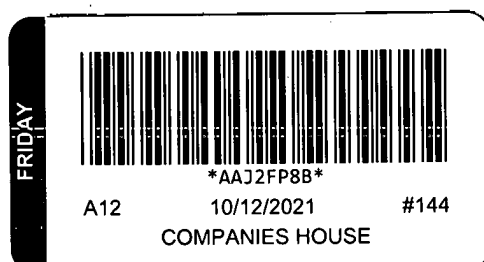


Disney Magic Company Limited
(Registered Number 03585635)

Directors' report and financial statements
For the year ended 3 October 2020



Disney Magic Company Limited

Directors' report and financial statements for the year ended 3 October 2020

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Disney Magic Company Limited

Strategic report for the year ended 3 October 2020

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

Principal activities, review of business 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.

In fiscal year 2011, Disney Magic Company Limited extended the operating lease on Disney Magic which expires in fiscal year 2023.

The Company's profit for the financial year is \$16,858,000 (2019: \$16,857,000). The Directors are satisfied with the performance of the Company and look forward to the future with optimism.

In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. COVID-19 pandemic did not have a significant impact on the operations of the Company because although cruise ship operations were suspended for its lessee on 14 March 2020 and did not resume until 15 July 2021, the Company continued to receive contractual lease payments from Magical Cruise Company, Limited (lessee) during the suspension.

However, as the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. The Directors are managing day to day working capital requirements closely with its related parent entity in order to meet the Company's liabilities as they fall due.

On 24th September 2021, the Company sold the Disney Magic vessel to Magical Cruise Company, Limited for the ship's determined fair market value of \$278,650,000. The Directors have no immediate plans to cease the activities of the Company in light of this ship disposal and will consider all options fully before finalising the future direction of this entity.

Principal risks, uncertainties and future outlook

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, which could impact the carrying value of the vessel which is held.

In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. Cruise ship operations at our lessee were suspended on 14 March 2020 and did not resume until 15 July 2021. Initial sailings by the lessee of this luxury cruise vessel took place with lower passenger capacity and enhanced COVID-19 health and safety measures. However, the risk to the Company of this was mitigated as contractual lease payments were received from Magical Cruise Company, Limited during the suspension.

Disney Magic Company Limited

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

Principal risks, uncertainties and future outlook (continued)

In addition, changes in regulations applicable to our businesses may impair the profitability of our businesses.

These regulations may include, but are not limited to:

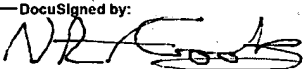
- Federal, state and foreign privacy and data protection laws and regulations.
- Regulation of the safety of consumer products and Cruise Line operations.
- Domestic and international wage laws, tax laws or currency controls.
- Environmental protection regulations.

With respect to the risk noted above, the Directors regularly review such matters to mitigate their impact on the Company.

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.

On behalf of the Board.

DocuSigned by:

F32EB402DF10459...
N Cook
Director

2 December 2021

Registered Office
3 Queen Caroline Street
Hammersmith
London
W6 9PE

Disney Magic Company Limited

Directors' report for the year ended 3 October 2020

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

Future development

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

Dividends

The Directors approved the payment of dividends amounting to \$12,067,000 (2019: \$23,483,000).

On 12 March 2020 a final dividend of \$12,067,000 was approved for fiscal 2019 to Disney Magic Corporation, the Company's immediate parent company.

On 22 December 2020 a final dividend of \$24,134,941 was approved for fiscal 2020 to Disney Magic Corporation.

On 28 July 2021 an interim dividend of \$12,067,470 was approved for fiscal 2021 to Disney Magic Corporation and on 30 September 2021 a final dividend of \$278,650,000 was approved. These dividends approved in fiscal year 2021 have not been accounted for within the current year financial statements since they were proposed after the year end date.

Financial risk management

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

Directors

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

N Cook
M Salama
T A Bermingham (appointed 22 June 2021)

No Director had an interest in the share capital of the Company or The Walt Disney Company and subsidiaries ("Group") during the year requiring disclosure under the Companies Act 2006. There was no qualifying third party indemnity provision in force, for the benefit of any of the Directors, at any time during the 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 regulation.

Company law requires the Directors to prepare financial statements for each financial 53 week period. 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).

Disney Magic Company Limited

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

Statement of Directors' responsibilities (continued)

Under company law, 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

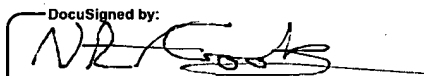
In the case of each Director in office at the date the Directors' report is approved:

- 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 2 December 2021.

DocuSigned by:

E32EB4D2DF10459...
N Cook
Director

Registered Office
3 Queen Caroline Street
Hammersmith
London
W6 9PE

Disney Magic Company Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Disney Magic 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 profit 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" Section 1A, 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 Directors' report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 3 October 2020; the Income statement and the 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.

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.

Disney Magic Company Limited

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

Reporting on other information (continued)

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.

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.

Disney Magic Company Limited

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

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
2 December 2021

Disney Magic 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	24,135	24,135
Cost of sales		(7,248)	(7,250)
Gross profit		16,887	16,885
Administrative expenses		(16)	(18)
Operating profit	5	16,871	16,867
Profit before taxation		16,871	16,867
Tax on profit	6	(13)	(10)
Profit for the financial year		16,858	16,857

The results shown above are derived from continuing operations.

The notes on pages 14 to 23 form part of these financial statements.

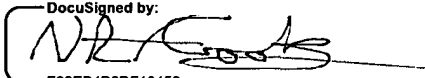
Disney Magic Company Limited

Statement of financial position as at 3 October 2020

(Registered number: 03585635)

	Note	3 October 2020 \$'000	28 September 2019 \$'000
Fixed assets			
Tangible assets	7	129,282	136,530
		129,282	136,530
Current assets			
Debtors	8	24,135	12,067
Cash at bank and in hand		696	696
Creditors: amounts falling due within one year	9	(107)	(78)
Net current assets		24,724	12,685
Total assets less current liabilities		154,006	149,215
Net assets		154,006	149,215
Capital and reserves			
Called up share capital	11	100,514	100,514
Share premium account		20,589	20,589
Other reserves		32,903	28,112
Retained earnings			
Total equity		154,006	149,215

The financial statements on pages 10 to 23 were approved by the Board on 2 December 2021 and were signed on its behalf by:

DocuSigned by:

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N Cook
Director

3 Queen Caroline Street
 Hammersmith
 London
 W6 9PE

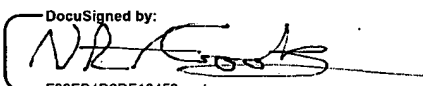
Disney Magic Company Limited

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

	Note	Called up share capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 29 September 2018	11	-	100,514	20,589	34,738	155,841
Profit for the financial year		-	-	-	16,857	16,857
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	16,857	16,857
Dividends paid		-	-	-	(23,483)	(23,483)
Balance as at 28 September 2019	11	-	100,514	20,589	28,112	149,215
Profit for the financial year		-	-	-	16,858	16,858
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	16,858	16,858
Dividends paid		-	-	-	(12,067)	(12,067)
Balance as at 3 October 2020	11	-	100,514	20,589	32,903	154,006

The notes on pages 14 to 23 represent an integral part of the financial statements.

The financial statements were approved by the Board on 2 December 2021 and were signed on its behalf by:

DocuSigned by:

 F32EB4D2DF10459...
 N Cook
Director
 3 Queen Caroline Street
 Hammersmith
 London
 W6 9PE

Disney Magic Company Limited

Notes to the Financial Statements for the year ended 3 October 2020

1 General information

Disney Magic 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 Disney Magic Corporation, 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 principal activity of the Company is the leasing of a luxury cruise vessel.

2 Statement of compliance

The financial statements of Disney Magic 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 including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102')'.

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

In December 2019 there was an outbreak of COVID-19, which the World Health Organisation declared a pandemic on 11 March 2020. COVID-19 pandemic did not have a significant impact on the operations of the Company because although cruise ship operations were suspended for its lessee on 14 March 2020 and did not resume until 15 July 2021, the Company continued to receive contractual lease payments from Magical Cruise Company Limited (lessee) during the suspension.

However, as the situation continues to evolve, the Directors continue to monitor closely by way of ongoing risk assessments and revised projections for the business. The Directors are managing day to day working capital requirements closely with its related parent entity in order to meet the Company's liabilities as they fall due.

Disney Magic Company Limited

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

3 Summary of significant accounting policies (continued)

b) Going concern (continued)

The Directors have undertaken an assessment and whilst they expect to be able to meet the day to day cashflow needs of the Company through the realisation of assets, they have received assurances of continued financial support from a fellow group undertaking to allow the Company to meet its liabilities as they fall due without significant curtailment of operations for a period of at least 12 months from the date of the accounts being signed. 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.

As noted in the Strategic report the Company post year end sold the Disney Magic cruise ship for \$278,650,000. The proceeds of sale being received by the Company. The Directors have no immediate plans to cease the activities of the Company in light of this ship disposal and will consider all options fully before finalising the future direction of this entity. Therefore, in combination with the assessment performed above, the Directors 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.

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).

e) Turnover

Operating lease income is derived from an operating lease between the Company and a fellow subsidiary undertaking, and is recognised on a straight-line basis over the term of the lease. The original term of the operating lease was 30 September 1998 through 30 September 2013, and included a reduced lease holiday. During fiscal year 2011, the operating lease was renegotiated and now expires on 30 September 2023.

Disney Magic Company Limited

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

3 Summary of significant accounting policies (continued)

f) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is the US dollars and rounded to thousands.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate 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.

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 substantively enacted by the period end 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.

Disney Magic Company Limited

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

3 Summary of significant accounting policies (continued)

h) Tangible assets and depreciation

Tangible assets are stated at historical purchase cost less accumulated depreciation.

Depreciation on the relevant assets and interest are charged to the Income statement. Depreciation is calculated on a straight line basis at rates estimated to write off the cost of the assets over their estimated useful lives. 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:

Cruise ships	-	40 years
Leasehold improvements	-	10 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 the Income statement.

i) 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 does not hold short-term highly liquid investments or bank overdrafts.

j) 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.

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.

Disney Magic Company Limited

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

3 Summary of significant accounting policies (continued)

j) Financial instruments (continued)

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 receipts 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.

The Company does not hold or issue derivative financial instruments.

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.

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

k) 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 rental revenues are recognised in the Income statement on a straight line basis over the period of the lease.

Disney Magic Company Limited

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

3 Summary of significant accounting policies (continued)

l) 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 14.

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.

m) 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.

(i) Useful economic lives of tangible assets

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 7 for the carrying amount of tangible assets and policy note 3h for the useful economic lives for each class of asset.

4 Turnover

Turnover represents the operating lease income earned for leasing the luxury cruise vessel to another subsidiary undertaking.

Geographical segments:

All turnover arises from the operating lease income in United Kingdom (2019: United Kingdom).

5 Operating Profit

Operating profit is stated after charging the following items:

	Year ended 3 October 2020 \$'000	Year ended 28 September 2019 \$'000
Depreciation	7,248	7,250
Audit services	20	18

The Company had no employees during the year ended 3 October 2020 (2019: Nil).

Disney Magic Company Limited

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

6 Tax on profit

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

	Year ended 3 October 2020	Year ended 28 September 2019
	\$'000	\$'000
Tax on profit:		
Current tax:		
UK corporation tax at 19% (2019: 19%)	-	-
Tonnage tax	12	11
Adjustments in respect of prior years	1	(1)
Total tax charge for the year	13	10

Factors affecting the tax charge for the year:

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK for the year ended 3 October 2020: 19% (2019: 19%). The differences are explained below:

	Year ended 3 October 2020	Year ended 28 September 2019
	\$'000	\$'000
Profit before taxation	16,871	16,867
Expected tax at 19% (2019: 19%)	3,205	3,205
Effects of:		
Tonnage tax income	(3,193)	(3,194)
Adjustments in respect of prior years	1	(1)
Total tax charge for year	13	10

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.

Disney Magic Company Limited

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

7 Tangible assets

	Leasehold improvements \$'000	Cruise ship \$'000	Total \$'000
Cost			
At 29 September 2019	26,747	346,473	373,220
At 3 October 2020	26,747	346,473	373,220
Accumulated depreciation			
At 29 September 2019	26,747	209,943	236,690
Charge for the year	-	7,248	7,248
At 3 October 2020	26,747	217,191	243,938
Net book amount			
At 3 October 2020	-	129,282	129,282
At 28 September 2019	-	136,530	136,530

8 Debtors

	3 October 2020 \$'000	28 September 2019 \$'000
Amounts owed by group undertakings	24,135	12,067
Total	24,135	12,067

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

9 Creditors: amounts falling due within one year

	3 October 2020 \$'000	28 September 2019 \$'000
Amount owed to group undertakings	95	52
Corporation tax	12	23
Total	107	75

The amounts owed to group undertakings are unsecured, bear no rate of interest and are kept current through regular payments and settled under normal trade terms.

Disney Magic Company Limited

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

10 Financial instruments by category

	Note	3 October 2020 \$'000	28 September 2019 \$'000
Financial assets measured at amortised cost:			
Amounts owed by group undertakings	8	24,135	12,067
Cash at bank		696	696
Total		24,831	12,763
Financial liabilities measured at amortised cost:			
Amounts owed to group undertakings	9	95	52
Total		95	52

11 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. (9 converted at an exchange rate of \$1.56 and 1 converted at \$1.64)	16	16

12 Directors' emoluments

The Directors did not receive any emoluments in respect of their services to the Company (2019: nil). The Directors were remunerated by another group undertaking. It is not possible to determine the allocation of remuneration of the Directors related to the Company.

13 Dividends

The Directors approved the payment of dividends amounting to \$12,067,000 (2019: \$23,483,000).

The dividend paid per share was \$1,206,700 (2019: \$2,348,300).

Disney Magic Company Limited

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

14 Related party transactions

The Company is a wholly owned subsidiary of Disney Magic Corporation (incorporated in United States of America) 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 15.

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

Disney Magic Company Limited 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.

15 Ultimate parent undertaking and related undertakings

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

16 Post balance sheet events

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

On 17th September 2021 the share capital of the Company was reduced by \$100,514,000 by cancelling the share premium account and credited to distributable reserves.

On 22 December 2020 a final dividend of \$24,134,941 was approved for fiscal 2020 to Disney Magic Corporation. On 28 July 2021 an interim dividend of \$12,067,470 was approved for fiscal 2021 to Disney Magic Corporation. These dividends approved in fiscal year 2021 have not been accounted for within the current year financial statements since they were proposed after the year end date.

Disney Magic Company Limited

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

16 Post balance sheet events (continued)

On 24th September 2021, the Company sold the Disney Magic vessel to Magical Cruise Company, Limited for the ship's determined fair market value of \$278,650,000.

A dividend of \$278,650,000 to Disney Magic Corporation was then approved on 30 September 2021.