



**Carnival plc**  
**(formerly P&O Princess Cruises plc)**  
**UK GAAP Financial Statements**  
**Period ended November 30, 2003**

**Registered number: 4039524**

The Annual Report of Carnival plc comprises the Carnival plc UK GAAP financial statements contained herein, together with the Carnival Corporation & plc 2003 Annual Report and the Proxy Statement.

The standalone Carnival plc UK GAAP financial statements, contained herein, are required to satisfy reporting requirements of the Companies Act 1985, and do not include the results of Carnival Corporation. However the Directors consider that within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2003 Annual Report that accompanies this document.



## **Report of the independent auditors to the members of Carnival plc**

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes, including the Carnival Corporation & plc consolidated financial statements on pages 5 to 27 of the Carnival Corporation & plc 2003 Annual Report. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part") on pages 14 to 18 of Annex B to the Proxy Statement.

### **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. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report 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 whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only pages 1 to 4 and pages 29 to 44 of the Carnival Corporation & plc 2003 Annual Report, and the Proxy Statement and related Annexes, other than pages 14 to 18 of Annex B, being the auditable part of the Directors' Remuneration Report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code, issued in June 1998, specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

### **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 and the auditable part of the Directors' Remuneration Report. 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 and the auditable part of the Directors' Remuneration Report 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 affairs of the company and the group at November 30, 2003 and of the profit and cash flows of the group for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
February 25, 2004

## Carnival plc

### Group profit and loss account

	Note	Eleven months to November 30, 2003			Twelve months to December 31, 2002
		Continuing Operations	Discontinued Operations	Total	U.S.\$m Restated (note 1)
<b>Turnover</b>	2	1,403.4	1,398.7	2,802.1	2,519.5
Cost of sales before exceptional item		(1,096.7)	(1,008.7)	(2,105.4)	(1,893.9)
Exceptional impairment loss		(50.0)	—	(50.0)	—
	3	<u>(1,146.7)</u>	<u>(1,008.7)</u>	<u>(2,155.4)</u>	<u>(1,893.9)</u>
Administrative expenses before exceptional costs		(138.5)	(124.9)	(263.4)	(214.8)
Exceptional transaction costs		(30.7)	—	(30.7)	(117.0)
	3	<u>(169.2)</u>	<u>(124.9)</u>	<u>(294.1)</u>	<u>(331.8)</u>
Operating costs	3	<u>(1,315.9)</u>	<u>(1,133.6)</u>	<u>(2,449.5)</u>	<u>(2,225.7)</u>
<b>Group operating profit</b>	2	87.5	265.1	352.6	293.8
(Loss)/profit on sale of businesses	2	(2.7)	—	(2.7)	1.2
<b>Profit on ordinary activities before interest</b>		<u>84.8</u>	<u>265.1</u>	<u>349.9</u>	<u>295.0</u>
Net interest payable and similar items	5			(87.0)	(74.0)
<b>Profit on ordinary activities before taxation</b>				262.9	221.0
Taxation	6			(13.2)	(17.1)
<b>Profit on ordinary activities after taxation</b>				249.7	203.9
Dividends	7			(94.2)	(83.2)
<b>Retained profit for the financial period</b>	18			<u>155.5</u>	<u>120.7</u>
<b>Earnings per share</b>					
Basic earnings per share (in U.S. dollars)	8			\$ 1.19	\$ 0.98
Diluted earnings per share (in U.S. dollars)	8			\$ 1.19	\$ 0.98

Comparative earnings per share for 2002 have been re-calculated to reflect the share consolidation which took place on completion of the dual listed company (“DLC”) transaction with Carnival Corporation on April 17, 2003, in which every 3.3289 shares of Carnival plc were consolidated into 1 share of Carnival plc. Following the share consolidation each ADS represents an interest in one ordinary share.

See accompanying notes to the financial statements.

## Carnival plc

### Group balance sheet

	Note	As at November 30, 2003 U.S.\$m	As at December 31, 2002 U.S.\$m Restated (note 1)
<b>Fixed assets</b>			
Intangible assets			
Goodwill	9	141.2	127.1
Tangible assets			
Ships	10	6,073.3	5,380.0
Properties and other fixed assets	11	256.5	249.4
		<u>6,329.8</u>	<u>5,629.4</u>
Investments	12	5.6	16.3
		<u>6,476.6</u>	<u>5,772.8</u>
<b>Current assets</b>			
Stocks	13	99.0	87.4
Debtors	14	282.3	225.0
Cash at bank and in hand		186.3	162.1
		<u>567.6</u>	<u>474.5</u>
<b>Creditors: amounts falling due within one year</b>	15	(1,300.1)	(996.7)
<b>Net current liabilities</b>		<u>(732.5)</u>	<u>(522.2)</u>
<b>Total assets less current liabilities</b>		5,744.1	5,250.6
<b>Creditors: amounts falling due after more than one year</b>	15	(2,783.7)	(2,516.8)
<b>Provisions for liabilities and charges</b>	16	(19.1)	(13.7)
		<u>2,941.3</u>	<u>2,720.1</u>
<b>Capital and reserves</b>			
Called up share capital	17	349.0	346.7
Share premium account	18	29.2	3.7
Other reserves	18	35.6	93.1
Merger reserve	18	910.3	910.3
Profit and loss account	18	1,616.9	1,366.1
<b>Equity shareholders' funds</b>		<u>2,941.0</u>	<u>2,719.9</u>
Equity minority interests		0.3	0.2
		<u>2,941.3</u>	<u>2,720.1</u>

See accompanying notes to the financial statements.

Approved by the Board of directors on February 25, 2004 and signed on its behalf by:

Micky Arison

Howard S. Frank

## Carnival plc

### Group cash flow statement

	Note	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
<b>Net cash inflow from operating activities</b>	19	606.4	576.1
<b>Returns on investments and servicing of finance</b>			
Interest received		5.8	5.9
Interest paid		(116.5)	(109.9)
<b>Net cash outflow for returns on investments and servicing of finance</b>		<u>(110.7)</u>	<u>(104.0)</u>
<b>Taxation</b>		(21.0)	6.4
<b>Capital expenditure and financial investment</b>			
Purchase of ships		(698.2)	(1,124.1)
Purchase of other fixed assets		(35.5)	(32.4)
Purchase of own shares		(7.3)	—
Disposal of other fixed assets		<u>2.2</u>	<u>—</u>
<b>Net cash outflow for capital expenditure and financial investment</b>		<u>(738.8)</u>	<u>(1,156.5)</u>
<b>Acquisitions and disposals</b>			
Acquisition of subsidiary	18	(65.7)	—
Disposal of subsidiaries and long term investments	12	<u>6.0</u>	<u>3.1</u>
<b>Net cash (outflow)/inflow for acquisitions and disposals</b>		<u>(59.7)</u>	<u>3.1</u>
<b>Equity dividends paid</b>		<u>(62.5)</u>	<u>(85.0)</u>
<b>Net cash outflow before financing</b>		<u>(386.3)</u>	<u>(759.9)</u>
<b>Financing</b>			
Issue of ordinary share capital		27.8	3.9
Movement on loan with Carnival Corporation		71.9	—
Loan drawdowns		1,038.8	879.4
Loan repayments		(714.5)	(65.4)
Repayment of finance lease		<u>(7.8)</u>	<u>(2.6)</u>
<b>Net cash inflow from financing</b>		<u>416.2</u>	<u>815.3</u>
<b>Increase in cash in the period</b>	19	<u>29.9</u>	<u>55.4</u>

See accompanying notes to the financial statements.

The changes in accounting policies have had no impact on the cash flow as previously reported for the year ended December 31, 2002.

## Carnival plc

### Company balance sheet

	Note	As at November 30, 2003 U.S.\$m	As at December 31, 2002 U.S.\$m
<b>Fixed assets</b>			
Tangible assets—ships	10	153.7	154.1
Investments—subsidiaries	26	<u>428.7</u>	<u>428.7</u>
		<u>582.4</u>	<u>582.8</u>
<b>Current assets</b>			
Debtors	14	1,383.8	1,084.8
Cash at bank and in hand		<u>7.3</u>	<u>—</u>
		1,391.1	1,084.8
<b>Creditors: amounts falling due within one year</b>	15	<u>(134.8)</u>	<u>(40.3)</u>
<b>Net current assets</b>		<u>1,256.3</u>	<u>1,044.5</u>
<b>Total assets less current liabilities</b>		<u>1,838.7</u>	<u>1,627.3</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(1,152.4)</u>	<u>(1,120.9)</u>
		<u>686.3</u>	<u>506.4</u>
<b>Capital and reserves</b>			
Called up share capital	17	349.0	346.7
Share premium account	18	29.2	3.7
Other reserves	18	35.6	93.1
Profit and loss account	18	<u>272.5</u>	<u>62.9</u>
<b>Equity shareholders' funds</b>		<u>686.3</u>	<u>506.4</u>

See accompanying notes to the financial statements.

Approved by the Board of directors on February 25, 2004 and signed on its behalf by:  
Micky Arison  
Howard S. Frank



## Carnival plc

### Group statement of total recognised gains and losses

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m Restated (note 1)
Profit for the period	249.7	203.9
Exchange movements on foreign currency net investments	<u>95.3</u>	<u>44.0</u>
Total recognised gains and losses relating to the period	345.0	<u>247.9</u>
Prior period adjustment (note 1)	<u>(93.9)</u>	
Total gains and losses recognised since last annual report	<u>251.1</u>	

### Reconciliation of movements in shareholders' funds

	Group Eleven months to November 30, 2003 U.S.\$m	Group Twelve months to December 31, 2002 U.S.\$m Restated (note 1)	Company Eleven months to November 30, 2003 U.S.\$m	Company Twelve months to December 31, 2002 U.S.\$m
Total recognised gains and losses for the period	345.0	247.9	303.8	90.2
Dividends	(94.2)	(83.2)	(94.2)	(83.2)
New shares issued	27.8	3.9	27.8	3.9
Shares to be issued (note 18)	<u>(57.5)</u>	<u>10.7</u>	<u>(57.5)</u>	<u>10.7</u>
	221.1	179.3	179.9	21.6
Shareholders' funds at beginning of the period (The shareholders' funds for the Group at the beginning of 2002, as previously reported, were \$2,629.4m before deducting the prior period adjustment of \$88.8m)	<u>2,719.9</u>	<u>2,540.6</u>	<u>506.4</u>	<u>484.8</u>
Shareholders' funds at end of the period	<u>2,941.0</u>	<u>2,719.9</u>	<u>686.3</u>	<u>506.4</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 Group.

#### **Basis of preparation of financial statements**

The Group financial statements comprise the consolidation of the accounts of Carnival plc (the "Company") and all its subsidiaries and incorporate the Group's interest in its joint ventures. The accounts of its subsidiaries and joint ventures are made up to November 30.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom ("UK GAAP") under the historical cost convention, and in accordance with applicable UK accounting standards and the Companies Act 1985.

On April 17, 2003, Carnival Corporation and Carnival plc (formerly known as P&O Princess Cruises plc) completed a dual listed company ("DLC") transaction (the "DLC transaction"), which implemented the Carnival Corporation & plc DLC structure. The DLC structure combined the businesses of Carnival Corporation and Carnival plc through a number of contracts and amendments to Carnival Corporation's articles of incorporation and by-laws and to Carnival plc's memorandum of association and articles of association. The two companies have retained their separate legal identities and each company's shares continue to be publicly traded on the New York Stock Exchange ("NYSE") for Carnival Corporation and the London Stock Exchange for Carnival plc. In addition, Carnival plc's ADS's are traded on the NYSE. However, the two companies operate as if they were a single economic enterprise. The contracts governing the DLC structure provide that both companies each continue to have separate boards of directors, but the boards and senior executive management of both companies are identical.

In order to provide the Carnival Corporation and Carnival plc shareholders with the most meaningful picture of their economic interest in the DLC formed by Carnival Corporation and Carnival plc (collectively known as "Carnival Corporation & plc"), consolidated financial statements and management commentary of Carnival Corporation & plc have been included in the Carnival Corporation & plc 2003 Annual Report. The consolidated Carnival Corporation & plc financial statements have been prepared under purchase accounting principles whereby the DLC transaction has been accounted for as an acquisition of Carnival plc by Carnival Corporation. Therefore, the consolidated Carnival Corporation & plc financial statements include Carnival plc from April 17, 2003, being the effective date of the acquisition by Carnival Corporation, to November 30, 2003 and Carnival Corporation for the full year ended November 30, 2003. These consolidated Carnival Corporation & plc financial statements have been prepared under U.S. GAAP on the basis that all significant financial and operating decisions affecting the DLC companies are taken on the basis of U.S. GAAP information and consequences.

The Carnival plc UK GAAP financial statements, including by way of note the Carnival Corporation & plc U.S. GAAP statements on pages 5 to 27 of the Carnival Corporation & plc 2003 Annual Report, are required to satisfy reporting requirements of the Companies Act 1985. However, the Directors consider that within the DLC arrangement the most appropriate presentation of Carnival plc's results and financial position is by reference to the U.S. GAAP financial statements of Carnival Corporation & plc.

#### **Prior year adjustments on implementation of the Carnival Corporation & plc DLC structure**

Following the completion of the DLC transaction the following accounting policies were amended so as to conform with those of Carnival Corporation. In addition, Carnival plc changed its accounting reference date to November 30, to align it with that of Carnival Corporation's. The prior period information is for the twelve months ended December 31, 2002.

##### **(a) Cruise revenues and expenses**

Carnival plc's previous accounting policy was initially to record deposits received on sales of cruises as deferred income and recognise them, together with revenues from onboard activities and all associated direct costs of a voyage, on a pro rata basis over the duration of the voyage.

## Notes to the Financial Statements—(continued)

Carnival plc's new accounting policy is to recognise these items 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. The change to the balance sheet is an increase in net current liabilities of \$9.5m at December 31, 2002 with a corresponding reduction in shareholders' funds and a reduction in 2002's profit of \$3.9m.

(b) Dry-docking costs

Carnival plc's previous accounting policy was to capitalise dry-docking costs, comprising major repairs and replacements, and expense them using the straight-line method through the date of the next scheduled dry-dock, which typically was over two to three years. Carnival plc's new accounting policy is to defer major repairs performed during dry-dock and expense them over one year, being the estimated period of benefit. Replacements during a dry-dock are now capitalised as fixed assets on a component basis and depreciated over their estimated useful lives, with the estimated net book value of assets being replaced written off. The change to the balance sheet is an increase in net current liabilities of \$14.9m at December 31, 2002 with a corresponding reduction in shareholders' funds and a reduction in 2002's profit of \$5.0m.

(c) Marketing and promotion costs

Carnival plc's previous accounting policy was to expense all marketing and promotion costs over the period of benefit, not exceeding one year from the end of the year the cost was incurred. Carnival plc's new accounting policy is to expense all such costs as incurred, except for brochures and media production costs, which are recorded as prepaid expenses and charged to the profit and loss account as brochures are consumed or upon the first airing of the advertisement. The change to the balance sheet is an increase in net current liabilities of \$69.5m at December 31, 2002 with a corresponding reduction in shareholders' funds and an increase in 2002's profit of \$3.8m.

As a result of these three prior year adjustments, the net effect on Carnival plc's net assets and shareholders' funds as at January 1, 2003 is a reduction of \$93.9m (January 1, 2002 a reduction of \$88.8m). Subsequent to the completion of the DLC transaction results under the old accounting policies were not considered relevant and were therefore not maintained, consequently the impact of these three policy changes on the current period's result is not available (2002 – twelve months a net reduction in profit of \$5.1m).

### 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.

## **Notes to the Financial Statements—(continued)**

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**

Carnival plc 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.

### **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**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

### **Pension costs**

Contributions in respect of defined contribution pension plans and multiemployer pension plans are charged to the profit and loss account when they are payable. Contributions in respect of defined benefit pension plans are calculated as a percentage, agreed on actuarial advice, of the pensionable salaries of employees. The cost of providing defined benefit pensions is charged to the profit and loss account on a systematic basis over the periods benefiting from the services of employees, and is calculated with the advice of an independent qualified actuary, using the projected unit method. This is in accordance with Statement of Standard Accounting Practice 24 'Accounting for pension costs', the basis on which the Group accounts for pension costs. Additional disclosure as required by the transitional rules of FRS17 is also provided.

### **Deferred taxation**

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19. A net deferred tax asset is regarded

## Notes to the Financial Statements—(continued)

as recoverable and 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 from which the future reversal of the underlying timing differences can be deducted.

### Derivatives and other financial instruments

Carnival plc uses cross currency swaps, interest rate swaps and forward foreign currency contracts to manage its exposure to certain foreign currency and interest rate risks and to hedge major capital expenditure or lease commitments by businesses in currencies other than their functional currency. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

### Foreign currencies

The functional and reporting currency of the Group is the U.S. dollar as the majority of its trade and assets are denominated in that currency. Transactions in currencies other than a business' functional currency are recorded at the rate of exchange ruling at the date of the transaction. Profits and losses of subsidiaries, branches, and joint ventures which have functional currencies other than U.S. dollars are translated into U.S. dollars at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries, branches and joint ventures which have currencies of operation other than U.S. dollars and any related loans are taken to reserves, together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

## 2. Segmental analysis

Carnival plc has a single business of operating cruise ships and North American related landside assets under various brand names as follows: Princess Cruises and Princess Tours in North America, P&O Cruises, Swan Hellenic, Ocean Village, AIDA and A'ROSA in Europe and P&O Cruises (Australia) in Australia.

From December 1, 2003 Carnival plc entered into or will enter into a series of transactions with Carnival Corporation to reorganise the legal ownership of a number of the businesses within the DLC structure. As part of this restructuring Carnival plc disposed of its interest in Sitmar International SRL, the holding company of substantially all of its North American cruising operations (further details relating to this reorganisation are set out in note 27). The results and assets of this operation are therefore disclosed as a discontinued operation.

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m Restated (note 1)
Turnover (by origin)		
Continuing operations		
North America	294.0	330.2
Europe and Australia	1,109.4	825.2
	<u>1,403.4</u>	<u>1,155.4</u>
Discontinued operations		
North America	1,398.7	1,364.1
	<u>2,802.1</u>	<u>2,519.5</u>

The turnover for each geographic segment is materially generated from sales to customers in that region.

**Notes to the Financial Statements—(continued)**

Gross profit and gross profit margin can be affected by changes in the air/sea mix. The gross profit for the period to November 30, 2003 was \$646.7m (2002: \$625.6m). Gross profit in 2003 for continuing operations was \$256.7m (2002: \$281.1m) and within discontinued operations was \$390.0m (2002: \$344.5m).

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m Restated (note 1)
Total operating profit		
Continuing operations		
North America	67.8	80.4
Europe and Australia before exceptional impairment loss	100.4	102.2
Exceptional items	<u>(80.7)</u>	<u>(117.0)</u>
	87.5	65.6
Discontinued operations		
North America	<u>265.1</u>	<u>228.2</u>
	<u>352.6</u>	<u>293.8</u>

Operating profit in 2003 for Europe and Australia, after an exceptional impairment loss on a ship of \$50.0m, was \$50.4m. Exceptional items also include transaction costs of \$30.7m consisting of legal and professional fees in connection with the formation of the DLC structure. Exceptional transaction costs in 2002 of \$117.0m consist of the \$62.5m break-fee related to the terminated Royal Caribbean transaction together with \$54.5m of legal and professional fees related to the terminated Royal Caribbean transaction and the DLC transaction with Carnival Corporation. The transactions costs in 2003 and 2002 are not allocable to the regions. Operating profit in 2003 for North America discontinued operations includes income from liquidated damages of \$78.0m payable by shipyards and an insurance carrier due to the delayed delivery of two new ships.

The nonoperating loss in the period was \$2.7m (2002: profit \$1.2m), in both periods these items arose in Europe and Australia from the disposal of fixed asset investments.

Net operating assets excluding goodwill and ships under construction

	As at November 30, 2003 U.S.\$m	As at December 31, 2002 U.S.\$m Restated (note 1)
Continuing operations		
North America	250.8	240.5
Europe and Australia	<u>1,845.4</u>	<u>1,804.8</u>
	2,096.2	2,045.3
Discontinued operations		
North America	<u>3,350.0</u>	<u>2,196.1</u>
	<u>5,446.2</u>	<u>4,241.4</u>

**Notes to the Financial Statements—(continued)**

	As at November 30, 2003 U.S.\$m	As at December 31, 2002 U.S.\$m Restated (note 1)
The net operating assets are reconciled to net assets as follows:		
Net operating assets	5,446.2	4,241.4
Goodwill	141.2	127.1
Ships under construction	396.9	907.4
Group share of joint ventures' non-operating assets	—	3.5
Amounts owed to Carnival Corporation	(71.9)	—
Net borrowings	(2,857.2)	(2,471.9)
Corporation tax and deferred tax	(61.4)	(66.6)
Dividends payable	(52.5)	(20.8)
Net assets	<u>2,941.3</u>	<u>2,720.1</u>

At November 30, 2003 net operating assets including goodwill and ships under construction for continuing operations in North America were \$250.8m and \$1,986.6m for Europe and Australia and for discontinued operations in North America were \$3,746.9m.

**3. Cost of sales and operating costs**

	Eleven months to November 30, 2003			Twelve months to December 31, 2002		
	Continuing Operations U.S.\$m	Discontinued Operations U.S.\$m	Total U.S.\$m	Continuing Operations U.S.\$m Restated (note 1)	Discontinued Operations U.S.\$m Restated (note 1)	Total U.S.\$m Restated (note 1)
Cost of sales before exceptional items	1,096.7	1,008.7	2,105.4	874.3	1,019.6	1,893.9
Exceptional impairment loss	50.0	—	50.0	—	—	—
	<u>1,146.7</u>	<u>1,008.7</u>	<u>2,155.4</u>	<u>874.3</u>	<u>1,019.6</u>	<u>1,893.9</u>
Administrative expenses before exceptional costs	138.5	124.9	263.4	98.5	116.3	214.8
Exceptional transaction costs	30.7	—	30.7	117.0	—	117.0
	<u>169.2</u>	<u>124.9</u>	<u>294.1</u>	<u>215.5</u>	<u>116.3</u>	<u>331.8</u>
	<u>1,315.9</u>	<u>1,133.6</u>	<u>2,449.5</u>	<u>1,089.8</u>	<u>1,135.9</u>	<u>2,225.7</u>

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

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Depreciation of owned assets	198.1	142.8
Depreciation of assets held under finance leases	4.5	0.6
Amortisation of goodwill	1.0	4.3
Operating lease costs:		
— ships	9.6	20.9
— property	13.0	14.2
— other	5.5	3.3
Auditors' remuneration:		
Audit	0.5	0.9
Stock exchange reporting	—	2.6
	<u>0.5</u>	<u>3.5</u>
Tax advice	—	3.1
Other non-audit fees	—	0.2
Total fees paid to the auditors and their associates	<u>0.5</u>	<u>6.8</u>

## Notes to the Financial Statements—(continued)

The audit fee of the Company was \$0.1m (2002 \$0.2m). The auditors' remuneration shown above for 2003 represents fees payable to PricewaterhouseCoopers LLP; the auditors' remuneration for 2002 represents fees payable to KPMG Audit plc the previous auditors. For the period ended November 30, 2003 \$0.5m was invoiced by the auditors to Carnival plc, based on an allocation of total DLC audit fees among all DLC entities; this does not necessarily represent the audit fee that would have been charged to Carnival plc as a standalone group.

### 5. Net interest payable and similar items

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Interest payable on:		
Bank loans and overdrafts	(113.9)	(111.1)
Interest capitalised	21.1	31.0
Interest receivable on other deposits	5.8	6.0
	<u>(87.0)</u>	<u>(74.1)</u>
Joint ventures	—	0.1
	<u>(87.0)</u>	<u>(74.0)</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 Group through November 30, 2003 was \$229.6m (2002 \$208.5m), substantially all of which relates to ships.

### 6. Taxation

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
The taxation charge is made up as follows:		
Current taxation:		
UK Corporation tax	(0.2)	(0.2)
Overseas taxation	(11.3)	(16.4)
	<u>(11.5)</u>	<u>(16.6)</u>
Deferred taxation:		
Origination/reversal of timing differences	(1.7)	(0.5)
	<u>(13.2)</u>	<u>(17.1)</u>

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

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Profit on ordinary activities before tax	262.9	221.0
Notional tax charge at UK standard rate (2003: 30.0%; 2002: 30.0%)	(78.9)	(66.3)
Effect of overseas taxes at different rates	85.6	61.4
Effect of tonnage tax – permanent differences	(18.2)	(10.2)
Other	—	(1.5)
	<u>(11.5)</u>	<u>(16.6)</u>

There was no charge or credit in respect of profits and losses on sale of ships and other fixed assets. The effective tax rate for the Group is expected to remain very low due to the entry into the UK



## Notes to the Financial Statements—(continued)

tonnage tax regime in 2001. Under the tonnage tax regime the Group's UK corporation tax on shipping profits is calculated by reference to the net tonnage of qualifying vessels. Substantially all of the Group's UK revenues and expenses are therefore regarded as permanent differences. The exceptional impairment loss and DLC related transaction costs had no effect on the tax charge for the period.

### 7. Dividends

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Dividends paid, declared, proposed and accrued are as follows:		
Equity share capital		
First interim paid \$0.105 per share (2002 \$0.10)	20.8	20.8
Second interim paid \$0.105 per share (2002 \$0.10)	20.9	20.8
Third interim paid \$0.125 per share (2002 \$0.10)	26.2	20.8
Fourth interim declared at \$0.125 per share (2002 \$0.10)	<u>26.3</u>	<u>20.8</u>
	94.2	83.2

The dividend per share information for 2002 and the first 2003 interim dividend has been adjusted to reflect the share consolidation undertaken as part of the formation of the DLC, further details are shown in note 17.

### 8. Earnings per ordinary share

	Eleven months to November 30, 2003	Twelve months to December 31, 2002 Restated (note 1)
Weighted average number of shares (millions)		
Basic	209.3	208.0
Dilutive shares	<u>1.4</u>	<u>1.0</u>
Diluted	210.7	209.0
Basic earnings U.S.\$M	249.7	203.9
Basic earnings per share in U.S. dollars	\$ 1.19	\$ 0.98
Diluted earnings per share in U.S. dollars	\$ 1.19	\$ 0.98

Comparative earnings per share for 2002 have been re-calculated to reflect the share consolidation (see note 17). Following the share consolidation each ADS represents an interest in one ordinary share.

The weighted average number of shares has been reduced for shares in the Company held by the Company's employee benefit trust for the satisfaction of incentive scheme awards that have not vested unconditionally.

The dilutive shares relate to ordinary shares to be issued on the exercise of employee share options.

### 9. Goodwill

	U.S.\$m
Cost	
Cost at December 31, 2002	149.4
Exchange movements	<u>16.9</u>
Cost at November 30, 2003	166.3
Amortisation	
Amortisation at December 31, 2002	(22.3)
Exchange movements	(1.8)
Amortisation charge for the period	<u>(1.0)</u>
Amortisation at November 30, 2003	(25.1)
Net book value	
At November 30, 2003	<u>141.2</u>
At December 31, 2002	<u>127.1</u>

## Notes to the Financial Statements—(continued)

Goodwill costs include \$140.1m in respect of AIDA, which is regarded as having an indefinite life and is not amortised. The extension in estimated useful life, from 40 years previously, resulted in a reduction to amortisation for the period of \$3.2m. In the opinion of the Directors this departure from the requirements of the Companies Act 1985, for goodwill to be amortised, is adopted so that the financial statements give a true and fair view.

### 10. Ships

	Group Owned U.S.\$m	Leased U.S.\$m	Total U.S.\$m	Company Owned U.S.\$m
Cost				
Cost at December 31, 2002	6,119.2	148.1	6,267.3	169.4
Exchange movements	253.2	—	253.2	12.8
Additions	709.7	10.0	719.7	0.7
Disposals	(1.1)	—	(1.1)	—
Cost at November 30, 2003	<u>7,081.0</u>	<u>158.1</u>	<u>7,239.1</u>	<u>182.9</u>
Depreciation				
Depreciation at December 31, 2002	(886.7)	(0.6)	(887.3)	(15.3)
Exchange movements	(53.3)	—	(53.3)	(4.8)
Charge for period	(170.7)	(4.5)	(175.2)	(9.1)
Impairment loss	(50.0)	—	(50.0)	—
Depreciation at November 30, 2003	<u>(1,160.7)</u>	<u>(5.1)</u>	<u>(1,165.8)</u>	<u>(29.2)</u>
Net book value				
At November 30, 2003	<u>5,920.3</u>	<u>153.0</u>	<u>6,073.3</u>	<u>153.7</u>
At December 31, 2002	<u>5,232.5</u>	<u>147.5</u>	<u>5,380.0</u>	<u>154.1</u>

Ships under construction included in the above for Group totalled \$396.9m (2002 \$907.4m).

The impairment loss of \$50 million has been determined in accordance with FRS 11, "Impairment of fixed assets and goodwill" to ensure that the assets are stated at the higher of net realisable value and value in use. The write-down restates a ship to value in use and has been determined using a pre-tax discount rate of 15%.

### 11. Properties and other fixed assets

	Owned land and buildings U.S.\$m	Office equipment, plant and motor vehicles U.S.\$m	Total U.S.\$m
Group			
Cost			
Cost at December 31, 2002	128.9	239.8	368.7
Exchange movements	—	2.7	2.7
Additions	16.7	19.0	35.7
Disposals	—	(12.1)	(12.1)
Cost at November 30, 2003	<u>145.6</u>	<u>249.4</u>	<u>395.0</u>
Depreciation			
Depreciation at December 31, 2002	(9.3)	(110.0)	(119.3)
Exchange movements	—	(1.5)	(1.5)
Charge for the period	(3.3)	(24.1)	(27.4)
Disposals	—	9.7	9.7
Depreciation at November 30, 2003	<u>(12.6)</u>	<u>(125.9)</u>	<u>(138.5)</u>
Net book value			
At November 30, 2003	<u>133.0</u>	<u>123.5</u>	<u>256.5</u>
At December 31, 2002	<u>119.6</u>	<u>129.8</u>	<u>249.4</u>

The book value of owned land is \$3.4m (2002 \$3.4m), which is not depreciated.

## Notes to the Financial Statements—(continued)

### 12. Investments — Group

	Own shares held U.S.\$m	Joint ventures (unlisted) U.S.\$m	Other investments (unlisted) U.S.\$m	Total U.S.\$m
Cost or valuation at December 31, 2002	4.4	8.8	4.6	17.8
Exchange movements	0.2	—	—	0.2
Additions	7.3	—	—	7.3
Disposals	(7.7)	(8.8)	—	(16.5)
Cost or valuation at November 30, 2003	<u>4.2</u>	<u>—</u>	<u>4.6</u>	<u>8.8</u>
Provision at December 31, 2002	(1.5)	—	—	(1.5)
Exchange movements	(0.1)	—	—	(0.1)
Disposals	7.5	—	—	7.5
Charge for period	(6.5)	—	(2.6)	(9.1)
Provision at November 30, 2003	<u>(0.6)</u>	<u>—</u>	<u>(2.6)</u>	<u>(3.2)</u>
Net book value				
At November 30, 2003	<u>3.6</u>	<u>—</u>	<u>2.0</u>	<u>5.6</u>
At December 31, 2002	<u>2.9</u>	<u>8.8</u>	<u>4.6</u>	<u>16.3</u>

As at November 30, 2003 the Carnival plc Employee Benefit Trust held 181,370 shares in Carnival plc (2002: 462,761 shares restated for the share reorganisation), with an aggregate nominal value of \$0.3m (2002 \$0.8m). At November 30, 2003 the market value of these shares was \$6.3m (2002 \$10.7m). If they had been sold at this value there would have been no tax liability (2002 nil) on the capital gain arising from the sale. The costs of funding and administering the scheme are charged to the profit and loss account of the company in the period to which they relate.

During the period the Group's interests in joint ventures were either sold, in the case of P&O Travel Limited (Hong Kong), or are in the process of being dissolved in the case of Joex Limited.

### 13. Stocks

	Group As at November 30, 2003 U.S.\$m	Group As at December 31, 2002 U.S.\$m
Raw materials and consumables	58.6	45.7
Goods for resale	40.4	41.7
	<u>99.0</u>	<u>87.4</u>

### 14. Debtors

	Group As at November 30, 2003 U.S.\$m	Group As at December 31, 2002 U.S.\$m Restated (note 1)	Company As at November 30, 2003 U.S.\$m	Company As at December 31, 2002 U.S.\$m
Amounts recoverable within one year				
Trade debtors	122.1	75.6	—	—
Amounts owed by subsidiary undertakings	—	—	1,359.9	1,084.8
Other debtors	14.2	13.1	23.9	—
Prepayments and accrued income	<u>146.0</u>	<u>136.3</u>	<u>—</u>	<u>—</u>
Total amounts recoverable within one year	<u>282.3</u>	<u>225.0</u>	<u>1,383.8</u>	<u>1,084.8</u>

Notes to the Financial Statements—(continued)

15. Creditors

	Group As at November 30, 2003 U.S.\$m	Group As at December 31, 2002 U.S.\$m Restated (note 1)	Company As at November 30, 2003 U.S.\$m	Company As at December 31, 2002 U.S.\$m
Amounts falling due within one year				
Overdrafts	—	(14.5)	—	—
Bank loans	(251.3)	(98.0)	—	—
Finance lease creditors	(8.5)	(7.8)	—	—
Trade creditors	(57.4)	(114.7)	—	—
Amounts owed to Carnival Corporation	(71.9)	—	(71.9)	—
Corporation tax	(47.8)	(54.8)	—	—
Other creditors	(34.3)	(32.2)	—	—
Accruals	(230.4)	(184.0)	(10.4)	(19.5)
Deferred income	(546.0)	(469.9)	—	—
Dividends payable	(52.5)	(20.8)	(52.5)	(20.8)
	<u>(1,300.1)</u>	<u>(996.7)</u>	<u>(134.8)</u>	<u>(40.3)</u>
	Group As at November 30, 2003 U.S.\$m	Group As at December 31, 2002 U.S.\$m Restated (note 1)	Company As at November 30, 2003 U.S.\$m	Company As at December 31, 2002 U.S.\$m
Amounts falling due after more than one year				
Bank loans, finance lease creditors, loan notes and bonds:				
Between one and five years				
U.S. dollar bonds 2007	(315.3)	(302.7)	(315.3)	(302.7)
U.S. dollar notes 2008	(107.8)	—	(107.8)	—
Bank loans	(1,060.7)	(790.9)	—	—
Finance lease creditors	(111.0)	(119.5)	—	—
Over five years				
U.S. dollar notes 2008	—	(107.8)	—	(107.8)
U.S. dollar notes 2010	(92.1)	(91.6)	(92.1)	(91.6)
U.S. dollar notes 2015	(70.1)	(69.8)	(70.1)	(69.8)
U.S. dollar notes 2016	(41.9)	(41.9)	(41.9)	(41.9)
U.S. dollar bonds 2027	(189.6)	(189.5)	(189.6)	(189.5)
Sterling bonds 2012	(335.6)	(317.6)	(335.6)	(317.6)
Bank loans	(459.6)	(482.4)	—	—
Accruals and deferred income	—	(3.1)	—	—
	<u>(2,783.7)</u>	<u>(2,516.8)</u>	<u>(1,152.4)</u>	<u>(1,120.9)</u>

Bank loans and overdrafts include amounts of \$848.8m (2002 \$840.5m) secured on ships and other assets. Further details of interest rates on bank borrowings are given in note 25. \$1,152.4m principal value of notes and bonds (2002 \$1,118.6m) are unconditionally guaranteed by P&O Princess Cruises International Limited ("POPCIL"). At the period end Carnival plc had no independent operations and POPCIL was the sole direct operating subsidiary of Carnival plc. Substantially all the Group's bonds and notes are guaranteed by Carnival Corporation and Carnival plc and POPCIL have guaranteed approximately \$3 billion of Carnival Corporation debt, pursuant to their deeds of guarantee issued in conjunction with the formation of the DLC and subsequent thereto. Further details of arrangements under the DLC structure are given in notes 3 and 7 of the Carnival Corporation & plc 2003 Annual Report.

During December 2003 the U.S. dollar notes and bonds were transferred to Carnival Corporation as part of a group reconstruction, details of these arrangements are given in note 27.

## Notes to the Financial Statements—(continued)

The maturity of bank loans, loan notes, bonds, finance lease creditors and overdrafts is as follows:

	Group As at November 30, 2003 U.S.\$m	Group As at December 31, 2002 U.S.\$m	Company As at November 30, 2003 U.S.\$m	Company As at December 31, 2002 U.S.\$m
Within one year	(259.8)	(120.3)	—	—
Between one and two years	(326.3)	(72.9)	—	—
Between two and five years	(1,268.5)	(1,140.2)	(423.1)	(302.7)
Between five and ten years	(781.7)	(860.0)	(427.8)	(517.1)
Over ten years	(407.2)	(440.6)	(301.5)	(301.1)
	<u>(3,043.5)</u>	<u>(2,634.0)</u>	<u>(1,152.4)</u>	<u>(1,120.9)</u>

### 16. Provisions for liabilities and charges – Group

	Deferred taxation U.S.\$m	Other U.S.\$m	Total U.S.\$m
At December 31, 2002	(11.8)	(1.9)	(13.7)
Exchange differences	(0.1)	(0.1)	(0.2)
Charged to profit and loss	<u>(1.7)</u>	<u>(3.5)</u>	<u>(5.2)</u>
At November 30, 2003	<u>(13.6)</u>	<u>(5.5)</u>	<u>(19.1)</u>

During 2001 Carnival plc elected to enter the UK tonnage tax regime which eliminated future potential tax liabilities on its shipping related profits in the UK. The UK tonnage tax election did not cover substantially all of Princess Cruises' ships as the North American cruise operation was not subject to UK corporation tax. The Princess cruise operation was exempt from U.S. federal income tax pursuant to exemptions under Section 883 of the U.S. Internal Revenue Code or under applicable income tax treaties. However, the Princess U.S. land based tour companies are subject to U.S. and Canadian income taxes, however, the amount is not material.

Deferred taxation comprises:

	Group As at November 30, 2003	Group As at December 31, 2002
Accelerated capital allowances	<u>13.6</u>	<u>11.8</u>

As described in note 27, substantially all of Carnival plc's foreign subsidiaries were sold to Carnival Corporation after November 30, 2003. The subsidiaries sold held substantially all of the Group's overseas distributable reserves for which no deferred tax had been provided. No tax is expected to be payable on the disposal of these subsidiaries and the future potential tax liability related to their undistributed overseas reserves has been extinguished. At December 31, 2002 \$1,417.3m of undistributed overseas reserves would have been subject to tax if paid as dividends.

### 17. Called up share capital

The authorised ordinary share capital comprises 225,903,614 ordinary shares of \$1.66 each (2002 750,000,000 ordinary shares of 50 U.S. cents each).

## Notes to the Financial Statements—(continued)

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

	No. of Shares	U.S.\$m
At December 31, 2002	693,472,619	346.7
Shares issued prior to April 17, 2003	268,801	0.1
Share consolidation on April 17, 2003	<u>(485,341,197)</u>	<u>(0.8)</u>
	208,400,223	346.0
Shares issued subsequent to April 17, 2003	<u>1,833,233</u>	<u>3.0</u>
At November 30, 2003	<u>210,233,456</u>	<u>349.0</u>

Following completion of the DLC transaction on April 17, 2003, the share capital of Carnival plc was reorganised and consolidated so that the exchange ratio with Carnival Corporation common stock is now 1:1. This was achieved by consolidating each 3.32889 existing Carnival plc shares of \$0.50 into one reorganised Carnival plc share of \$1.66 each. Simultaneous with the reorganisation of Carnival plc shares, the ratio of Carnival plc shares to Carnival plc ADSs was also adjusted to 1:1 in order to have a ratio of 1:1 with Carnival Corporation shares.

During 2003 the Company issued 268,801 ordinary shares of 50 U.S. cents each and 1,833,233 ordinary shares of \$1.66 each following the exercise of share options for total consideration of \$27.8m. In connection with the formation of the DLC the Company also authorised 100,000 and allotted 50,000 £1.00 redeemable preference shares and one special voting share of £1.00. The 50,000 redeemable preference shares allotted during the period are entitled to a cumulative fixed dividend of 8% per annum. The preference shares rank behind other classes of shares in relation to the payment of capital on certain types of distribution of the Company. The 49,998 £1.00 redeemable preference shares authorised and allotted at December 31, 2002 were redeemed during the period for consideration of £51,806.

Details of options over ordinary shares granted to employees are given in note 20. Details of contingent rights to shares in relation to the acquisition of subsidiaries are given in note 18.

### 18. Reserves

	Share premium account U.S.\$m	Other reserves U.S.\$m	Merger reserve U.S.\$m	Profit and loss account U.S.\$m	Total U.S.\$m
Group					
At December 31, 2002	3.7	93.1	910.3	1,460.0	2,467.1
Prior period adjustment (note 1)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(93.9)</u>	<u>(93.9)</u>
At December 31, 2002 (as restated)	3.7	93.1	910.3	1,366.1	2,373.2
Exchange movements	—	—	—	95.3	95.3
Other	0.8	(57.5)	—	—	(56.7)
Issue of shares	24.7	—	—	—	24.7
Retained profit for the financial period	<u>—</u>	<u>—</u>	<u>—</u>	<u>155.5</u>	<u>155.5</u>
At November 30, 2003	<u>29.2</u>	<u>35.6</u>	<u>910.3</u>	<u>1,616.9</u>	<u>2,592.0</u>
		Share premium account U.S.\$m	Other reserves U.S.\$m	Profit and loss account U.S.\$m	Total U.S.\$m
Company					
At December 31, 2002		3.7	93.1	62.9	159.7
Exchange movements		—	—	9.4	9.4
Other		0.8	(57.5)	—	(56.7)
Issue of shares		24.7	—	—	24.7
Retained profit for the financial period		<u>—</u>	<u>—</u>	<u>200.2</u>	<u>200.2</u>
At November 30, 2003		<u>29.2</u>	<u>35.6</u>	<u>272.5</u>	<u>337.3</u>

## Notes to the Financial Statements—(continued)

In accordance with s230 of the Companies Act 1985 the Company has not presented its own profit and loss account. The profit attributable to shareholders of the Company for the period was \$294.4m (2002 \$86.3m).

At December 31, 2002 Group and Company 'Other reserves' represent the difference between the market and nominal value of shares issued as initial consideration of \$35.6m together with the estimated value of outstanding consideration (\$57.5m) in respect of the purchase of 49% of AIDA Cruises Limited in November 2001. The shares issued in respect of the initial consideration were accounted for in accordance with the merger relief provisions of the Companies Act 1985. Following the formation of the DLC the actual amount of outstanding AIDA Cruises Limited consideration was evaluated and settled by a cash payment of €58.8m, further details concerning this transaction are given in note 22.

### 19. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Group operating profit	352.6	293.8
Depreciation and amortisation	203.6	173.9
Impairment of tangible fixed assets	50.0	—
Amounts written off investments	9.1	—
Increase in stocks	(8.7)	(11.1)
Increase in debtors	(40.8)	(27.1)
Increase in creditors and provisions	40.6	146.6
Net cash inflow from operating activities	<u>606.4</u>	<u>576.1</u>

Exceptional transaction costs had been settled by November 30, 2003.

(b) Reconciliation of net cash flow to movement in net debt

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
Increase in net cash in the period	29.9	55.4
Cash (inflow) from loans with Carnival Corporation	(71.9)	—
Cash (inflow)/outflow from changes in short term borrowings	(80.9)	26.1
Cash inflow from third party debt and lease financing	<u>(235.6)</u>	<u>(837.5)</u>
Change in net debt resulting from cash flows	(358.5)	(756.0)
Inception of finance leases	—	(129.9)
Amortisation of bond issue costs	(1.7)	(1.9)
Exchange movements in net debt	<u>(97.0)</u>	<u>(147.7)</u>
Movement in net debt in the period	(457.2)	(1,035.5)
Net debt at the beginning of the period	<u>(2,471.9)</u>	<u>(1,436.4)</u>
Net debt at the end of the period	<u>(2,929.1)</u>	<u>(2,471.9)</u>

## Notes to the Financial Statements—(continued)

### (c) Analysis of net debt

	At January 1, 2003 U.S.\$m	Cash flow U.S.\$m	Other non-cash movements U.S.\$m	Exchange movements U.S.\$m	At November 30, 2003 U.S.\$m
Cash available on demand	162.1	15.4	—	8.8	186.3
Less: bank overdrafts	(14.5)	14.5	—	—	—
	147.6	29.9	—	8.8	186.3
Loan with Carnival Corporation	—	(71.9)	—	—	(71.9)
Short term debt	(98.0)	(80.9)	(34.0)	(38.4)	(251.3)
Medium and long term debt	(2,394.2)	(243.4)	32.3	(67.4)	(2,672.7)
Finance leases	(127.3)	7.8	—	—	(119.5)
Net debt	(2,471.9)	(358.5)	(1.7)	(97.0)	(2,929.1)

## 20. Employees

	Eleven months to November 30, 2003	Twelve months to December 31, 2002
The average number of employees was as follows:		
Shore staff	3,898	3,654
Sea staff	19,531	16,298
	23,429	19,952

	Eleven months to November 30, 2003 U.S.\$m	Twelve months to December 31, 2002 U.S.\$m
The aggregate payroll costs were:		
Wages and salaries	340.2	307.5
Social security costs	12.7	12.1
Pension costs	11.4	12.1
	364.3	331.7

Details of directors' remuneration, including share options, long term incentive plans and pension entitlements, are set out in the Directors' Remuneration Report on pages 14 to 18 of Annex B to the Proxy Statement.

### Employee Option Schemes

Options under the Carnival plc Executive Share Option Plan ('the Option Plan'), are exercisable in a period normally beginning not earlier than three years and ending no later than ten years from the date of the grant. Options granted immediately after the demerger from P&O in October 2001 to replace options over P&O deferred stock previously held by Carnival plc employees are exercisable over the same period as the options replaced. The exercise price is set at the closing market price on the day the option was granted.

On completion of the DLC transaction with Carnival Corporation all outstanding options, other than those issued on April 15, 2003, vested and became exercisable. All outstanding performance conditions were regarded as satisfied. On April 15, 2003 in anticipation of the formation of the DLC, 1,418,314 options were granted over ordinary shares and ADSs at an exercise price of \$25.63, as adjusted for the share reorganisation. Under the original terms of these options they were to become exercisable on April 15, 2006, however, as a result of the reorganisation described in note 27 567,000 options became exercisable on December 1, 2003. Further details are shown in note 14 to the Carnival Corporation & plc 2003 Annual Report.



## Notes to the Financial Statements—(continued)

The number and exercise price of outstanding options were adjusted to reflect the share and ADS reorganisation described in note 17, as a result of these changes the option information set out below is from April 17, 2003, the date of the share reorganisation:

	Weighted average exercise price per share or ADSs \$	Number of options over shares or ADSs
Options granted on April 15, 2003	25.63	1,418,314
Other outstanding options	<u>17.80</u>	<u>4,104,699</u>
Options outstanding at April 17, 2003	19.64	5,523,013
Options granted after April 17, 2003	33.65	1,309
Options exercised after April 17, 2003	17.21	(1,833,233)
Options lapsed or cancelled	<u>20.15</u>	<u>(123,427)</u>
Options outstanding at November 30, 2003	<u>20.89</u>	<u>3,567,662</u>
Options exercisable at November 30, 2003	<u>18.06</u>	<u>2,199,878</u>

During the period from January 1, 2003 to April 17, 2003 options over 147,981 ordinary shares and 30,205 ADSs were exercised at weighted average prices of £2.95 and \$19.25, respectively. The average remaining life of outstanding options at November 30, 2003 was 8.0 years, however, this average life has not been adjusted for the shortening of option lives as a result of the December 1, 2003 reorganisation, noted above.

### 21. Pensions

Carnival plc is a contributing employer to various pension schemes, including some multiemployer merchant navy industry schemes.

In the UK, P&O Cruises operates its own defined benefit pension scheme, the assets of which are managed on behalf of the trustee by independent fund managers. This scheme is closed to new membership. As at March 31, 2001, the date of the most recent formal actuarial valuation, the scheme had assets with a market value of \$60.9m, representing 102 per cent of the benefits accrued to members allowing for future increases in earnings. Approximately 70 per cent of the scheme's assets are invested in bonds and 30 per cent in equities. The principal valuation assumptions were as follows:

	%
Rate of salary increases	4.0
Rate of pension increases	2.5
Discount rate	5.25
Expected return on assets	5.25

The Merchant Navy Ratings Pension Fund ("MNRPF") is a defined benefit multiemployer scheme in which British sea staff employed by companies within the Carnival plc group have participated. The scheme has a significant funding deficit and has been closed to further benefit accrual. Companies within the Carnival plc group, along with other employers, are making payments into the scheme under a non-binding Memorandum of Understanding to reduce the deficit. Payments by Carnival plc's group companies to the scheme in 2003 totalled \$1.5m, which represented 7 per cent of the total payments made by all employers. As at March 31, 2002, the date of the most recent formal actuarial valuation, the scheme had assets with a market value of \$814m, representing 84 per cent of the benefits accrued to members. Approximately 68 per cent of the scheme's assets were invested in bonds, 25 per cent in equities and 7 per cent in property. The valuation assumptions were as follows:

	%
Rate of salary increases	4.0
Rate of pension increases (where increases apply)	2.5
Discount rate	5.8
Expected return on assets	5.8

## Notes to the Financial Statements—(continued)

The Merchant Navy Officers Pension Fund (“MNOPF”) is a defined benefit multiemployer scheme in which British officers employed by companies within the Carnival plc group have participated and continue to participate. This scheme is closed to new membership. The share of the contributions being made to the scheme by Carnival plc group companies (based on the eleven months to November 30, 2003) was approximately 6 per cent. However, the extent of each participating employer’s liability for any deficit in the scheme is uncertain, and is the subject of ongoing litigation. Accordingly, Carnival plc accounts for the scheme on a contributions paid basis, as if it were a defined contribution scheme. The scheme is divided into two sections – the New Section and the Old Section. As at March 31, 2003, the date of the most recent formal actuarial valuation, the New Section had assets with a market value of \$1,983m, representing approximately 86 per cent of the benefits accrued to members. The valuation assumptions were as follows:

	%
Rate of salary increases	4.0
Rate of pension increases (where increases apply)	2.5
Discount rate	7.7
Expected return on assets	7.7

At the date of the valuation, approximately 59 per cent of the New Section’s assets were invested in equities, 28 per cent in bonds and 13 per cent in property and cash. The estimated current position under FRS17 is set out below. The Old Section has been closed to benefit accrual since 1978. As at March 31, 2003, the date of the most recent formal actuarial valuation, the Old Section had assets with a market value of \$2,235m representing approximately 115 per cent of the benefits accrued to members. The assets of the Old Section are substantially invested in bonds. Contributions from Carnival plc group companies to the MNOPF during the period to November 30, 2003 were \$1.1m.

Carnival plc also operates a number of smaller defined benefit schemes in the U.S. (“U.S. plans”) which are unfunded, other than assets in a rabbi trust held on the Group’s balance sheet, and makes contributions to various defined contribution schemes in various jurisdictions.

The pension charges arising from the schemes described above were:

	2003 U.S.\$m	2002 U.S.\$m
The P&O Cruises Pension Scheme	4.1	5.5
Merchant Navy pension funds	2.6	2.8
U.S. plans and other overseas plans	4.7	3.8
	<u>11.4</u>	<u>12.1</u>

Differences between the amounts charged and the amounts paid by Carnival plc are included in prepayments or creditors as appropriate. At November 30, 2003, total prepayments amounted to \$7.0m (2002 \$6.3m), and total creditors amounted to \$19.7m (2002 \$14.3m), giving a net pension liability in the balance sheet of \$12.7m (2002 \$8.0m).

### Additional information presented under FRS17 “Retirement Benefits”

While the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 ‘Accounting for Pension Costs’, under FRS17 ‘Retirement Benefits’ the following additional information has been presented in respect of the P&O Cruises Pension Scheme, Carnival plc’s share of the MNRPF and the unfunded U.S. plans. In accordance with FRS 17, the MNOPF is not included in this analysis as Carnival plc’s share of its underlying assets and liabilities cannot be identified with certainty. However, some additional information on the overall funding position of the MNOPF is provided below.

## Notes to the Financial Statements—(continued)

The actuarial valuations of the P&O Cruises scheme, Carnival plc's share of the MNRPF and the unfunded U.S. plans were estimated at November 30, 2003 and December 31, 2002 by Carnival plc's qualified independent actuary. The assumptions used are best estimates chosen from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. Using weighted averages, these assumptions for the UK and U.S. schemes together were as follows:

	2003 %	2002 %	2001 %
Rate of increase in salaries	4.0	4.1	4.1
Rate of increase in pensions (where increases apply)	2.5	2.5	2.5
Discount rate	5.3	5.2	5.6
Expected return on assets (only relevant for UK schemes):			
— equities	7.5	5.1	5.5
— bonds	5.3	5.1	5.5
— gilts (government bonds)	4.8	5.1	5.5

The aggregated assets and liabilities in the UK and U.S. plans as at November 30, 2003 and December 31, 2002 were estimated to be as follows:

	2003 Value U.S.\$m	2003 Expected rate of return %	2002 Value U.S.\$m	2002 Expected rate of return %	2001 Value U.S.\$m	2001 Expected rate of return %
Equities	52.5	7.5	42.9	5.1	34.1	5.5
Bonds	87.3	5.3	80.2	5.1	86.9	5.5
Gilts	18.0	4.8	13.6	5.1	—	—
Total market value of assets	157.8	6.0	136.7	5.1	121.0	5.5
Present value of the schemes' liabilities	(195.6)		(178.0)		(146.2)	
Net pension liability	(37.8)		(41.3)		(25.2)	

*(this analysis excludes pension assets held in a rabbi trust of \$7.1m (2002 \$4.8m) but includes the U.S. plans' liabilities)*

The net pension liability of \$37.8m (2002 \$41.3m) compares with the net pension liability accounted for under SSAP 24 of \$12.7m (2002 \$8.0m).

On full compliance with FRS17, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for these UK and U.S. plans for the period ended November 30, 2003 would have been as follows:

	2003 U.S.\$m	2002 U.S.\$m
Analysis of amounts charged to operating profits:		
Current service cost	(5.0)	(7.3)
Past service costs	—	—
Total charged to operating profit	(5.0)	(7.3)
Analysis of amount credited to other finance income:		
Interest on pension scheme liabilities	(8.7)	(8.9)
Expected return on assets in the pension schemes	6.5	7.0
Net charge to other finance income	(2.2)	(1.9)

The total profit and loss charge of \$7.2m compares with \$11.4m under SSAP 24.

	2003	2002
Analysis of amounts recognised in Statement of Recognised Gains and Losses (STRGL):		
Actual return less expected return on assets	3.0	(11.4)
Experience (loss)/gain on liabilities	(4.3)	9.4
Gain/(loss) on change of assumptions (financial and demographic)	6.7	(11.8)
Total gain/(loss) recognised in STRGL before adjustment for tax	5.4	(13.8)

## Notes to the Financial Statements—(continued)

	2003	2002
History of experience gains and losses		
Actual return less expected return on assets	\$ 3.0m	\$(11.4m)
As a % of scheme assets at end of period	1.9%	8.3%
Experience (loss)/gain on scheme liabilities	\$ (4.3m)	\$ 9.4m
As a % of scheme liabilities at end of period	2.2%	5.3%
Total actuarial gain/(loss) recognised in STRGL	\$ 5.4m	\$(13.8m)
As a % of scheme liabilities at end of period	2.8%	7.8%
	<b>2003</b>	<b>2002</b>
	<b>U.S.\$m</b>	<b>U.S.\$m</b>
Movement in net pension liability in the scheme during the period		
Net pension liability at January 1, 2003	(41.3)	(25.2)
Contributions paid	6.4	6.1
Current service cost	(5.0)	(7.3)
Other finance charge	(2.2)	(1.9)
Actuarial gain/(loss)	5.4	(13.8)
Exchange	(1.1)	0.8
Net pension liability at November 30, 2003	<u>(37.8)</u>	<u>(41.3)</u>

As of March 31, 2003, the date of the most recent formal actuarial valuation prepared by the MNOPF's actuary, the New Section of the MNOPF was estimated to have a fund deficit of approximately £200 million, or \$340 million, assuming a 7.7% discount rate. At November 30, 2003, our external actuary informally updated the March 31, 2003 valuation and estimated that the New Section deficit was approximately £640 million, or \$1.1 billion, assuming a 5.3% discount rate. The 5.3% is the assumed discount rate we have used for determining our other foreign pension plans obligations. Based solely upon our share of current contributions to the MNOPF, our share of these deficit amounts would be between \$20 million and \$65 million, depending on whether the deficit was \$340 million or \$1.1 billion, respectively. However, the extent of our portion of any liability with respect to the fund's deficit is uncertain, and is the subject of ongoing litigation, the outcome of which cannot be determined at this time. In addition, the amount of the fund deficit is subject to estimates and assumptions, which could cause the deficit amount to vary considerably.

On full adoption of FRS17, which is currently expected to be in the year ended November 30, 2006, the difference between the fair value of the assets held in the P&O Cruises scheme, Carnival plc's share of the MNRPF and the U.S. plans and the value of those schemes' liabilities measured on an actuarial basis, using the projected unit method, will be recognised in the balance sheet as a pension scheme asset or liability, as appropriate, which would have a consequential effect on reserves. The carrying value of any resulting pension scheme asset would be restricted to the extent that the Group is able to recover the surplus either through reduced future contributions or refunds. Due to the group's tax structure the effect of deferred tax on the resulting pension scheme asset or liability is expected to be minimal. Movements in the pension scheme asset or liability would be taken to the profit and loss account or directly to reserves. Based upon the actuarial estimates described above the effect on the Group's net assets at November 30, 2003 from applying FRS17 would have been a net reduction of \$25.1 million.

## 22. Related party transactions

Mr. Horst Rahe, a non-executive director of the Company who resigned on April 17, 2003, had an interest in the deferred consideration arrangement relating to the Group's purchase of AIDA Cruises Limited in November 2000. The outstanding consideration of €58.8 million was paid following the formation of the DLC.

On December 5, 2003, POPCIL sold the A'ROSA river cruise business to Arkona AG, a German-based leisure travel supplier that is controlled by Mr. Horst Rahe. The price of the transaction, which included A'ROSA's three 200-passenger riverboats and the A'ROSA trademark, was approximately €63.5 million, including €800,000 payable for the goodwill of the business. As part of the transaction, POPCIL agreed, through its Seetours operating unit, to provide certain technical support and sales and marketing services to Arkona AG for the A'ROSA business until the end of 2004.

## Notes to the Financial Statements—(continued)

In July 2002 POPCIL entered into a lease on an office property in Germany with a company in which Mr. Horst Rahe has an interest. The lease is for a term of 10 years, commencing in 2004, with options to extend. The rent payable under the lease each year varies over the term of the lease, within the range €350,000 to €500,000. These figures are net of relevant regional government grants.

At November 30, 2003 Carnival plc owed \$71.9m to the Carnival Corporation group. In addition Carnival Corporation owns 19.4% of the Company's shares and, therefore, receives dividends from the Company.

Further details of related party transactions between the directors and both Carnival plc and Carnival Corporation are set out within the "Transactions of Management and Directors" section of the Proxy Statement.

### 23. Commitments

#### Capital

	As at November 30, 2003 U.S.\$m	As at December 31, 2002 U.S.\$m
Contracted		
Ships	1,950.0	1,790.0
Other	9.7	—
	<u>1,959.7</u>	<u>1,790.0</u>

Ship capital commitments at November 30, 2003 include contract stage payments, design and engineering fees, construction oversight costs, various owner supplied items and capitalised interest.

All the above ship commitments relate to the Princess Cruises brand which was sold to Carnival Corporation on December 1, 2003. Further details of this transaction are set out in note 27. Company capital commitments at November 30, 2003 were nil (2002: nil).

Other commitments at each period end in respect of the next year, under non-cancellable operating leases are as follows:

	Property 2003 U.S.\$m	Other 2003 U.S.\$m	Total 2003 U.S.\$m	Property 2002 U.S.\$m	Other 2002 U.S.\$m	Total 2002 U.S.\$m
Expense in 2004 or 2003 on leases expiring:						
Within one year	0.3	0.1	0.4	0.4	0.4	0.8
Between one and five years	2.1	11.5	13.6	0.2	12.0	12.2
After five years	<u>11.1</u>	<u>—</u>	<u>11.1</u>	<u>9.6</u>	<u>—</u>	<u>9.6</u>
	<u>13.5</u>	<u>11.6</u>	<u>25.1</u>	<u>10.2</u>	<u>12.4</u>	<u>22.6</u>

In addition to the operating lease commitments, at November 30, 2003 the group had future commitments to pay for usage of certain port facilities as follows:

	U.S.\$m
Within one year	2.9
Between one and five years	16.4
After five years	<u>5.6</u>
	<u>24.9</u>

### 24. Contingent liabilities

As part of the DLC structure Carnival plc and POPCIL have given a number of guarantees over Carnival Corporation obligations, details of these arrangements are given in note 3 of the Carnival Corporation & plc 2003 Annual Report.

## Notes to the Financial Statements—(continued)

Carnival plc has provided counter indemnities relating to bonds provided by third parties in support of Carnival plc's obligations arising in the normal course of business. Generally these bonds are required by travel industry regulators in the various jurisdictions in which Carnival plc operates and any liabilities arising from them are considered remote.

In the normal course of business, various other claims and lawsuits have been filed or are pending against Carnival plc. The majority of these claims and lawsuits are covered by insurance. Carnival plc management believes the outcome of any such suits, which are not covered by insurance, would not have a material adverse effect on Carnival plc's financial statements.

### 25. Financial instruments

Carnival plc uses financial instruments to finance its operations. The financial instruments used by Carnival plc include cash, overdrafts, bonds and loans. Derivative financial instruments are used to manage some of the currency and interest rate risks arising from its operations and its sources of finance. The derivatives used for this purpose are principally cross currency swaps, interest rate swaps and forward foreign currency contracts.

The main financial risks to which Carnival plc is exposed are summarised below. No transactions of a speculative nature are undertaken.

The accounting policies for derivatives and other financial instruments are described in note 1.

For the purpose of this note, other than currency disclosures, the primary debtors and creditors included are bank loans, bank overdrafts and short term borrowings, in accordance with FRS13.

#### Foreign currency risk

Carnival plc has international business operations. Its principal operating currency is the U.S. dollar, but it also operates in a number of other currencies, the most important of which are sterling and the euro. In general, Carnival plc's profits and shareholders' funds benefit if sterling or the euro are strong against the U.S. dollar. The U.S. dollar/sterling and the U.S. dollar/euro exchange rates for the respective periods were as follows:

	Average exchange rates for periods ended	Period end exchange rates
November 30, 2003		
U.S.\$:£	1.629	1.698
U.S.\$:euro	1.129	1.178
December 31, 2002		
U.S.\$:£	1.504	1.609
U.S.\$:euro	0.941	1.049

Approximately 35% of Carnival plc's net operating assets were denominated in non U.S. dollar currencies at November 30, 2003, with the result that Carnival plc's U.S. dollar consolidated balance sheet, and in particular shareholders' funds, can be affected by currency movements. Carnival plc partially mitigates the effect of such movements by borrowing in the same currencies as those in which the assets are denominated. An analysis of financial liabilities by currency is shown below.

In addition, approximately 25% of Carnival plc's operating profit is currently generated by businesses with functional currencies other than U.S. dollars. The results of these businesses are translated into U.S. dollars at average exchange rates for the purposes of consolidation. The impact of currency movements on operating profit is mitigated partially by some interest costs being incurred in non U.S. dollar currencies.

## Notes to the Financial Statements—(continued)

Carnival plc's businesses generally generate their turnover and incur costs in their main functional currency. Exceptions to this include:

- Princess Cruises generates some revenue in Canadian dollars and in sterling.
- Princess Cruises incurs some costs in euros and sterling.
- UK, German and Australian businesses incur some costs in U.S.\$, including fuel and some crew costs.

Carnival plc's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account are set out below. These exposures comprising the monetary assets and liabilities of Carnival plc that are not denominated in the functional currency of the operating unit concerned, excluding certain non U.S. dollar borrowings treated as hedges of net investments in non U.S. dollar functional currency operations, are as follows:

	Net foreign currency monetary assets/(liabilities)				
	U.S. Dollar U.S.\$m	Sterling U.S.\$m	Euro U.S.\$m	Other U.S.\$m	Total U.S.\$m
Functional currency of Group operation:					
U.S. dollars	—	8.1	(17.3)	(19.2)	(28.4)
Sterling	(7.6)	—	(1.0)	(2.6)	(11.2)
Total at November 30, 2003	(7.6)	8.1	(18.3)	(21.8)	(39.6)
Functional currency of Group operation:					
U.S. dollars	—	(26.4)	(5.0)	(20.5)	(51.9)
Sterling	—	—	(0.6)	0.7	0.1
Other	0.7	—	—	2.2	2.9
Total at December 31, 2002	0.7	(26.4)	(5.6)	(17.6)	(48.9)

### Interest rate risk

The interest rate profile of the financial liabilities of Carnival plc is as follows:

	Total U.S.\$m	Variable rate financial liabilities U.S.\$m	Fixed rate financial liabilities U.S.\$m	Weighted average interest rate for fixed rate financial liabilities %	Average time over which interest rate is fixed months
Currency:					
U.S. dollars	1,607.8	1,186.8	421.0	5.5	171.5
Sterling	761.4	287.2	474.2	7.2	86.3
Euro	674.3	615.4	58.9	4.7	59.5
Total at November 30, 2003	3,043.5	2,089.4	954.1	6.3	122.2
Currency:					
U.S. dollars	1,309.6	880.7	428.9	5.4	176.5
Sterling	759.9	291.1	468.8	7.2	93.3
Euro	564.5	514.5	50.0	4.6	28.0
Total at December 31, 2002	2,634.0	1,686.3	947.7	6.3	127.5

The variable rate financial liabilities comprise bank borrowings and overdrafts bearing interest at rates fixed in advance for periods ranging from one to six months by reference to the applicable reference rate, primarily LIBOR for U.S. dollar, sterling and euro borrowings.

## Notes to the Financial Statements—(continued)

The interest rate profile of the financial assets of Carnival plc is as follows:

	Total U.S.\$m	Variable rate financial assets U.S.\$m	Financial assets on which no interest is received U.S.\$m
Currency:			
U.S. dollars	53.7	38.7	15.0
Sterling	88.9	84.2	4.7
Euro	21.4	17.3	4.1
Other	24.3	19.5	4.8
Total at November 30, 2003	<u>188.3</u>	<u>159.7</u>	<u>28.6</u>
Currency:			
U.S. dollars	54.9	35.5	19.4
Sterling	100.9	95.4	5.5
Euro	2.8	1.5	1.3
Other	8.1	7.6	0.5
Total at December 31, 2002	<u>166.7</u>	<u>140.0</u>	<u>26.7</u>

The majority of variable rate financial assets comprise bank accounts bearing interest at the applicable money market deposit rates.

### Liquidity risk

At November 30, 2003, Carnival plc had committed financing arranged of \$736m (2002 \$1,210m) to fund the delivery payments on two cruise ships scheduled to be delivered in 2004. As described in note 23 these ships relate to the Princess Cruises operations which were sold to Carnival Corporation after the period end. In addition, at November 30, 2003, it had \$494m (2002 \$444m) of undrawn committed bank facilities, which expire in September 2005 and a further \$186.3m (2002 \$162.1m) of cash available for general corporate purposes.

### Credit risk

Management does not consider that the Group has any significant concentration of credit risk. Potential concentrations comprise principally cash and cash equivalents and trade debtors. Carnival plc enters into derivative transactions and maintains cash deposits with several major banks. Management periodically reviews the credit rating of the institutions and believes that any credit risk is minimal. Concentration of credit risk with respect to trade debtors is limited due to the short term maturities and large number of debtors comprising Carnival plc's customer base.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a positive fair value at November 30, 2003.

### Fair values of financial assets and liabilities



## Notes to the Financial Statements—(continued)

A comparison by category of book value and fair value of Carnival plc's financial assets and liabilities is as follows:

	As at Nov. 30, 2003		As at Dec. 31, 2002	
	Book value U.S.\$m	Fair value U.S.\$m	Book value U.S.\$m	Fair value U.S.\$m
Primary financial instruments held or issued to finance				
Carnival plc operations:				
Notes and bonds	(1,152.4)	(1,320.2)	(1,120.9)	(1,177.2)
Other loans	(1,891.1)	(1,851.8)	(1,498.6)	(1,510.9)
Cash	186.3	186.3	162.1	162.1
Bank overdrafts	—	—	(14.5)	(14.5)
Other investments and deferred consideration	2.0	2.0	4.6	4.6
Derivative financial instruments held or issued to hedge				
currency exposure on expected future transactions:				
Forward foreign currency contracts	—	80.5	—	(16.7)
Interest rate swaps	—	42.6	—	49.6
	<u>(2,855.2)</u>	<u>(2,860.6)</u>	<u>(2,467.3)</u>	<u>(2,503.0)</u>

The notional principal amount of derivative financial instruments held as hedges against the currency exposure on capital expenditure for one ship is \$345.2m (2002 \$690.2m) in respect of forward foreign currency contracts and \$625.7m (2002 \$798.3m) in respect of cross currency and interest rate swaps providing hedges against currency and interest rate exposures on loans.

The fair value of notes and bonds is based on quoted market price for public debt and for private debt is estimated on a discounted cash flow basis applying appropriate market interest rates.

Other loans, which include short term borrowings and bank term loans, are largely at variable interest rates and, therefore, the book value approximates to the fair value.

The fair value of cash and bank overdrafts approximates to the book value due to the short term maturity of the instruments.

The fair value of other investments and deferred consideration is based on the estimated recoverable amount.

The fair values of derivative financial instruments was estimated based on prices quoted by financial institutions for these instruments based on appropriate market rates.

### Hedging

When Carnival plc's businesses enter into significant capital expenditure or lease commitments in currencies other than their main functional currency, these commitments are normally hedged using foreign currency forward contracts and cross currency swaps in order to fix the cost when converted to the functional currency. As of November 30, 2003, the most significant of Carnival plc's foreign currency commitments of this nature is in respect of one cruise ship under construction. The periods of the forward contracts match the expected cash flows of the capital commitments. Other cruise ships have been ordered in currencies matching the main functional currencies in which these ships will generate their revenue.

## Notes to the Financial Statements—(continued)

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on cross currency swaps, interest rate swaps and foreign forward currency contracts are as follows:

	Gains U.S.\$m	(Losses) U.S.\$m	Net gains/ (losses) U.S.\$m
At January 1, 2003	79.3	(46.4)	32.9
(Gains)/losses arising before January 1, 2003 that were recognised during the period ended November 30, 2003	<u>(9.4)</u>	<u>43.9</u>	<u>34.5</u>
Gains/(losses) arising before January 1, 2003 that were not recognised during the period ended November 30, 2003	69.9	(2.5)	67.4
Gains/(losses) arising in the period that were not recognised during the period ended November 30, 2003	<u>57.3</u>	<u>(1.6)</u>	<u>55.7</u>
Gains/(losses) at November 30, 2003	<u>127.2</u>	<u>(4.1)</u>	<u>123.1</u>
Of which:			
Gains/(losses) expected to be recognised in less than one year	104.0	(2.3)	101.7
Gains/(losses) expected to be recognised after more than one year	<u>23.2</u>	<u>(1.8)</u>	<u>21.4</u>
Gains/(losses) at November 30, 2003	<u>127.2</u>	<u>(4.1)</u>	<u>123.1</u>
Of which:			
Gains on contracted capital expenditure on ships	82.7	—	82.7
Gains/(losses) on other hedges	<u>44.5</u>	<u>(4.1)</u>	<u>40.4</u>
Gains/(losses) at November 30, 2003	<u>127.2</u>	<u>(4.1)</u>	<u>123.1</u>

The underlying commitments, after taking these contracts into account, are reflected within note 23.

## 26. Investment in subsidiaries

	U.S.\$m
Cost at November 30, 2003 and December 31, 2002	<u>428.7</u>

The principal operating subsidiaries at November 30, 2003 were:

	Country of Incorporation/ Registration	Percentage of equity share capital owned at November 30, 2003	Business Description
P&O Princess Cruises International Ltd	England	100% <sup>†</sup>	Passenger cruising and shipowner Hotel operations
Alaska Hotel Properties LLC	U.S.A.	100%	
Brittany Shipping Corporation Ltd	Bermuda	100%*	Shipowner
Corot Shipping Corporation (Sociedade Unipessoal) Lda	Portugal	100%*	Shipowner
CP Shipping Corporation Ltd	Bermuda	100%*	Shipowner
Fairline Shipping Corporation Ltd	Bermuda	100%*	Shipowner
Fairline Shipping International Corporation Ltd	Bermuda	100%*	Shipowner
GP2 Ltd	Bermuda	100%*	Shipowner
GP3 Ltd	Bermuda	100%*	Shipowner
Princess Cruises (Shipowners) Ltd	England	100%	Passenger cruising
P&O Travel Ltd	England	100%	Travel agent
Princess Cruise Lines Ltd	Bermuda	100%*	Passenger cruising and shipowner
Princess Tours Ltd	England	100%	Shipowner
Royal Hyway Tours Inc	U.S.A.	100%	Land tours
Sitmar International SRL	Panama	100%*	Holding company
Tour Alaska LLC	U.S.A.	100%	Rail tours

<sup>†</sup> Held directly by the Company.

\* Disposed of after November 30, 2003 (see note 27)

## Notes to the Financial Statements—(continued)

### 27. Post balance sheet event

On December 1, 2003 Carnival Corporation & plc commenced a corporate restructuring involving the transfer within the DLC group of subsidiary companies below Carnival Corporation and Carnival plc. These transactions are being undertaken primarily to facilitate business integration and the flow of funds between affiliated companies.

The principal transactions of the reorganisation, which is expected to be substantially complete by April 2004, are:

- the transfer by Carnival plc to Carnival Corporation of Princess Cruise Lines Limited and a number of related ship owning entities, the companies which operate and own substantially all of Princess Cruises, together with its obligations under public and private U.S. dollar notes and related derivatives; and
- the transfer by Carnival Corporation to Carnival plc of the cruise operations of both Cunard Line Limited, excluding Seabourn Cruise Line, and Costa Finance S.A., as well as Carnival Corporation's U.S., UK and Mexican land based operations, including its Alaska and Canadian Yukon tour business.

The consideration for the transfer of assets, liabilities and financial instruments between the two companies was or will be based on fair market values.

Pursuant to these transactions, Princess Cruises is treated as a discontinued operation in the Carnival plc 2003 Annual Report. Princess Cruises' turnover for the eleven month period was \$1,398.7m (2002 – twelve months \$1,364.1m) and operating profit was \$265.1m (2002 – twelve months \$228.2m).

This series of transactions is effectively a group reconstruction and Carnival plc will apply merger accounting principles to reflect the combination with Cunard, Costa and the other assets being acquired from Carnival Corporation. These transactions do not give rise to a consolidated profit or loss.

