868</b>	<b>168,334</b>

£156,581,195 of amounts owed by group undertakings is unsecured, interest bearing 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

	2009 \$'000	2008 \$'000
Amounts owed to group undertakings	161	2,018
Interest Lease Payable	-	14,112
Obligations under finance leases	29,114	48,766
Accruals	16	38
<b>Total</b>	<b>29,291</b>	<b>64,934</b>

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

	2009 \$'000	2008 \$'000
Obligations under finance leases	369,635	407,747

Total obligations under finance leases are payable as follows

	2009 \$'000	2008 \$'000
Within one year	29,114	48,766
Between one and two years	30,587	31,618
Between two and five years	75,486	76,035
In five or more years	263,562	300,094
<b>Total</b>	<b>398,749</b>	<b>456,513</b>

The finance lease was terminated on 17 December 2009 (refer note 16)

# Disney Magic Company Limited

## Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)

### 10 Called Up Share Capital

	2009 \$	2008 \$
Authorised: 100 ordinary shares of £1 each converted at an exchange rate of \$1 59 (2008 \$1 84)	159	184
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 27 September 2008	1,179	(76,339)	(75,160)
Retained profit for the financial year	-	69,744	69,744
At 3 October 2009	1,179	(6,595)	(5,416)

### 12 Reconciliation of Movements in Shareholders' Deficit

	2009 \$'000	2008 \$'000
Profit for the financial year	69,744	44,987
Shareholders' deficit as at beginning of year	(75,160)	(120,147)
Shareholders' deficit as at 3 October 2009	(5,416)	(75,160)

### 13 Directors' Emoluments

The Directors received remuneration £nil (2008 £nil) in respect of their qualifying services as a director of the company. Two Directors (2008 two) exercised share options in the ultimate parent company during the year. Retirement benefits are accruing to two Directors (2008 two) under a defined contribution scheme.

## **Disney Magic Company Limited**

### **Notes To The Financial Statements For The Year Ended 3 October 2009 (continued)**

#### **14 Ultimate Parent Undertaking and Financial Support**

The immediate parent is Disney Magic Corporation, incorporated in the United States of America. The intermediate parent, 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.

The ultimate parent undertaking and controlling party is The Walt Disney Company, incorporated in the United States of America. The ultimate parent undertaking is the parent undertaking of the smallest and largest group to consolidate their financial statements. Copies of the consolidated financial statements of The Walt Disney Company can be requested from The Walt Disney Company, 506 South Buena Vista Street, Burbank, California 91521-9722, USA.

#### **15 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 14.

#### **16 Post balance sheet events**

On 17 December 2009 the Company terminated its lease of the luxury cruise vessel. The Company utilised the existing termination provisions in the lease agreement and exercised its right to purchase the ship from Barclays at fair market value of £258,000,000.

A lease termination sum was paid by the Company to Barclays, and subsequently Barclays shared with the Company benefits to bring down the lease termination sum to the amount of defeasance cash £250,000,000. Barclays drew upon the existing Letters of Credit to settle the lease and sold the ship back to the Company. The Company released the defeasance cash and settled the Letters of Credit with the banks.