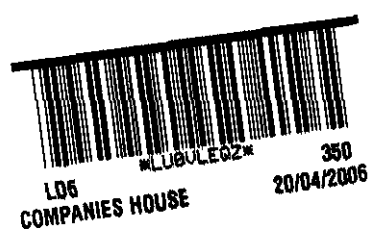


P&O Princess Cruises International Limited  
Period ended November 30, 2004

Registered number: 03902746



**Directors' report**

The directors present their annual report and the audited financial statements for the period ended November 30, 2004.

**Principal activities and business review**

The Company's principal activity during the year was the international operation of cruise ships. On February 27, 2004 the Company entered into a series of transactions to dispose of its existing business to Carnival plc, the Company's immediate holding company. As part of this reorganisation the Company purchased the cruise ship Ocean Village, which is chartered to Carnival plc.

**Results for the year**

The result for the year was a profit of £46.9m (Period ended November 30, 2003: profit £233.1m). The directors do not recommend the payment of a dividend (2003: £219.8m).

As a consequence of the business restructuring noted above, the financial statements for 2004 are presented for the Company only, as opposed to consolidated financial statements, which were prepared in previous periods. In addition the financial statements are presented in pounds sterling as most of the Company's transactions are denominated in pounds sterling. In previous periods, when consolidated financial statements were presented, the reporting currency for the Group was the U.S. dollar, as this was the more significant currency for the Group as a whole.

**Directors and their interests**

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

M Arison  
G R Cahill  
P L Foschi  
H S Frank  
P G Ratcliffe

No director had any interest in the shares of the Company or any other subsidiary of Carnival plc. Other than G R Cahill all the directors who held office at the period end were also directors of Carnival plc and their interests in Carnival plc shares are shown in the accounts of that company. G R Cahill had no interest in the shares of Carnival plc at November 30, 2004 or November 30, 2003.

**Employees**

The Company is committed to keeping employees informed of the performance, development and progress of the Company. This is primarily achieved through management briefings and widely distributed news and information bulletins.

The Company aims to meet the objective of the code of good practice on the employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and abilities. It is the policy of the Company to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

Employees are able to share in the results of the Company through performance-related bonus schemes which are widely applied. Following the business restructuring noted above the Company no longer had any employees at November 30, 2004.

**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.

# **P&O Princess Cruises International Limited**

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

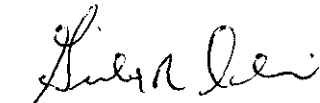
### **Creditor payment policy**

The Company had no trade creditors at November 30, 2004.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

### **By order of the board**



G R Cahill  
Director

18 April 2006

Carnival House  
5 Gainsford Street  
London SE1 2NE

**Report of the independent auditors to the members of P&O Princess Cruises International Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We 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 is not disclosed.

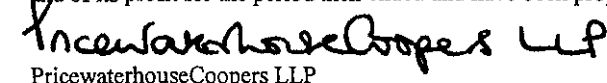
**Basis of audit opinion**

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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 November 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London

18 April 2006

# P&O Princess Cruises International Limited

## Profit and loss account

	Note	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
<b>Turnover</b>	2	212.0	659.5
<b>Cost of sales</b>	3	(147.6)	(532.4)
Administrative expenses before exceptional transaction costs		(13.4)	(102.8)
Exceptional transaction costs	3	-	(17.3)
Administrative expenses		(13.4)	(120.1)
Operating costs		(161.0)	(652.5)
<b>Operating profit</b>	4	51.0	7.0
Profit on sale of investments	3	-	186.1
<b>Profit on ordinary activities before interest</b>		51.0	193.1
Income from shares in group undertakings		-	62.9
Net interest payable and similar items	7	(4.1)	(21.4)
<b>Profit on ordinary activities before taxation</b>		46.9	234.6
Taxation	8	-	(1.5)
<b>Profit on ordinary activities after taxation</b>		46.9	233.1
Dividends	9	-	(219.8)
<b>Profit for the financial period transferred to reserves</b>	19	46.9	13.3

Substantially all of the results derive from discontinued operations, details of the sale of business are set out in note 22.

See accompanying notes to the financial statements.

# P&O Princess Cruises International Limited

## Balance sheet

		As at Nov. 30, 2004 £'m	As at Nov. 30, 2003 £'m
<b>Fixed assets</b>	<b>Note</b>		
Intangible assets			
Goodwill	10	-	78.3
Tangible assets			
Ships	11	85.9	1,383.7
Properties and other fixed assets	12	-	9.3
		85.9	1,393.0
Investments	13	0.1	1,094.5
		86.0	2,565.8
<b>Current assets</b>			
Stocks	14	-	14.8
Debtors	15	689.4	125.4
Cash at bank and in hand		-	81.6
		689.4	221.8
<b>Creditors: amounts falling due within one year</b>	16	-	(1,352.0)
<b>Net current assets/(liabilities)</b>		689.4	(1,130.2)
<b>Total assets less current assets</b>		775.4	1,435.6
<b>Creditors: amounts falling due after more than one year</b>	16	-	(539.8)
<b>Provisions for liabilities and charges</b>	17	-	(2.9)
		775.4	892.9
<b>Capital and reserves</b>			
Called up share capital	18	229.1	229.1
Share premium account	19	601.2	601.2
Profit and loss account	19	(54.9)	62.6
Equity shareholders' funds		775.4	892.9

See accompanying notes to the financial statements.

Approved by the Board of directors on 18 April, 2006 and signed on its behalf by:



G R Cahill

# P&O Princess Cruises International Limited

## Statement of total recognised gains and losses

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Profit for the period	46.9	233.1
Exchange movements on foreign currency net investments	(164.4)	(0.9)
Total recognised gains and losses relating to the period	<u>(117.5)</u>	<u>232.2</u>

## Reconciliation of movements in equity shareholders' funds

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Total recognised gains and losses for the period	(117.5)	232.2
Dividends	-	(219.8)
	<u>(117.5)</u>	<u>12.4</u>
Equity shareholders' funds at beginning of the period	892.9	880.5
Equity shareholders' funds at end of the period	<u>775.4</u>	<u>892.9</u>

See accompanying notes to the financial statements.

**Notes to 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.

**Basis of preparation**

These financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985 and under the historical cost accounting rules.

For the period ended November 30, 2004 the financial statements are presented in pounds sterling as following the disposal of businesses in February 2004 most of the Company's transactions are denominated in pounds sterling. Prior year results and balances denominated in currencies other than the pound, including equity share capital, have been translated into pounds at the closing exchange rates on November 30, 2003.

**Cash flow statement**

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements.

**Goodwill arising on acquisitions**

Goodwill arising on business acquisitions, being the difference between the fair value of consideration compared to the fair value of net assets acquired, represents the residual purchase price after allocation to all identifiable net assets. Goodwill is included within intangible fixed assets and is stated at cost less accumulated amortisation. Where goodwill is regarded as having limited useful life the cost is amortised on a straight line basis over its expected useful life, which can be up to 40 years. A life of more than 20 years is adopted when the directors consider the period for which the value of the underlying business acquired exceeds the value of the identifiable net assets is demonstrably longer than 20 years. Where goodwill is regarded as having an indefinite useful economic life it is not amortised. Goodwill with an expected useful life of more than 20 years is reviewed annually for any impairment, by comparing the carrying value with projected discounted cash flows.

**Investments**

Investments in subsidiary undertakings are held at cost less provisions for impairment.

**Tangible fixed assets**

Ships are stated at cost less accumulated depreciation. Subsequent ship improvement costs are capitalised as additions to the ship, while costs of major repairs and maintenance are accounted for as dry-docking costs.

Properties and other fixed assets, including computer hardware and software, are stated at cost less accumulated depreciation.

Interest incurred in respect of payments on account of assets under construction is capitalised to the cost of the assets concerned.

Depreciation is calculated to write off the cost to estimated residual value on a straight line basis over the expected useful life of the asset concerned as follows:

Cruise ships	30 years
Freehold buildings	40 years
Other fixed assets	3 – 16 years
Owned land and ships under construction are not depreciated.	

**Impairment of fixed assets**

The Company reviews all fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable based on estimated future cash flows. Provision for impairment in value of fixed assets is made in the profit and loss account.

**Stocks**

Stocks consist of provisions, supplies, fuel and gift shop and art merchandise held for resale and are stated at the lower of cost or net realisable value.



**Notes to the financial statements**

**1. Accounting policies (continued)**

**Turnover and direct costs**

Turnover comprises sales to third parties (excluding VAT and similar sales and port taxes). Guest cruise deposits represent unearned revenues and are initially recorded as customer deposit liabilities when received. Customer deposits are subsequently recognised as cruise revenues, together with revenues from onboard and other activities and all associated direct costs of a voyage, generally upon completion of voyages with durations of ten days or less and on a pro rata basis for voyages in excess of ten days. Future travel discount vouchers issued to guests are recorded as a reduction of revenues when such vouchers are utilised. Revenues and expenses from tour and travel services are recognised at the time the services are performed or expenses are incurred.

**Leases**

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease. Income from the operating leases is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

**Related party transactions**

As a wholly owned subsidiary of Carnival 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 pounds sterling at rates ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account except for those arising on foreign currency equity investments and their related hedging loans, which are taken to reserves.

**2. Segmental analysis**

Turnover is attributable to the Company's single activity, the operation of cruise ships. On February 27, 2004 the Company disposed of substantially all of its cruising operations to Carnival plc (further details relating to this reorganisation are set out in note 22). The results and assets of the Company's cruise operations are therefore disclosed as discontinued. The company offers cruises across a substantial number of different itineraries and accordingly analysing turnover by destination is not considered practical.

**3. Exceptional items**

Cost of sales for the period ended November 30, 2003 include an exceptional impairment loss of £30.7m on one of the Company's vessels.

Administrative expenses for the period ended November 30, 2003 include transaction costs of £17.3m consisting of legal and professional fees in connection with the formation of the DLC structure.

The non-operating profit of \$186.1m in the period to November 30, 2003 arose on the part disposal of shares in one of the Company's subsidiaries.

**4. Operating profit is stated after charging**

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Depreciation of owned assets	17.5	48.8
Operating lease costs:		
- ships	3.9	11.7
- property	1.9	6.7

During the year auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to the Company (2003 - £0.1m).

**Notes to the financial statements**

**5. Employees**

The average number of employees was as follows:

	Twelve months to Nov. 30, 2004	Eleven months to Nov. 30, 2003
Shore staff	333	1,193
Sea staff	1,871	7,402
	<u>2,204</u>	<u>8,595</u>

The aggregate payroll costs were:

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Wages and salaries	20.4	78.1
Social security costs	0.6	2.4
Pension costs	0.7	2.5
	<u>21.7</u>	<u>83.0</u>

**6. Remuneration of directors**

During the year the directors did not receive any remuneration for qualifying services to the Company. During 2003 details of directors' remuneration, for services to the Company and other group companies, were as follows:

	Eleven months to Nov. 30, 2003 £'m
Directors' emoluments	1,297
Pension contributions	146
	<u>1,443</u>

Except for G R Cahill all of the directors are also directors of Carnival plc, the Company's immediate holding company. Details of their remuneration are disclosed in the Carnival plc annual report. G R Cahill received no remuneration for qualifying services to the Company, exercised no options in group companies and has no pension arrangements in the group.

As the aggregate of emoluments and gains under long term incentive schemes during the year was less than £200,000 the Company has applied the exemption granted by Schedule 6 of the Companies Act 1985 from disclosing details of the highest paid director.

**7. Net interest payable and similar items**

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Interest payable on:		
Bank loans and overdrafts	(5.9)	(30.1)
Interest capitalised	-	0.6
Interest receivable on other deposits	1.8	8.1
	<u>(4.1)</u>	<u>(21.4)</u>

Interest capitalised relates to tangible fixed assets under construction. The capitalisation rate is based on the weighted average of interest rates applicable to the Group's borrowings (excluding loans for specific purposes) during each period. The aggregate interest capitalised by the Company at November 30, 2004 was nil.

# P&O Princess Cruises International Limited

## Notes to the financial statements

### 8. Taxation

The taxation charge is made up as follows:

Current taxation:

UK Corporation tax

Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
-	(1.5)
-	(1.5)

The current taxation charge is reconciled to the UK standard rate as follows:

	Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
Profit on ordinary activities before tax	46.9	234.6
Notional tax charge at UK standard rate (2004: 30.0%; 2003: 30.0%)	(14.1)	(70.4)
Effect of tonnage tax - permanent differences	14.1	68.9
	-	(1.5)

Following the Company's entry into the UK tonnage tax regime the Company's UK corporation tax on shipping profits is calculated by reference to the net tonnage of qualifying vessels. Substantially all of the Company's UK revenues and expenses are therefore regarded as permanent differences.

### 9. Dividends

Dividends paid, declared, proposed and accrued are as follows:

Equity share capital

First interim dividend paid nil (2003: £0.29) per share

Second interim dividend paid nil (2003: £0.67) per share

Twelve months to Nov. 30, 2004 £'m	Eleven months to Nov. 30, 2003 £'m
-	66.3
-	153.5
-	219.8

# P&O Princess Cruises International Limited

## Notes to the financial statements

### 10. Goodwill

	£'m
Cost	
At December 1, 2003	80.7
Exchange movements	(3.0)
Disposals	(77.7)
At November 30, 2004	-
Amortisation	
At December 1, 2003	(2.4)
Exchange movements	0.1
Disposals	2.3
At November 30, 2004	-
Net book value	
At November 30, 2004	-
At November 30, 2003	78.3

### 11. Ships

	Owned £'m
Cost	
At December 1, 2003	1,575.6
Exchange movements	(57.3)
Additions	357.0
Disposals	(1,723.9)
At November 30, 2004	151.4
Depreciation	
At December 1, 2003	(191.9)
Exchange movements	33.4
Charge for period	(16.8)
Transfer from parent company	(61.4)
Disposals	171.2
At November 30, 2004	(65.5)
Net book value	
At November 30, 2004	85.9
At November 30, 2003	1,383.7

At November 30, 2003 ships under construction included in the above totalled £65.7m.

# P&O Princess Cruises International Limited

## Notes to the financial statements

### 12. Properties and other fixed assets

	Office equipment, plant and motor vehicles £'m
Cost	
At December 1, 2003	18.3
Exchange movements	(0.2)
Additions	0.5
Disposals	(18.6)
At November 30, 2004	-
Depreciation	
At December 1, 2003	(9.0)
Exchange movements	0.1
Charge for period	(0.7)
Disposals	9.6
At November 30, 2004	-
Net book value	
At November 30, 2004	-
At November 30, 2003	9.3

### 13. Investment

	Subsidiaries £'m	Other investments £'m	Total £'m
Company			
At December 1, 2003	1,091.8	2.7	1,094.5
Exchange movements	(6.5)	-	(6.5)
Disposals	(1,085.2)	(2.7)	(1,087.9)
At November 30, 2004	0.1	-	0.1

The Company's subsidiaries at November 30, 2004 comprised:

	Country of Incorporation/ Registration	Percentage of equity share capital owned at November 30, 2004	Business Description
F.P.M. SAS	French Polynesia	100%	Ship owner
F.P.P. SAS	French Polynesia	100%	Ship operator
P&O Travel Ltd	UK	100%	Travel agency
Silsub Ltd	UK	100%	Holding company

### 14. Stocks

	As at Nov. 30, 2004 £'m	As at Nov. 30, 2003 £'m
Raw materials and consumables	-	4.5
Goods for resale	-	10.3
	-	14.8

# P&O Princess Cruises International Limited

## Notes to the financial statements

### 15. Debtors

	As at Nov. 30, 2004 £'m	As at Nov. 30, 2003 £'m
Amounts recoverable within one year		
Trade debtors	-	42.5
Amounts owed by parent undertaking and fellow subsidiaries	689.4	41.5
Other debtors	-	12.7
Prepayments and accrued income	-	28.7
Total amounts recoverable within one year	<u>689.4</u>	<u>125.4</u>

### 16. Creditors

	As at Nov. 30, 2004 £'m	As at Nov. 30, 2003 £'m
Amounts falling due within one year		
Overdrafts	-	(87.6)
Bank loans	-	(115.4)
Trade creditors	-	(8.7)
Amounts owed to parent undertaking	-	(705.6)
Amounts owed to subsidiary undertakings	-	(211.4)
Other creditors including taxation and social security	-	(2.9)
Accruals	-	(68.0)
Deferred income	-	(152.4)
	<u>-</u>	<u>(1,352.0)</u>
	As at Nov. 30, 2004 £'m	As at Nov. 30, 2003 £'m
Amounts falling due after more than one year		
Bank loans:		
Between one and five years	-	(493.2)
Over five years	-	(46.6)
	<u>-</u>	<u>(539.8)</u>

Bank loans and overdrafts at November 30, 2003 included £113.2m secured on ships and other assets.

### 17. Provisions for liabilities and charges

	£'m
At December 1, 2003	(2.9)
Exchange movements	0.5
Disposals	2.4
At November 30, 2004	<u>-</u>

### 18. Called up share capital

The authorised share capital is 229,055,000 £1 ordinary shares.

The allotted, called up and fully paid ordinary share capital is as follows:

	No. of Shares	£'m
At November 30, 2004 and 2003	<u>229,051,002</u>	<u>229.1</u>

**Notes to the financial statements**

**19. Reserves**

	Share premium account £'m	Profit and loss account £'m	Total £'m
At December 1, 2003	601.2	62.6	663.8
Exchange movements	-	(164.4)	(164.4)
Retained profit for the period	-	46.9	46.9
At November 30, 2004	<u>601.2</u>	<u>(54.9)</u>	<u>546.3</u>

Following the business disposal noted in note 22 and the consequential decision to change the reporting currency from U.S. dollars to pounds sterling, share capital and reserves brought forward have been translated into pounds at the closing exchange rate on November 30, 2003.

**20. Pension arrangements**

Prior to the disposal of businesses to Carnival plc the Company participated in the funded P&O Princess Cruises Pension Scheme ("the scheme"), which is a defined benefit scheme.

The latest full actuarial valuation of the scheme was at 31 March 2004 using the projected unit method and was carried out by qualified independent actuaries. Particulars of this valuation and the updated valuation as at 30 November 30, 2004 referred to below can be found in the Carnival plc accounts for the period ended November 30, 2004.

For the purposes of the accounting disclosure requirements of Financial Reporting Standard 17 (Retirement benefits), the valuation of the scheme was updated to November 30, 2004 by qualified independent actuaries. The market value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, was £61.7 million, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain was £70.0 million, giving rise to a scheme deficit of £8.3 million, before taking into account any deferred tax asset.

If the company were to adopt Financial Reporting Standard 17, the scheme would be treated as a defined contribution scheme under the standard. The company is one of a number of participating employers and the implications of any surplus or deficit in the scheme are considered on a Carnival plc group basis.

During 2003 and up to the disposal of business to Carnival plc in February 2004 the Company also participated in two multi-employer merchant navy industry schemes, The Merchant Navy Ratings Pension Fund and The Merchant Navy Officers Pension Fund; details relating to these schemes can be found in the Carnival plc accounts for the period ended November 30, 2004.

The pension charge for the year in the Company for the P&O Princess Cruises Pension Scheme and two merchant navy schemes was £0.7m (2003: £2.5m).

**21. Ultimate holding company**

As at November 30, 2004 the Company's immediate parent company was Carnival plc. Carnival plc is the largest and smallest group which consolidates the Company's accounts. The address from which copies of the parent company's accounts can be obtained is as follows:

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

On 17 April 2003 the Dual Listed Company ("DLC") transaction between P&O Princess Cruises plc and Carnival Corporation was completed. On that date, P&O Princess Cruises plc changed its name to Carnival plc and became part of the combined DLC group.

**Notes to the financial statements**

**22. Sale of business**

On February 27, 2004 substantially all the Company's assets and liabilities connected with the UK, German and Australian cruise businesses and the indirect investments in the U.S. land based tour operations were sold to Carnival plc. Substantially all of these sales were at book value and did not give rise to a gain or loss.

Immediately following delivery of the Caribbean Princess in March 2004 the Company disposed of the vessel to Princess Cruise Lines Ltd.