



Carnival plc
UK GAAP Financial Statements
Year ended November 30, 2004
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 2004 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 structure 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 2004 Annual Report that accompanies this document.

Carnival plc

Group profit and loss account

	Note	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m Restated (note 1)
Turnover	3	3,901.3	4,040.3
Cost of sales before exceptional item		(2,632.3)	(2,918.0)
Exceptional impairment loss		—	(50.0)
	4	<u>(2,632.3)</u>	<u>(2,968.0)</u>
Administrative expenses before exceptional costs		(609.0)	(533.7)
Exceptional transaction costs		—	(30.7)
	4	<u>(609.0)</u>	<u>(564.4)</u>
Operating costs	4	<u>(3,241.3)</u>	<u>(3,532.4)</u>
Group operating profit	3	660.0	507.9
Loss on sale of business	3	—	(2.7)
		<u>660.0</u>	<u>505.2</u>
Profit on ordinary activities before interest		660.0	505.2
Net interest payable and similar items	6	(110.3)	(130.2)
		<u>549.7</u>	<u>375.0</u>
Profit on ordinary activities before taxation		549.7	375.0
Taxation	7	(27.6)	(26.2)
		<u>522.1</u>	<u>348.8</u>
Profit on ordinary activities after taxation		522.1	348.8
Dividends	8	(116.5)	(94.2)
		<u>405.6</u>	<u>254.6</u>
Retained profit for the financial period	19	405.6	254.6
Carnival plc standalone earnings per share			
Basic earnings per share (in U.S. dollars)	9	2.47	1.67
Diluted earnings per share (in U.S. dollars)	9	2.46	1.66

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2004 Annual Report (see note 1). For information, we set out below the U.S. GAAP consolidated earnings per share included within the Carnival Corporation & plc consolidated financial statements for the twelve month periods ended November 30, 2004 and 2003:

DLC Basic earnings per share (in U.S. dollars)	2004: 2.31	2003: 1.66
DLC Diluted earnings per share (in U.S. dollars)	2004: 2.24	2003: 1.63

Carnival plc

Group balance sheet

	Note	As at Nov. 30, 2004 U.S.\$m	As at Nov. 30, 2003 U.S.\$m Restated (note 1)
Fixed assets			
Intangible assets			
Goodwill	10	749.4	690.4
Tangible assets			
Ships	11	7,303.2	9,024.7
Properties and other fixed assets	12	544.9	555.6
		7,848.1	9,580.3
Investments	13	7.9	9.6
		8,605.4	10,280.3
Current assets			
Stocks	14	106.3	120.0
Debtors	15	452.2	537.8
Cash at bank and in hand		174.5	221.6
		733.0	879.4
Creditors: amounts falling due within one year	16	(2,531.1)	(4,675.6)
Net current liabilities		(1,798.1)	(3,796.2)
Total assets less current liabilities		6,807.3	6,484.1
Creditors: amounts falling due after more than one year	16	(2,217.3)	(4,189.8)
Provisions for liabilities and charges	17	(72.1)	(79.2)
		4,517.9	2,215.1
Capital and reserves			
Called up share capital	18	352.2	349.0
Share premium account	19	64.7	29.2
Other reserves	19	35.6	35.6
Merger reserve	19	1,459.2	(13.4)
Profit and loss account	19	2,604.2	1,813.8
Equity shareholders' funds		4,515.9	2,214.2
Equity minority interests		2.0	0.9
		4,517.9	2,215.1

See accompanying notes to the financial statements.

Approved by the board of directors on February 14, 2005 and signed on its behalf by:

Micky Arison
Howard S. Frank

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2004 Annual Report (see note 1).

Carnival plc

Group cash flow statement

	Note	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m Restated (note 1)
Net cash inflow from operating activities	20	1,076.8	894.8
Returns on investments and servicing of finance			
Interest received		7.9	10.7
Interest paid		(130.5)	(185.6)
Net cash outflow for returns on investments and servicing of finance		(122.6)	(174.9)
Taxation		(10.3)	(26.6)
Capital expenditure and financial investment			
Purchase of ships		(1,663.5)	(1,516.9)
Purchase of other fixed assets		(111.6)	(103.6)
Purchase of own shares		—	(7.3)
Disposal of ships		150.1	20.0
Disposal of other fixed assets		12.9	3.7
Net cash outflow for capital expenditure and financial investment		(1,612.1)	(1,604.1)
Acquisitions and disposals			
Acquisition of subsidiaries and associates		(4.1)	(65.7)
Disposal of subsidiaries and associates		1.8	—
Cash disposed on corporate restructuring		(29.3)	—
Net cash outflow for acquisitions and disposals		(31.6)	(65.7)
Equity dividends paid		(105.4)	(62.5)
Net cash outflow before financing		(805.2)	(1,039.0)
Financing			
Issue of ordinary share capital		38.7	27.8
Investment by Carnival Corporation		—	288.2
Movement on loans with Carnival Corporation		1,145.9	314.3
Loan drawdowns		2,224.7	2,002.3
Loan repayments		(2,672.3)	(1,558.6)
Repayment of finance lease		(8.5)	(7.8)
Net cash inflow from financing		728.5	1,066.2
(Decrease)/increase in cash in the period	20	(76.7)	27.2

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2004 Annual Report (see note 1).

Carnival plc

Company balance sheet

		As at Nov. 30, 2004 U.S.\$m	As at Nov. 30, 2003 U.S.\$m
Fixed assets	Note		
Tangible assets—ships	11	1,750.4	153.7
Properties and other fixed assets	12	15.7	—
Investments—subsidiaries	27	4,587.0	428.7
		<u>6,353.1</u>	<u>582.4</u>
Current assets			
Stock	14	25.1	—
Debtors	15	1,061.3	1,383.8
Cash at bank and in hand		89.3	7.3
		<u>1,175.7</u>	<u>1,391.1</u>
Creditors: amounts falling due within one year	16	<u>(3,152.4)</u>	<u>(134.8)</u>
Net current (liabilities)/assets		<u>(1,976.7)</u>	<u>1,256.3</u>
Total assets less current liabilities		4,376.4	1,838.7
Creditors: amounts falling due after more than one year	16	(1,001.1)	(1,152.4)
Provisions for liabilities and charges	17	<u>(28.5)</u>	<u>—</u>
		<u>3,346.8</u>	<u>686.3</u>
Capital and reserves			
Called up share capital	18	352.2	349.0
Share premium account	19	64.7	29.2
Other reserves	19	35.6	35.6
Profit and loss account	19	2,894.3	272.5
Equity shareholders' funds		<u>3,346.8</u>	<u>686.3</u>

See accompanying notes to the financial statements.

Approved by the board of directors on February 14, 2005 and signed on its behalf by:
Micky Arison
Howard S. Frank

Carnival plc

Group statement of total recognised gains and losses

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m Restated (note 1)
Profit for the period	522.1	348.8
Exchange movements on foreign currency net investments	384.8	196.7
Total recognised gains and losses relating to the period	<u>906.9</u>	<u>545.5</u>

Reconciliation of movements in shareholders' funds

	Group Twelve months to Nov. 30, 2004 U.S.\$m	Group Eleven months to Nov. 30, 2003 U.S.\$m Restated (note 1)	Company Twelve months to Nov. 30, 2004 U.S.\$m	Company Eleven months to Nov. 30, 2003 U.S.\$m
Total recognised gains and losses for the period	906.9	545.5	2,741.9	303.8
Dividends	(116.5)	(94.2)	(116.5)	(94.2)
New shares issued	38.7	27.8	38.7	27.8
Shares to be issued	—	(57.5)	—	(57.5)
Net movement in own shares held	—	(0.7)	(3.6)	—
Net investment in the Merged Businesses by Carnival Corporation (note 19)	1,472.6	603.1	—	—
	<u>2,301.7</u>	<u>1,024.0</u>	<u>2,660.5</u>	<u>179.9</u>
Shareholders' funds at beginning of the period (Group shareholders' funds at January 1, 2003 were originally \$1,193.1m before deducting the prior period adjustment of \$2.9m)	2,214.2	1,190.2	686.3	506.4
Shareholders' funds at end of the period	<u>4,515.9</u>	<u>2,214.2</u>	<u>3,346.8</u>	<u>686.3</u>

See accompanying notes to the financial statements.

Within the DLC structure the most appropriate presentation of Carnival plc's results and financial position is considered to be by reference to the U.S. GAAP consolidated financial statements of Carnival Corporation & plc, which are included within the Carnival Corporation & plc 2004 Annual Report (see note 1).

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 Carnival plc (the "Company"), its subsidiaries and associates (collectively the "Group").

Basis of preparation of financial statements

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.

The Group financial statements comprise the consolidation of the accounts of the Company and all its subsidiaries and incorporate the Group's interest in its associates under the equity method of accounting.

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 transaction combined the businesses of Carnival Corporation and Carnival plc (collectively known as "Carnival Corporation & plc") through a number of contracts and through 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, however, they operate as if they were a single economic enterprise. 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 American Depository Shares are traded on the NYSE. The contracts governing the DLC structure provide that Carnival Corporation and Carnival plc 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, consolidated financial statements and management commentary of Carnival Corporation & plc have been included in the Carnival Corporation & plc 2004 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 its acquisition by Carnival Corporation. 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 standalone Carnival plc UK GAAP financial statements, including by way of note the Carnival Corporation & plc U.S. GAAP statements on pages 5 to 29 of the Carnival Corporation & plc 2004 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.

On December 1, 2003, Carnival Corporation & plc commenced a corporate restructuring involving the transfer within the DLC of subsidiary companies below Carnival Corporation and Carnival plc. Given the nature of the DLC structure, the transactions have been accounted for as a group reconstruction applying merger accounting principles. As a result, the financial information of Carnival plc for the periods ended November 30, 2004 and November 30, 2003 has been presented as if the Carnival plc group had always included the businesses represented by Cunard Line Limited, excluding Seabourn Cruise Line ("Cunard"), Costa Finance S.A. ("Costa") and the land-based operations located in North America, the UK and Mexico, previously owned by Carnival Corporation. The accounting treatment for this restructuring is set out in note 2.

Changes in presentation of financial information

Urgent Issues Task Force Abstract 38 "Accounting for ESOP Trusts" ("UITF 38") has been adopted for the first time in these financial statements. As required by the UITF, own shares held by the Carnival plc Employee Benefit Trust have been reclassified from fixed asset investments to treasury stock resulting in a reduction in shareholders' funds. The balance sheet as at November 30, 2003 has been

Notes to the financial statements—(continued)

restated to reflect this change in accounting policy, resulting in a reduction in shareholders' funds of \$3.6m as at November 30, 2003. The impact on the profit and loss account in the current and prior period is immaterial.

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. This policy is appropriate due to the long-term nature of the business and the enduring nature of the brands, which are a key part of the strategy of the Group and are supported by continuing investment in the brands and new ships. Goodwill with an expected useful life of more than 20 years is reviewed annually by the directors, by comparing the carrying value with projected discounted cash flows, to determine whether there has been any permanent impairment in value, any such reduction in value is taken to the profit and loss account.

Investments

Investments in subsidiary and associate undertakings are held at cost less provisions for impairment in the Company balance sheet.

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 planned major maintenance activities 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	20–40 years
Other fixed assets	2–20 years

Owned land and ships under construction are not depreciated.

Impairment of fixed assets

Fixed assets are reviewed 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.

Dry-docking costs

Dry-docking costs, comprising planned major maintenance activities, are deferred and expensed over the estimated period of benefit, generally 12 months or in some instances the period to the next scheduled dry-dock, which can be up to 30 months. Replacements made during a dry-dock are 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.

Grants

Grants received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the relevant asset.

Notes to the financial statements—(continued)

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.

Revenue and expense recognition

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 nights or less and on a pro rata basis for voyages in excess of ten nights. Future travel discount vouchers issued to guests are typically 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.

Marketing and promotion costs

Marketing and promotion are expensed 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.

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". 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 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 foreign currency swaps and interest rate swaps to manage its exposure to certain foreign currency exchange rate 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 reporting currency of the Group is the U.S. dollar. The Group's businesses generate earnings in a number of different currencies, principally U.S. dollars, Euros and pounds Sterling. Each business selects the currency in which the majority of its trade and assets are denominated as its functional 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,

Notes to the financial statements—(continued)

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. Corporate restructuring

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 were undertaken primarily to facilitate business integration and the flow of funds between affiliated companies.

The principal transactions of the restructuring, which were substantially completed by April 2004, were:

- the transfer by Carnival plc to Carnival Corporation of Princess Cruise Lines Limited and a number of related ship-owning entities, which operate and own substantially all of Princess Cruises, together with Carnival plc's 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 and Costa, as well as Carnival Corporation's North American, UK and Mexican land-based operations, including its Alaska and Canadian Yukon tour businesses and its Mexican port operation (the "Merged Businesses").

Due to the nature of the DLC structure, this series of transactions has been accounted for as a group reconstruction in accordance with Financial Reporting Standard 6, using merger accounting principles to reflect the combination of Carnival plc with the Merged Businesses. As a result, the financial statements of Carnival plc for the periods ended November 30, 2004 and 2003 have been presented as if the Carnival plc group had always included the Merged Businesses. Accordingly, the assets and liabilities of the Merged Businesses have been included in these financial statements at their book values. Under the DLC agreement, the transfer of assets and liabilities between Carnival Corporation and Carnival plc is based on fair market values. Accordingly, the difference of \$0.72bn between the book value and the fair value of the Merged Businesses (which equates to the value of the consideration paid) is included in equity shareholders' funds (note 19).

The businesses which were transferred from Carnival plc to Carnival Corporation have been accounted for as a disposal in these financial statements. The difference between the book value and the fair value of these businesses (which equates to the value of the consideration received) of approximately \$1.47bn, has been shown as a movement in 2004 equity shareholders' funds. Further disclosures regarding the effect on equity shareholders' funds are provided in note 19.

The directors consider that within the DLC structure the use of merger accounting for the restructuring is required to give a true and fair presentation of the transfer of businesses from Carnival Corporation. This represents a departure from the provision of the Companies Act 1985 which sets out the conditions for merger accounting based on the assumption that a merger is effected through the issue of equity shares. The main consequence of adopting merger rather than acquisition accounting is that the balance sheet of the Group includes the assets and liabilities of the Merged Businesses at their book values prior to the merger, rather than at their fair values at the date of the merger. Further, as a result of this accounting treatment, the disposal of businesses to Carnival Corporation did not result in a gain or loss on disposal. In the particular circumstances of the merger, the effect of applying acquisition accounting cannot reasonably be quantified.

Notes to the financial statements—(continued)

3. Segmental analysis

Carnival plc has a single business of operating cruise ships and North American related landside assets under various brand names as follows: Holland America Tours and Princess Tours in North America, Costa, P&O Cruises, Swan Hellenic, Ocean Village and AIDA Cruises in Europe and P&O Cruises (Australia) in Australia and New Zealand. In addition, the Group operates the Cunard brand, approximately 60% of the results of which are generated in North America with the remainder arising in Europe.

Pursuant to the corporate restructuring, substantially all of the Princess Cruises operation was treated as discontinued in 2003. The transfer of Princess Cruises was completed on December 1, 2003 and thus there is no trading activity to report in the period ended November 30, 2004. Accordingly, the profits and losses in the period ended November 30, 2004 arose from continuing activities only. Subsequent to the restructuring, the Group continued to operate one vessel under the Princess name in North America.

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Turnover (by origin)		
Continuing operations		
North America	872.4	609.4
Europe and Australia	3,028.9	2,032.2
	<u>3,901.3</u>	<u>2,641.6</u>
Discontinued operations		
North America	—	1,398.7
	<u>3,901.3</u>	<u>4,040.3</u>

The turnover for each geographic segment is materially generated from sales to customers in that region. The Group offers cruises across a substantial number of different itineraries; accordingly, analysing turnover by destination is not considered practical or meaningful.

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, 2004 was \$1,269.0m (2003: continuing operations \$682.3m, discontinued operations \$390.0m).

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Total operating profit		
Continuing operations		
North America	96.1	66.7
Europe and Australia before exceptional impairment loss	563.9	256.8
Exceptional items	—	(80.7)
	<u>660.0</u>	<u>242.8</u>
Discontinued operations		
North America	—	265.1
	<u>660.0</u>	<u>507.9</u>

Operating profit in 2003 for Europe and Australia, after an exceptional impairment loss on a ship of \$50.0m, was \$206.8m. Exceptional items in 2003 also include transaction costs of \$30.7m consisting of legal and professional fees in connection with the formation of the DLC structure, which are not allocable to the regions.

During 2004, Cunard's administrative operations were transferred from Miami, Florida to Santa Clarita, California, the cost of this reorganisation was \$10.0m. 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 2003 impairment loss of \$50.0m was 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

Notes to the financial statements—(continued)

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%.

The non-operating loss of \$2.7m in 2003 arose on the disposal of fixed asset investments in Europe and Australia.

Net operating assets excluding goodwill and ships under construction

	As at Nov. 30, 2004 U.S.\$m	As at Nov. 30, 2003 U.S.\$m
Continuing operations		
North America	1,023.3	548.8
Europe and Australia	5,933.6	4,120.6
	<u>6,956.9</u>	<u>4,669.4</u>
Discontinued operations		
North America	—	3,350.0
	<u>6,956.9</u>	<u>8,019.4</u>

	As at Nov. 30, 2004 U.S.\$m	As at Nov. 30, 2003 U.S.\$m
The net operating assets are reconciled to net assets as follows:		
Net operating assets	6,956.9	8,019.4
Goodwill	749.4	690.4
Ships under construction	126.3	711.9
Amounts owed to Carnival Corporation	(521.6)	(2,834.0)
Net borrowings	(2,661.8)	(4,275.1)
Corporation tax and deferred tax	(67.7)	(45.0)
Dividends payable	(63.6)	(52.5)
Net assets	<u>4,517.9</u>	<u>2,215.1</u>

Net operating assets including goodwill and ships under construction in North America were \$1,153.3m (2003 \$824.9m), in Europe and Australia \$6,679.3m (2003 \$4,849.9m) and in North America discontinued operations \$nil (2003 \$3,746.9m).

4. Cost of sales and operating costs

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003		
		Continuing Operations U.S.\$m	Discontinued Operations U.S.\$m	Total U.S.\$m
Cost of sales before exceptional items	2,632.3	1,909.3	1,008.7	2,918.0
Exceptional impairment loss	—	50.0	—	50.0
	<u>2,632.3</u>	<u>1,959.3</u>	<u>1,008.7</u>	<u>2,968.0</u>
Administrative expenses before exceptional costs	609.0	408.8	124.9	533.7
Exceptional transaction costs	—	30.7	—	30.7
	<u>609.0</u>	<u>439.5</u>	<u>124.9</u>	<u>564.4</u>
	<u>3,241.3</u>	<u>2,398.8</u>	<u>1,133.6</u>	<u>3,532.4</u>

The costs in the twelve months to November 30, 2004 relate to continuing operations.

Notes to the financial statements—(continued)

5. Operating profit is stated after (charging)/crediting

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Depreciation of owned assets	(300.3)	(312.4)
Depreciation of assets held under finance leases	(3.3)	(4.5)
Amortisation of capital grants	12.4	6.5
Amortisation of goodwill	(1.0)	(1.0)
Operating lease costs:		
—ships	(14.6)	(12.6)
—property	(15.8)	(21.6)
—other	(4.7)	(7.5)
Auditors' remuneration:		
Audit	(1.7)	(0.8)
Tax advice	(0.3)	—
Other non-audit fees	(0.1)	—
Total fees paid to the auditors and their associates	<u>(2.1)</u>	<u>(0.8)</u>

The audit fee of the Company was \$0.6m (2003 \$0.1m). For the period ended November 30, 2004 \$1.7m was invoiced by the auditors to Carnival plc (2003 \$0.5m), 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. Further details of the audit fees are given in page 57 of the Proxy Statement.

6. Net interest payable and similar items

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Interest payable on:		
Bank loans and overdrafts	(122.5)	(170.2)
Loans from the Carnival Corporation group	(3.4)	(7.8)
	<u>(125.9)</u>	<u>(178.0)</u>
Interest capitalised	7.7	37.1
	<u>(118.2)</u>	<u>(140.9)</u>
Interest receivable on other deposits	7.9	10.7
	<u>(110.3)</u>	<u>(130.2)</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, 2004 was \$92.1m (2003 \$272.7m), substantially all of which relates to ships.

Notes to the financial statements—(continued)

7. Taxation

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
The taxation charge is made up as follows:		
Current taxation:		
UK Corporation tax	(0.3)	(0.2)
Overseas taxation	(12.3)	(12.3)
	<u>(12.6)</u>	<u>(12.5)</u>
Overseas deferred taxation:		
Utilisation of recoverable tax losses	(17.4)	(14.3)
Origination/reversal of timing differences	2.4	0.6
	<u>(27.6)</u>	<u>(26.2)</u>

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

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Profit on ordinary activities before tax	549.7	375.0
Notional tax charge at UK standard rate (2004: 30.0%; 2003: 30.0%)	(164.9)	(112.5)
Effect of overseas taxes at different rates	64.4	118.2
Effect of UK tonnage tax and other permanent differences	87.9	(18.2)
	<u>(12.6)</u>	<u>(12.5)</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 low due to the entry into the UK tonnage tax regime in 2001 and tax arrangements applicable to ships registered in Italy. The U.S. tour operations are taxed at the applicable U.S. federal and state corporate tax rates, approximately 40%. The exceptional impairment loss and DLC related transaction costs in 2003 had no effect on the tax charge for the period.

8. Dividends

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Dividends paid, declared, proposed and accrued are as follows:		
Equity share capital		
First interim paid \$0.125 per share (2003 \$0.105)	26.4	20.8
Second interim paid \$0.125 per share (2003 \$0.105)	26.5	20.9
Third interim paid \$0.15 per share (2003 \$0.125)	31.8	26.2
Fourth interim proposed at \$0.15 per share (2003 \$0.125)	31.8	26.3
	<u>116.5</u>	<u>94.2</u>

The dividend per share information for the first 2003 interim dividend has been adjusted to reflect the share consolidation undertaken as part of the formation of the DLC.

Notes to the financial statements—(continued)

9. Earnings per ordinary share

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Carnival plc basic and diluted earnings	522.1	348.8
Weighted average number of shares (millions)		
Basic	211.4	209.3
Dilutive shares	1.2	1.4
Diluted number of shares	212.6	210.7
Carnival plc standalone basic earnings per share (in U.S. dollars)	2.47	1.67
Carnival plc standalone diluted earnings per share (in U.S. dollars)	2.46	1.66

As described in note 1 Carnival Corporation and Carnival plc implemented a DLC structure on April 17, 2003. Under the contracts governing the DLC the Carnival Corporation & plc consolidated earnings accrue equally to each unit of Carnival Corporation stock and each Carnival plc share. For this reason the U.S. GAAP earnings per share are provided for information on page 1.

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.

10. Goodwill

	U.S.\$m
Cost	
Cost at November 30, 2003	733.8
Exchange movements	63.1
Disposals	(2.7)
Cost at November 30, 2004	794.2
Amortisation	
Amortisation at November 30, 2003	(43.4)
Exchange movements	(1.3)
Amortisation charge for the period	(1.0)
Disposals	0.9
Amortisation at November 30, 2004	(44.8)
Net book value	
At November 30, 2004	749.4
At November 30, 2003	690.4

Due to the enduring nature of the Group's brands and continued investment in the brands and new ships, goodwill of \$744.4m at November 30, 2004, including \$149.6m in respect of AIDA, \$214.3m in respect of Cunard and \$380.5m in respect of Costa, is regarded as having an indefinite life and is not amortised. 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.

Notes to the financial statements—(continued)

11. Ships

	Group			Company Owned U.S.\$m
	Owned U.S.\$m	Leased U.S.\$m	Total U.S.\$m	
Cost				
Cost at November 30, 2003	10,430.2	158.1	10,588.3	182.9
Exchange movements	795.3	—	795.3	85.9
Additions	1,742.3	—	1,742.3	324.9
Transfer of Princess Cruises (note 2)	(3,651.4)	(27.4)	(3,678.8)	—
Transfer from P&O Princess Cruises International Ltd	—	—	—	2,699.4
Disposals	(584.8)	—	(584.8)	(976.3)
Cost at November 30, 2004	<u>8,731.6</u>	<u>130.7</u>	<u>8,862.3</u>	<u>2,316.8</u>
Depreciation				
Depreciation at November 30, 2003	(1,558.5)	(5.1)	(1,563.6)	(29.2)
Exchange movements	(131.7)	—	(131.7)	(25.9)
Charge for period	(253.2)	(3.3)	(256.5)	(62.6)
Transfer of Princess Cruises (note 2)	377.4	—	377.4	—
Transfer from P&O Princess Cruises International Ltd	—	—	—	(546.6)
Disposals	15.3	—	15.3	97.9
Depreciation at November 30, 2004	<u>(1,550.7)</u>	<u>(8.4)</u>	<u>(1,559.1)</u>	<u>(566.4)</u>
Net book value				
At November 30, 2004	<u>7,180.9</u>	<u>122.3</u>	<u>7,303.2</u>	<u>1,750.4</u>
At November 30, 2003	<u>8,871.7</u>	<u>153.0</u>	<u>9,024.7</u>	<u>153.7</u>

Ships under construction included in the above for Group totalled \$126.3m (2003 \$711.9m) and in the Company totalled \$75.9m (2003 nil).

During February 2004, the Company purchased substantially all of the European and Australian cruise operations from P&O Princess Cruises International Ltd ("POPCIL"), its wholly owned subsidiary. The purchase price was based on the book values of the assets held by POPCIL. As a result of the internal nature of this transaction, the historical cost and accumulated depreciation at the date of purchase are disclosed separately in the above Company note. Subsequently the Company sold the AIDA cruise business to Costa.

Notes to the financial statements—(continued)

12. Properties and other fixed assets

	Group			Company Office equipment, plant and motor vehicles U.S.\$m
	Group Owned land and buildings U.S.\$m	Office equipment, plant and motor vehicles U.S.\$m	Total U.S.\$m	
Cost				
Cost at November 30, 2003	392.6	469.0	861.6	—
Exchange movements	4.3	11.8	16.1	0.7
Additions	62.2	49.4	111.6	6.2
Transfer of Princess Cruises (note 2)	(33.4)	(93.3)	(126.7)	—
Transfer from P&O Princess Cruises International Ltd	—	—	—	28.2
Disposals	(9.0)	(30.5)	(39.5)	(5.2)
Cost at November 30, 2004	416.7	406.4	823.1	29.9
Depreciation				
Depreciation at November 30, 2003	(66.2)	(239.8)	(306.0)	—
Exchange movements	(0.7)	(5.2)	(5.9)	(0.3)
Charge for the period	(12.0)	(35.1)	(47.1)	(3.8)
Transfer of Princess Cruises (note 2)	6.5	48.8	55.3	—
Transfer from P&O Princess Cruises International Ltd	—	—	—	(14.5)
Disposals	2.7	22.8	25.5	4.4
Depreciation at November 30, 2004	(69.7)	(208.5)	(278.2)	(14.2)
Net book value				
At November 30, 2004	347.0	197.9	544.9	15.7
At November 30, 2003	326.4	229.2	555.6	—

The book value of owned land is \$25.5m (2003 \$23.9m), which is not depreciated.

13. Investments—Group

	Own	Associates	Other	Total
	shares held	(unlisted)	investments	
	U.S.\$m	U.S.\$m	(unlisted)	U.S.\$m
Cost or valuation at November 30, 2003	4.2	7.6	4.6	16.4
Prior period adjustment (note 1)	(4.2)	—	—	(4.2)
Cost or valuation at November 30, 2003 (as restated)	—	7.6	4.6	12.2
Additions	—	4.1	—	4.1
Disposals	—	—	(4.6)	(4.6)
Cost or valuation at November 30, 2004	—	11.7	—	11.7
Provision at November 30, 2003	(0.6)	—	(2.6)	(3.2)
Prior period adjustment (note 1)	0.6	—	—	0.6
Provision at November 30, 2003 (as restated)	—	—	(2.6)	(2.6)
Disposals	—	—	2.6	2.6
Provision in the period	—	(3.8)	—	(3.8)
Provision at November 30, 2004	—	(3.8)	—	(3.8)
Net book value				
At November 30, 2004	—	7.9	—	7.9
At November 30, 2003	—	7.6	2.0	9.6

The Group's principal associates are Victoria Travel Service Ltd, a provider of travel agent services, incorporated in England and Wales in which the Group has a 50% interest and Terminal Napoli S.p.A., a provider of port services, registered in Italy in which the Group has a 20% interest. Provision has been made to write down the carrying value of associates to their estimated recoverable amount.

Notes to the financial statements—(continued)

14. Stocks

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2003 U.S.\$m
Raw materials and consumables	69.7	81.6	20.1	—
Goods for resale	36.6	38.4	5.0	—
	<u>106.3</u>	<u>120.0</u>	<u>25.1</u>	<u>—</u>

15. Debtors

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2003 U.S.\$m
Amounts recoverable within and over one year				
Trade debtors	258.1	267.1	61.3	—
Amounts owed by subsidiary undertakings	—	—	932.9	1,359.9
Other debtors	37.2	119.3	25.8	23.9
Prepayments and accrued income	156.9	151.4	41.3	—
	<u>452.2</u>	<u>537.8</u>	<u>1,061.3</u>	<u>1,383.8</u>

Group other debtors include a net deferred tax asset of \$20.9m (2003 \$35.9m) in respect of recoverable tax losses and other net tax recoverables. The recovery of tax losses may extend over more than one year. \$17.4m of deferred tax assets was utilised during the period (note 7).

16. Creditors

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2003 U.S.\$m
Amounts falling due within one year				
Euro bond 2005	(101.3)	—	—	—
Bank loans	(629.1)	(497.4)	(56.3)	—
Finance lease creditors	(111.0)	(8.5)	—	—
Trade creditors	(317.2)	(321.2)	(13.8)	—
Amounts owed to Carnival Corporation	(521.6)	(2,834.0)	(514.8)	(71.9)
Amounts owed to subsidiaries	—	—	(2,097.7)	—
Corporation tax	(56.9)	(46.8)	—	—
Other creditors	(48.8)	(23.3)	(1.6)	—
Accruals	(156.9)	(187.0)	(111.8)	(10.4)
Deferred income	(524.7)	(704.9)	(292.8)	—
Dividends payable	(63.6)	(52.5)	(63.6)	(52.5)
	<u>(2,531.1)</u>	<u>(4,675.6)</u>	<u>(3,152.4)</u>	<u>(134.8)</u>

Notes to the financial statements—(continued)

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2003 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				
Euro bond 2005	—	(88.8)	—	—
Euro bond 2006	(398.4)	(353.0)	—	—
U.S. dollar bonds 2007	—	(315.3)	—	(315.3)
U.S. dollar notes 2008	—	(107.8)	—	(107.8)
Bank loans	(1,144.8)	(1,822.9)	(552.2)	—
Finance lease creditors	—	(111.0)	—	—
Other creditors	(10.3)	—	—	—
Deferred income	(212.1)	(199.0)	—	—
Over five years				
U.S. dollar notes 2010	—	(92.1)	—	(92.1)
U.S. dollar notes 2015	—	(70.1)	—	(70.1)
U.S. dollar notes 2016	—	(41.9)	—	(41.9)
U.S. dollar bonds 2027	—	(189.6)	—	(189.6)
Sterling bonds 2012	(378.2)	(335.6)	(378.2)	(335.6)
Bank loans	(73.5)	(462.7)	(70.7)	—
	<u>(2,217.3)</u>	<u>(4,189.8)</u>	<u>(1,001.1)</u>	<u>(1,152.4)</u>

Bank loans and overdrafts include amounts of \$294.5m (2003 \$966.1m) secured on ships and other assets. Further details of interest rates on bank borrowings are given in note 26. The deeds of guarantee issued in conjunction with the formation of the DLC, and subsequent thereto, effectively result in Carnival plc guaranteeing all of Carnival Corporation's indebtedness and other monetary obligations. Carnival Corporation has provided reciprocal guarantees over the Company's indebtedness. Further details of arrangements under the DLC structure are given in notes 3 and 6 of the Carnival Corporation & plc 2004 Annual Report.

During December 2003 the U.S. dollar notes and bonds were transferred to Carnival Corporation as part of a corporate restructuring. Details of these arrangements are given in note 2.

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

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m	Company As at Nov. 30, 2004 U.S.\$m	Company As at Nov. 30, 2003 U.S.\$m
Within one year	(841.4)	(505.9)	(56.3)	—
Between one and two years	(1,013.6)	(1,634.1)	(47.3)	—
Between two and five years	(529.5)	(1,164.7)	(504.9)	(423.1)
Between five and ten years	(450.2)	(783.1)	(448.9)	(427.8)
Over ten years	(1.6)	(408.9)	—	(301.5)
	<u>(2,836.3)</u>	<u>(4,496.7)</u>	<u>(1,057.4)</u>	<u>(1,152.4)</u>

Notes to the financial statements—(continued)

17. Provisions for liabilities and charges

	Deferred taxation U.S.\$m	Other U.S.\$m	Total U.S.\$m
Group			
At November 30, 2003	(34.1)	(45.1)	(79.2)
Exchange differences	—	(2.2)	(2.2)
Utilised in the period	—	10.8	10.8
Charged to profit and loss	2.4	(24.4)	(22.0)
Transfer of Princess Cruises (note 2)	—	20.5	20.5
At November 30, 2004	<u>(31.7)</u>	<u>(40.4)</u>	<u>(72.1)</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.

Deferred taxation comprises:

	Group As at Nov. 30, 2004 U.S.\$m	Group As at Nov. 30, 2003 U.S.\$m
Accelerated capital allowances	(38.0)	(33.2)
Short-term timing differences	6.3	(0.9)
At November 30, 2004	<u>(31.7)</u>	<u>(34.1)</u>

No deferred tax is recognised on unremitted earnings of overseas subsidiaries and associates. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

Other provisions in the Group include \$15.1m (2003 \$8.9m) in respect of the estimated net residual commitments on vacant leasehold properties, which are expected to be settled over the next seven years, and \$21.8m (2003 \$25.9m) in estimated pension and other post retirement obligations. Post retirement obligations include a provision for Italian staff leaving indemnity of \$13.1m (2003 \$10.5m); further details of the staff leaving indemnity are given in note 22.

Provisions in the Company were transferred to the Company as part of the purchase of assets and liabilities from POPCIL. The balance at the period end includes \$15.1m in respect of commitments on vacant leasehold properties and \$8.7m in respect of estimated pension and other post retirement obligations.

18. Called up share capital

The authorised ordinary share capital comprises 225,903,614 ordinary shares of \$1.66 each (2003 225,903,614 ordinary shares of \$1.66 each).

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

	No. of Shares	U.S.\$m
At November 30, 2003	210,233,456	349.0
Shares issued	1,960,368	3.2
At November 30, 2004	<u>212,193,824</u>	<u>352.2</u>

During 2004 the Company issued 1,960,368 ordinary shares of \$1.66 each following the exercise of share options for total consideration of \$38.7m.

In connection with the formation of the DLC the Company 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 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.

Details of options over ordinary shares granted to employees are given in note 21.

Notes to the financial statements—(continued)

19. 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 November 30, 2003	29.2	35.6	910.3	1,616.9	2,592.0
Corporate restructuring acquisitions (note 2)	—	—	(1,526.8)	200.5	(1,326.3)
Investment by Carnival Corporation during 2003	—	—	603.1	—	603.1
Prior period adjustment (note 1)	—	—	—	(3.6)	(3.6)
At November 30, 2003 (as restated)	29.2	35.6	(13.4)	1,813.8	1,865.2
Exchange movements	—	—	—	384.8	384.8
Group reconstruction disposals	—	—	1,472.6	—	1,472.6
Issue of shares	35.5	—	—	—	35.5
Retained profit for the financial period	—	—	—	405.6	405.6
At November 30, 2004	64.7	35.6	1,459.2	2,604.2	4,163.7

	Share premium account U.S.\$m	Other reserves U.S.\$m	Profit and loss account U.S.\$m	Total U.S.\$m
Company				
At November 30, 2003	29.2	35.6	272.5	337.3
Exchange movements	—	—	209.7	209.7
Issue of shares	35.5	—	—	35.5
Own shares acquired by the Company	—	—	(3.6)	(3.6)
Retained profit for the financial period	—	—	2,415.7	2,415.7
At November 30, 2004	64.7	35.6	2,894.3	2,994.6

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 \$2,532.2m (2003 \$294.4m). After taking account of the loss on the sale of public and private U.S. dollar notes and related derivatives the Company retained a net surplus of \$2,499.1m on the sale of the Princess Cruises operations; of this gain \$1,679.3m is regarded as not distributable.

The total of corporate restructuring acquisitions during 2003 of \$1,326.3m represents the difference between fair market values and book values of net assets of the Merged Businesses, further details of these transactions are given in note 2. The investment by Carnival Corporation during 2003 of \$603.1m represents additional shares subscribed by Carnival Corporation in Costa of \$610.6m net of distributions by Cunard of \$7.5m.

At November 30, 2004 Group and Company "Other reserves" represent the difference between the market and nominal value of shares issued as initial consideration of \$35.6m 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.

During the period ended November 30, 2004 the application of merger accounting to the group restructuring resulted in a surplus in Group "Merger reserve" of \$1,472.6m. This surplus represents the difference between the book values of the net assets of the Princess Cruises operations and public and private U.S. dollar notes and related derivatives sold in the group restructuring compared to the consideration received. Further details of the group restructuring within the DLC are given in note 2.

As at November 30, 2004 the Carnival plc Employee Benefit Trust held 175,538 shares in Carnival plc (2003: 181,370 shares), with an aggregate nominal value of \$0.3m (2003 \$0.3m). At November 30, 2004 the market value of these shares was \$9.8m (2003 \$6.3m). If they had been sold at this value there would have been no tax liability (2003 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.

Notes to the financial statements—(continued)

20. Notes to the Group cash flow statement

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

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
Group operating profit	660.0	507.9
Depreciation and amortisation including capital grant amortisation	291.2	310.4
Impairment of tangible fixed assets	—	50.0
Loss on disposal of fixed assets	1.0	5.4
Goodwill amortisation and other amounts written off investments	4.8	2.6
Increase in stocks	(44.6)	(8.0)
Decrease/(increase) in debtors	31.2	(54.6)
Increase in creditors and provisions	133.2	81.1
Net cash inflow from operating activities	<u>1,076.8</u>	<u>894.8</u>

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

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

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
(Decrease)/increase in cash in the period	(76.7)	27.2
Cash inflow from loans with Carnival Corporation	(1,145.9)	(314.3)
Cash inflow from changes in short-term borrowings	(242.1)	(206.4)
Cash outflow/(inflow) from third party debt and lease financing	698.2	(229.5)
Change in net debt resulting from cash flows	<u>(766.5)</u>	<u>(723.0)</u>
Net investment in merged businesses by Carnival Corporation	—	314.9
Princess Cruises debt disposed on corporate restructuring	748.8	—
Carnival Corporation loan note on sale of Princess Cruises	3,967.7	—
Carnival Corporation loan note on ship transfers (note 23)	358.6	—
Net movement on disposal of U.S. dollar debt	(103.1)	—
Amortisation of bond issue costs	(1.4)	(1.9)
Exchange movements in net debt	<u>(278.4)</u>	<u>(262.7)</u>
Movement in net debt in the period	3,925.7	(672.7)
Net debt at the beginning of the period	<u>(7,109.1)</u>	<u>(6,436.4)</u>
Net debt at the end of the period	<u>(3,183.4)</u>	<u>(7,109.1)</u>

(c) Analysis of net debt

	At Dec. 1, 2003 U.S.\$m	Cash flow U.S.\$m	Other non-cash movements U.S.\$m	Exchange movements U.S.\$m	At Nov. 30, 2004 U.S.\$m
Cash available on demand	221.6	(76.7)	—	29.6	174.5
Loan with Carnival Corporation	(2,834.0)	(1,145.9)	3,499.9	(41.6)	(521.6)
Short-term debt	(497.4)	(242.1)	(90.2)	(11.7)	(841.4)
Medium and long-term debt	(3,879.8)	689.7	1,560.9	(254.7)	(1,883.9)
Finance leases	(119.5)	8.5	—	—	(111.0)
Net debt	<u>(7,109.1)</u>	<u>(766.5)</u>	<u>4,970.6</u>	<u>(278.4)</u>	<u>(3,183.4)</u>

Notes to the financial statements—(continued)

21. Employees

	Twelve months to Nov. 30, 2004	Eleven months to Nov. 30, 2003
The average number of employees was as follows:		
Shore staff	7,253	8,166
Sea staff	17,988	26,974
	25,241	35,140

	Twelve months to Nov. 30, 2004 U.S.\$m	Eleven months to Nov. 30, 2003 U.S.\$m
The aggregate payroll costs were:		
Wages and salaries	512.2	548.1
Social security costs	24.0	22.9
Pension costs	16.3	16.1
	552.5	587.1

Details of directors' remuneration, including share options, long-term incentive plans and pension entitlements, are set out in the Directors' Remuneration Report on pages 1 to 19 of Annex E 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.

As a result of the restructuring described in note 2 options over 657,000 shares became exercisable on December 1, 2003. Further details are shown in note 13 to the Carnival Corporation & plc 2004 Annual Report.

	Weighted average exercise price per share or ADSs U.S.\$	Number of options over shares or ADSs
Options outstanding at November 30, 2003	20.89	3,567,662
Options granted during the period	48.40	1,822,233
Options exercised during the period	20.20	(1,960,368)
Options lapsed or cancelled	32.21	(146,160)
Options outstanding at November 30, 2004	38.42	3,283,367
Options exercisable at November 30, 2004	22.15	875,750

The average remaining life of outstanding options at November 30, 2004 was 8.5 years (2003: 8.0 years). The average life for 2003 has not been adjusted for the shortening of option lives as part of the reorganisation undertaken from December 1, 2003, noted above.

22. 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 funded 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 which may result in higher service costs as the members of the scheme approach retirement. As at March 31, 2004, the date of the most recent formal actuarial valuation, the scheme had assets with a market value of \$103.2m, representing 90 per cent of the benefits accrued to members

Notes to the financial statements—(continued)

allowing for future increases in earnings. Approximately 67 per cent of the scheme's assets are invested in bonds and 33 per cent in equities. The principal valuation assumptions were as follows:

	%
Rate of salary increases	4.2
Rate of pension increases	2.7
Discount rate	5.25
Expected return on assets	5.25

The Merchant Navy Ratings Pension Fund ("MNRPF") is a funded 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 2004 totalled \$1.7m, 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

The Merchant Navy Officers Pension Fund ("MNOF") is a funded 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 extent of each participating employer's liability for any deficit in the scheme is uncertain, and is the subject of court proceedings. 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 MNOF during the period to November 30, 2004 were \$1.3m (2003 \$1.1m).

Prior to the corporate restructuring described in note 2 Carnival plc operated a number of smaller defined benefit schemes in the U.S. ("U.S. plans"), which other than assets in a rabbi trust held on the Group's balance sheet, were unfunded. These schemes were transferred out of the Group, for no gain or loss, as part of the corporate restructuring on December 1, 2003.

The pension charges arising from the schemes described above were:

	2004 U.S.\$m	2003 U.S.\$m
The P&O Cruises Pension Scheme	5.9	4.1
Merchant Navy pension funds	3.8	3.0
U.S. plans and other overseas plans	6.6	9.0
	<u>16.3</u>	<u>16.1</u>

Notes to the financial statements—(continued)

Differences between the amounts charged and the amounts paid by Carnival plc are included in prepayments or creditors as appropriate. At November 30, 2004, total prepayments amounted to \$6.7m (2003 \$7.0m), and total creditors amounted to \$3.6m (2003 \$19.7m), giving a net pension asset in the balance sheet of \$3.1m (2003 net liability \$12.7m).

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 MNOFP 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 MNOFP is provided below.

The pension liabilities for accounting purposes of the P&O Cruises scheme, Carnival plc's share of the MNRPF and the unfunded U.S. plans were estimated at November 30, 2004 and November 30, 2003 by Carnival plc's qualified independent actuary. The assumptions used are best estimates chosen from a range of possible actuarial assumptions, bearing in mind the guidance given under FRS17, 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:

	2004	2003	2002
	%	%	%
Rate of increase in salaries	4.2	4.0	4.1
Rate of increase in pensions (where increases apply)	2.7	2.5	2.5
Discount rate	5.2	5.3	5.2
Expected return on assets (only relevant for UK schemes):			
—equities	7.7	7.5	5.1
—bonds	5.2	5.3	5.1
—gilts (government bonds)	4.6	4.8	5.1

The aggregated assets and liabilities in the UK and U.S. plans as at November 30, 2004 and December 31, 2003 were estimated to be as follows:

	2004		2003		2002	
	2004 Value	Expected rate of return	2003 Value	Expected rate of return	2002 Value	Expected rate of return
	U.S.\$m	%	U.S.\$m	%	U.S.\$m	%
Equities	64.9	7.7	52.5	7.5	42.9	5.1
Bonds	103.4	5.2	87.3	5.3	80.2	5.1
Gilts	32.3	4.6	18.0	4.8	13.6	5.1
Total market value of assets	200.6	5.9	157.8	6.0	136.7	5.1
Present value of the schemes' liabilities	(238.5)		(195.6)		(178.0)	
Net pension liability	(37.9)		(37.8)		(41.3)	

The net pension liability of \$37.9m (2003 \$37.8m) compares with the net pension asset accounted for under SSAP 24 of \$3.1m (2003 net liability \$12.7m).

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, 2004 would have been as follows:

	2004	2003
	U.S.\$m	U.S.\$m
Analysis of amounts charged to operating profits:		
Current service cost	(5.6)	(5.0)
Analysis of amount credited to other finance income:		
Interest on pension scheme liabilities	(10.4)	(8.7)
Expected return on assets in the pension schemes	10.2	6.5
Net charge to other finance income	(0.2)	(2.2)

Notes to the financial statements—(continued)

The total profit and loss charge, excluding defined contribution scheme expenses, of \$5.8m (2003 \$7.2m) compares with \$11.1m (2003 \$11.8m) under SSAP 24.

	2004	2003
	U.S.\$m	U.S.\$m
Analysis of amounts recognised in Statement of Recognised Gains and Losses (STRGL):		
Actual return less expected return on assets	8.4	3.0
Experience loss on liabilities	(10.3)	(4.3)
(Loss)/gain on change of assumptions (financial and demographic)	(13.6)	6.7
Total (loss)/gain recognised in STRGL before adjustment for tax	<u>(15.5)</u>	<u>5.4</u>

	2004	2003
History of experience gains and losses		
Actual return less expected return on assets	\$ 8.4m	\$3.0m
As a % of scheme assets at end of period	4.2%	1.9%
Experience loss on scheme liabilities	(\$10.3m)	(\$4.3m)
As a % of scheme liabilities at end of period	4.3%	2.2%
Total actuarial (loss)/gain recognised in STRGL	(\$15.5m)	\$5.4m
As a % of scheme liabilities at end of period	6.5%	2.8%

	2004	2003
	U.S.\$m	U.S.\$m
Movement in net pension liability in the scheme during the period		
Net pension liability at January 1, 2004	(37.8)	(41.3)
Contributions paid	7.2	6.4
Current service cost	(5.6)	(5.0)
Other finance charge	(0.2)	(2.2)
Actuarial (loss)/gain	(15.5)	5.4
Transfer of liabilities on corporate restructuring	16.7	—
Exchange	(2.7)	(1.1)
Net pension liability at November 30, 2004	<u>(37.9)</u>	<u>(37.8)</u>

As of March 31, 2003, the date of the most recent formal actuarial valuation prepared by the MNOFF's actuary, the New Section of the MNOFF was estimated to have a fund deficit of approximately £200 million, or \$380 million, assuming a 7.8% discount rate. At November 30, 2004, Carnival plc's independent actuary informally updated the March 31, 2003 valuation and estimated that the New Section deficit was approximately £760 million, or \$1.44 billion, assuming a 5.2% discount rate. The amount of the fund deficit could vary considerably if different assumptions and/or estimates were used in its calculation. Our share of any liability with respect to the fund's deficit is uncertain and the MNOFF's participating employers are seeking guidance from the court, which is expected to be decided during the second quarter of 2005. The Company has recently received indicative calculations from the MNOFF setting out our share of the fund's deficit based on different possible court outcomes. These indicative calculations, which could vary depending on the final determination and also other factors, such as the ability of other employers to settle their liabilities, show that the Group's share of the deficit could be between \$26 million and \$113 million, based on the estimated deficit of \$1.44 billion.

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 Group's pension schemes and the value of the scheme's 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. Based upon the actuarial estimates described above the effect on the Group's net assets at November 30, 2004 from applying FRS17 would have been a net reduction of \$41.0m (2003 \$25.1m).

Notes to the financial statements—(continued)

Under Italian employment legislation Costa is required to maintain a staff leaving indemnity. Under the indemnity employees are entitled to receive a payment, calculated by reference to their length of service and final salary, if they cease employment with Costa. These payments are not conditional on employees reaching normal retirement age. At November 30, 2004 \$13.1m (2003 \$10.5m) had been provided by Costa; the amount provided represents the full potential liability accrued to employees up to the end of each financial period.

23. Related party transactions

Within the DLC structure there are a number of instances where Carnival Corporation group companies provide services to the Carnival plc group and also where Carnival plc group companies provide services to the Carnival Corporation group. Costs paid by the Carnival plc group to the Carnival Corporation group during 2004 in respect of cruises sold along with a land tour package by Holland America Tours and Princess Tours were \$98.2m, representing the most significant trading relationship between the two groups.

The Caribbean Princess, which was originally ordered by POPCIL, was immediately sold for \$501.3m on delivery of the ship by Carnival plc to Princess Cruise Line Ltd. Carnival Cruise Lines sold its ship the Jubilee, subsequently renamed Pacific Sun, for \$72.2m to Carnival plc.

At November 30, 2004 the Carnival plc group owed \$521.6m (2003: \$2,834.0m) to the Carnival Corporation group. The balance at 2003 includes \$2,762.1m relating to the businesses acquired as part of the corporate restructuring. In addition, Carnival Investments Limited, a subsidiary of Carnival Corporation, owns 19.6% of the Company's shares and, therefore, receives dividends from the Company.

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, a non-executive director of the Company prior to the formation of the DLC. 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 AIDA 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.

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.

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.

24. Commitments

Capital

	As at Nov. 30, 2004 U.S.\$m	As at Nov. 30, 2003 U.S.\$m
Contracted		
Ships	2,964.2	3,206.0
Other	11.5	26.0
	<u>2,975.7</u>	<u>3,232.0</u>

Ship capital commitments at November 30, 2004 include contract stage payments, design and engineering fees, construction oversight costs, various owner supplied items and capitalised interest. The DLC currently has two ships on order which are unassigned to a specific brand; one of these orders is included in the above table as the Carnival plc group is contractually committed to the shipyard.

Notes to the financial statements—(continued)

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

	Property 2004 U.S.\$m	Other 2004 U.S.\$m	Total 2004 U.S.\$m	Property 2003 U.S.\$m	Other 2003 U.S.\$m	Total 2003 U.S.\$m
Expense in 2005 or 2004 on leases expiring:						
Within one year	1.4	12.9	14.3	2.9	5.5	8.4
Between one and five years	13.1	6.2	19.3	14.9	12.3	27.2
After five years	4.4	—	4.4	22.2	—	22.2
	<u>18.9</u>	<u>19.1</u>	<u>38.0</u>	<u>40.0</u>	<u>17.8</u>	<u>57.8</u>

In addition to the operating lease commitments, at November 30, 2004 the Group had commitments to pay \$9.5m, in respect of next year, for usage, extending over more than five years, of certain port facilities.

25. Contingent liabilities

As part of the DLC structure, Carnival plc has given a number of guarantees over Carnival Corporation obligations, details of which are given in notes 3 and 6 of the Carnival Corporation & plc 2004 Annual Report.

Costa has instituted arbitration proceedings in Italy to confirm the validity of its decision not to deliver its ship, the Costa Classica, to the shipyard of Cammell Laird Holdings PLC (“Cammell Laird”) under a €79 million contract for the conversion and lengthening of the ship in November 2000. Costa has also given notice of termination of the contract. In October 2004 the arbitration tribunal decided to increase the scope of work of the technical experts by introducing new demands for reply in the experts’ report. It is expected that the arbitration tribunal’s decision will be made in the second half of 2005 at the earliest. In the event that an award is given in favor of Cammell Laird, the amount of damages, which Costa would have to pay, if any, is not currently determinable. The ultimate outcome of this matter cannot be determined at this time.

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.

26. 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 foreign currency swaps and interest rate swaps.

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, trade debtors and creditors have been excluded. The primary debtors and creditors included are bank loans, short-term borrowings and provisions for vacant property obligations, in accordance with FRS13.

The Group aims to minimise the impact of fluctuations in foreign currency exchange rates within its operating and financing activities, including netting certain exposures to take advantage of any natural offsets and, when considered appropriate, through the use of derivative financial instruments. The financial impacts of these hedging instruments are generally offset by corresponding changes in the underlying exposures being hedged. Our policy is not to use any financial instruments for trading or other speculative purposes.

Notes to the financial statements—(continued)

Foreign currency risk

Carnival plc has international business operations. Its reporting currency is the U.S. dollar, but it has continuing operations 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, 2004		
U.S.\$:£	1.818	1.911
U.S.\$:euro	1.235	1.329
November 30, 2003		
U.S.\$:£	1.629	1.698
U.S.\$:euro	1.129	1.178

Subsequent to the corporate restructuring described in note 2 the Group continues to report its results in U.S. dollars as this is the main currency of the DLC. However, approximately 85% of Carnival plc's net operating assets are denominated in non U.S. dollar currencies at November 30, 2004, of which approximately 55% are denominated in euros, 25% in Sterling with the remainder in U.S. and Australian dollars, 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 85% of Carnival plc's operating profit is currently generated by businesses with functional currencies other than U.S. dollars, of which approximately 50% is denominated in euros and 35% in Sterling. 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.

Carnival plc's businesses generally generate their turnover and incur costs in their main functional currency. Subsequent to the corporate restructuring the following exceptions to this include:

- Costa generates some revenue in U.S. dollars and South American currencies.
- Cunard generates some revenues and expenses in Sterling.
- The tours businesses generate some revenues and expenses in Canadian dollars.
- UK, German and Australian businesses incur some costs in U.S. dollars, 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	—	2.5	0.4	(0.7)	2.2
Sterling	(2.9)	—	1.2	(5.9)	(7.6)
Euro	(22.2)	(3.3)	—	(4.5)	(30.0)
Other	—	—	—	1.2	1.2
Total at November 30, 2004	<u>(25.1)</u>	<u>(0.8)</u>	<u>1.6</u>	<u>(9.9)</u>	<u>(34.2)</u>
Functional currency of Group operation:					
U.S. dollars	—	8.1	(17.3)	(19.1)	(28.3)
Sterling	(7.6)	—	(1.0)	(2.6)	(11.2)
Euro	(1.7)	(3.1)	—	(2.5)	(7.3)
Total at November 30, 2003	<u>(9.3)</u>	<u>5.0</u>	<u>(18.3)</u>	<u>(24.2)</u>	<u>(46.8)</u>

Notes to the financial statements—(continued)

Interest rate risk

To protect the financial results against movements in interest rates, Carnival plc maintains a proportion of its borrowings at a fixed rate of interest. The interest rate profile of the financial liabilities of Carnival plc, after taking account of hedging activities, is as follows:

	Total U.S.\$m	Financial liabilities on which no interest is charged 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	222.2	10.3	95.9	116.0	3.8%	7.7
Sterling	584.2	—	15.1	569.1	6.3%	91.3
Euro	2,267.4	212.1	828.7	1,226.6	4.7%	19.4
Total at November 30, 2004	<u>3,073.8</u>	<u>222.4</u>	<u>939.7</u>	<u>1,911.7</u>	<u>5.1%</u>	<u>40.1</u>
Currency:						
U.S. dollars	1,706.3	—	1,280.5	425.8	6.6%	171.1
Sterling	770.3	—	296.1	474.2	7.2%	86.3
Euro	2,228.0	199.0	914.5	1,114.5	4.7%	31.5
Total at November 30, 2003	<u>4,704.6</u>	<u>199.0</u>	<u>2,491.1</u>	<u>2,014.5</u>	<u>5.7%</u>	<u>73.9</u>

The variable rate financial liabilities include 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 and Sterling borrowings and EURIBOR for euro borrowings.

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	63.1	49.5	13.6
Sterling	66.2	60.9	5.3
Euro	29.8	22.8	7.0
Other	15.4	10.8	4.6
Total at November 30, 2004	<u>174.5</u>	<u>144.0</u>	<u>30.5</u>
Currency:			
U.S. dollars	87.8	64.7	23.1
Sterling	88.9	84.2	4.7
Euro	22.5	13.6	8.9
Other	24.4	19.5	4.9
Total at November 30, 2003	<u>223.6</u>	<u>182.0</u>	<u>41.6</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, 2004 Carnival plc had \$1.14bn of undrawn committed bank facilities, \$798m of which expire in March 2005 and \$342m in May 2006.

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.

Notes to the financial statements—(continued)

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, 2004.

Fair values of financial assets and liabilities

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, 2004		As at Nov. 30, 2003	
	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	(877.9)	(933.4)	(1,594.2)	(1,726.8)
Other loans	(1,958.4)	(1,952.1)	(2,902.5)	(2,855.0)
Cash	174.5	174.5	221.6	221.6
Other investments	—	—	2.0	2.0
Other long-term creditors	(222.4)	(222.4)	(199.0)	(199.0)
Provision for vacant property obligations	(15.1)	(15.1)	(8.9)	(8.9)
Derivative financial instruments held or issued to hedge currency exposure on expected future transactions:				
Forward foreign currency swaps	—	47.7	—	187.7
Interest rate swaps	(6.8)	(27.5)	4.8	32.5
	<u>(2,906.1)</u>	<u>(2,928.3)</u>	<u>(4,476.2)</u>	<u>(4,345.9)</u>

The notional principal amount of derivative financial instruments held as hedges against the currency exposure on capital expenditure for ships is \$361.8m (2003 \$1,207.8m) in respect of foreign currency swaps and \$946.2m (2003 \$1,370.2m) in respect of foreign 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 generally approximates to the fair value.

The fair value of cash and short-term loans approximate to the book value due to the short-term maturity of the instruments.

The fair value of other investments 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, generally ship construction contracts, or lease commitments in currencies other than their main functional currency, these commitments are normally hedged using foreign currency swaps in order to fix the cost when converted to the functional currency. As of November 30, 2004, capital commitments for two ships were in currencies other than the intended businesses' functional currencies; one of these commitments had been hedged using a foreign currency swap. The periods of the swaps match the expected cash flows of the commitments. Other assigned cruise ship orders are 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 foreign currency swaps and interest rate swaps are as follows:

	Gains U.S.\$m	(Losses) U.S.\$m	Net gains/ (losses) U.S.\$m
At January 1, 2004	231.6	(16.2)	215.4
(Gains)/losses arising before January 1, 2004 that were recognised during the period ended November 30, 2004	(197.3)	0.7	(196.6)
Gains/(losses) arising before January 1, 2004 that were not recognised during the period ended November 30, 2004	34.3	(15.5)	18.8
Gains/(losses) arising in the period that were not recognised during the period ended November 30, 2004	18.1	(9.9)	8.2
Gains/(losses) at November 30, 2004	52.4	(25.4)	27.0
Of which:			
Gains/(losses) expected to be recognised in less than one year	52.4	(3.4)	49.0
Gains/(losses) expected to be recognised after more than one year	—	(22.0)	(22.0)
Gains/(losses) at November 30, 2004	52.4	(25.4)	27.0
Of which:			
Gains on contracted capital expenditure on ships	52.4	—	52.4
Gains/(losses) on other hedges	—	(25.4)	(25.4)
Gains/(losses) at November 30, 2004	52.4	(25.4)	27.0

The underlying commitments, after taking these contracts into account, are reflected within note 24.

27. Investment in subsidiaries

	Shares U.S.\$m	Loans U.S.\$m	Total U.S.\$m
At November 30, 2003	428.7	—	428.7
Exchange movements	93.4	—	93.4
Additions	5,403.3	30.5	5,433.8
Disposals	(1,368.9)	—	(1,368.9)
At November 30, 2004	4,556.5	30.5	4,587.0

During the period the Company acquired substantially all the investments and cruise operations held by POPCIL. In the case of Sitmar International SRL, the parent company of the Princess Cruises operations, this was immediately sold to Carnival Corporation as part of the group restructuring described in note 2.

The principal operating subsidiaries at November 30, 2004 were:

	Country of Incorporation/ Registration	Percentage of equity share capital owned at November 30, 2004	Business Description
P&O Princess Cruises International Ltd	England	100%†	Passenger cruising and shipowner
Alaska Hotel Properties LLC	U.S.A.	100%	Hotel operations
Princess Cruises (Shipowners) Ltd	England	100%	Passenger cruising
P&O Travel Ltd	England	100%	Travel agent
Princess Tours Ltd	England	100%†	Shipowner
Royal Hyway Tours Inc	U.S.A.	100%	Land tours
Tour Alaska LLC	U.S.A.	100%	Rail tours
CC U.S. Ventures, Inc.	U.S.A.	100%	Holding company
Costa Crociere S.p.A	Italy	99.98%	Passenger cruising
Cozumel Cruise Terminal S.A. de C.V.	Mexico	100%†	Port operations
Cunard Line Limited	Bermuda	100%†	Passenger cruising
Global Fine Arts, Inc.	U.S.A.	100%	Art sales
Holland America Line Inc	U.S.A.	100%	Hotel and land tours

† Held directly by the Company.

Report of the independent auditors to the members of Carnival plc

We have audited the financial statements which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes, including the Carnival Corporation & plc consolidated financial statements on pages 5 to 29 of the Carnival Corporation & plc 2004 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") in Annex E 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 32 to 48 of the Carnival Corporation & plc 2004 Annual Report, and the Proxy Statement and related Annexes, other than the auditable part of the Director's Remuneration Report contained in Annex E.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code, 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, 2004 and of the profit and cash flows of the group for the year 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 14, 2005

The maintenance and integrity of the publication of the Carnival plc financial statements on the Carnival websites is the responsibility of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

