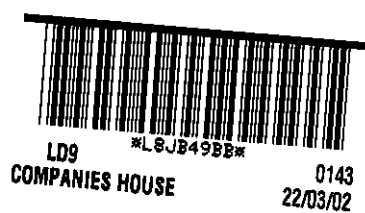


# **Princess Tours Limited**

## **Directors' report and financial statements**

**Registered number 559165**

**31 December 2000**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### Principal activities and business review

On 2 June 2000 the company, which was previously dormant, acquired the cruise ship Royal Princess, together with certain Princess trademarks, from its then parent company, The Peninsular and Oriental Steam Navigation Company, and has bareboat chartered this vessel to a fellow subsidiary company from that date. The consideration for the acquisition of the vessel was satisfied through the issue of one £1 share to the parent company resulting in a share premium of US\$129,734,000.

As the consideration and the charterhire for the vessel are both expressed in US Dollars, the directors consider that the US Dollar is the functional currency of the company as from the aforementioned acquisition date. Comparative figures as at 31 December 1999 have been converted from Sterling into US Dollars using the rate of exchange ruling on 31 December 1999.

On 23 October 2000, The Peninsular and Oriental Steam Navigation Company demerged its cruises business. As of that date, P&O Princess Cruises plc became the company's ultimate holding company.

### Dividend and reserves

The directors do not recommend payment of a dividend (1999: *US\$nil*).

The profit for the year retained in the company is US\$3,037,000 (1999: *profit US\$nil*).

### Directors and directors' interests

The directors who held office during the year were as follows:

RG Hughes  
L Horsley  
AN Kennedy

On 5 February 2001, L Horsley resigned as a director and secretary of the company. On that date RG Hughes and AN Kennedy also resigned as directors of the company and AH Kaufman, DE Jones, NL Luff and PG Ratcliffe were appointed as directors and S Pearce appointed as secretary.

No director had any beneficial interest in the shares of the company or any other subsidiary of P&O Princess Cruises plc. Their interests in ordinary shares of the parent company, P & O Princess Cruises plc, not shown in the accounts of that company, were as follows:

	Ordinary shares at 31 December 2000 £	Options granted 2000 £	Options Exercised 2000 £
RG Hughes	72,391	137,176	-
L Horsley	13,995	58,968	-
AN Kennedy	2,586	44,375	-

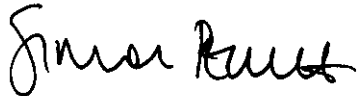
All of the ordinary shares were allotted to directors on 23 October 2000 as a consequence of their interests in £1 deferred stock of The Peninsular and Oriental Steam Navigation Company at the demerger record date. Options over P&O Princess Cruises plc ordinary shares granted include replacement options for options over P&O deferred stock held by participants in P&O stock options prior to the demerger.

## **Directors' report** *(continued)*

### **Auditors**

KPMG Audit Plc were appointed during the year as auditors to the company. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**Simon Pearce**  
*Secretary*

**5 March 2002**  
London

77 New Oxford Street

WC1A 1PP

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Independent auditor's report to the members of Princess Tours Limited**

We have audited the financial statements on pages 5 to 11.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

### **Basis of audit opinion**

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

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

### **Audit opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'KPMG Audit Plc'.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

21 March 2002

## Profit and loss account

for the year ended 31 December 2000

	Note	2000 US\$'000	1999 restated US\$'000
Turnover	1	7,798	-
Cost of sales		(4,340)	-
<b>Gross profit</b>		<b>3,458</b>	-
Administrative expenses		(27)	-
<b>Profit on ordinary activities before taxation</b>	2-4	<b>3,431</b>	-
Tax on profit on ordinary activities	5	(394)	-
<b>Retained profit for the financial year</b>		<b>3,037</b>	-

All profits and losses arise from continuing activities.

The notes on pages 8 to 11 form part of these financial statements.

## Balance sheet

at 31 December 2000

	Note	2000 US\$'000	1999 Restated US\$'000
<b>Fixed assets</b>	6	125,394	-
<b>Current assets</b>			
Debtors	7	7,797	-
<b>Creditors: amounts falling due within one year</b>	8	(138)	(149)
<b>Net current assets</b>		7,659	(149)
<b>Total assets less current liabilities</b>		133,053	(149)
<b>Provisions for liabilities and charges</b>	9	(420)	-
<b>Net assets</b>		132,633	(149)
Called up share capital	10	12	12
Share premium account	11	129,734	-
Profit and loss account	11	2,887	(161)
<b>Equity shareholders' funds</b>		132,633	(149)

These financial statements were approved by the board of directors on 5 March 2002 and were signed on its behalf by:

N L Luff  
Director





## Statement of recognised gains and losses

*for the year ended 31 December 2000*

	2000 US\$'000	1999 US\$'000
Profit attributable to shareholders	3,037	-
Exchange reserve movement	11	-
	<hr/>	<hr/>
Total gains and losses recognised since the last financial statements	3,048	-
	<hr/>	<hr/>

## Reconciliation of movements in equity shareholders' funds

*for the year ended 31 December 2000*

	2000 US\$'000	1999 US\$'000
Total recognised gains and losses	3,048	-
Issue of share capital	129,734	-
Opening shareholders' funds	(149)	(149)
	<hr/>	<hr/>
Closing shareholders' funds	132,633	(149)
	<hr/>	<hr/>

**Notes** *(forming part of the financial statements)*

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The functional currency of the company is the US Dollar as the majority of its trade and assets are denominated in that currency and, therefore, these accounts are presented in US Dollars. The comparative figures have been restated from Sterling to US Dollars using the rate of exchange ruling at 31 December 1999.

***Fixed assets – ship in service***

The ship is stated at cost less accumulated depreciation. Depreciation is calculated to write off the unexpired cost of the asset to estimated residual value on a straight line basis over the expected remaining useful economic life of the asset, being the balance remaining of 30 years in total since the asset first entered service.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred tax only to the extent that it is probable that an actual asset or liability will crystallise.

***Turnover***

Turnover comprises charterhire received from a fellow subsidiary company.

***Cash flow statement***

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary of a parent company which has produced a group cash flow statement in accordance with the Standard.

***Related party transactions***

As a wholly-owned subsidiary of P&O Princess Cruises Plc, the company has taken advantage of the exemption in Financial Reporting Standard 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group.

***Foreign Currencies***

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies have been expressed in US Dollars at rates ruling at the balance sheet date. Exchange gains and losses are taken to profit and loss account except for those arising on foreign currency equity movements and their related hedging loans, which are taken to reserves. Corporation tax attributable to exchange gains and losses on hedging loans is also taken to reserves.

**2 Profit on ordinary activities before taxation**

	2000 US\$'000	1999 US\$'000
<b><i>Profit on ordinary activities before Taxation is stated after charging :</i></b>		
Auditors' remuneration - Audit	1	-
Depreciation	4,340	-
Exchange losses	26	-
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**3 Remuneration of directors**

None of the directors received any remuneration from the company (1999: US\$nil).

**4 Staff numbers and costs**

The only employees of the company were its three directors.

**5 Taxation**

	2000 US\$'000	1999 US\$'000
UK corporation tax at 30.0% (1999: 30.25%) on the profit for the year on ordinary activities	-	-
Deferred taxation	(394)	-
	<u>(394)</u>	<u>-</u>

**6 Fixed assets**

	Ship in Service US\$'000
At beginning of year	-
Additions	129,734
	<u>129,734</u>
At end of year	129,734
	<u>129,734</u>
<b>Depreciation</b>	
At beginning of year	-
Charge for year	(4,340)
	<u>(4,340)</u>
At end of year	(4,340)
	<u>(4,340)</u>
<b>Net book value</b>	
At 31 December 2000	125,394
	<u>125,394</u>
At 31 December 1999	-
	<u>-</u>

**7 Debtors**

	2000 US\$'000	1999 US\$'000
Amount due from fellow subsidiary company	7,797	-
	<u>7,797</u>	<u>-</u>

**Notes** *(continued)*

**8 Creditors: amounts falling due within one year**

	2000 US\$'000	1999 US\$'000
Amounts owed to parent and fellow subsidiary undertakings	(138)	(149)

**9 Provisions for liabilities and charges**

	Deferred Taxation US\$'000
At 1 January 2000	-
Charge to profit and loss account	(394)
Exchange differences	(26)
<b>At 31 December 2000</b>	<b>(420)</b>
Deferred taxation comprises :	
Accelerated capital allowances	(420)
Other short term timing differences	-
<b>At 31 December 2000</b>	<b>(420)</b>

There was no unprovided tax liability at 31 December 2000.

**10 Called up share capital**

	2000 US\$'000	1999 US\$'000
<i>Allotted, called up and fully paid</i>		
7,503 ordinary shares of £1 each converted at \$1.612	12	12

The authorised share capital is 10,000 ordinary shares of £1 each.

The allotted, called up and fully paid share capital at 31 December 1999 was 7,502 ordinary shares of £1 each. On 2 June 2000 the company issued one share to The Peninsular and Oriental Steam Navigation Company for a consideration of \$129,734,375, resulting in a share premium of \$129,734,373.

## Notes (continued)

### 11 Reserves

	Share Premium US\$'000	Profit and loss account US\$'000	Total US\$'000
At beginning of year	-	(161)	(161)
Exchange differences		11	11
Issue of share capital	129,734	-	129,734
Retained profit for the year	-	3,037	3,037
	<hr/>	<hr/>	<hr/>
At end of year	129,734	2,887	132,621
	<hr/>	<hr/>	<hr/>

### 12 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's ultimate holding company was The Peninsular and Oriental Steam Navigation Company until 23 October 2000 when it demerged its cruises business. Since that date the company's ultimate parent has been P&O Princess Cruises plc which is incorporated in England and Wales.

The largest and smallest group which consolidates the company's accounts are P&O Princess Cruises plc and P&O Princess Cruises International Limited respectively. The address from which copies of their accounts can be obtained is as follows:

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF4 3UZ