



Galleria Shop, SuperStar Taurus



Coconut Willy's, SuperStar Taurus



Child Care Centre, SuperStar Taurus



SuperStar Taurus

Depreciation and amortisation

Depreciation and amortisation expenses consisted primarily of depreciation of ships and shoreside assets as well as amortisation of dry-docking costs, goodwill and trade names and trademarks.

Foreign exchange and interest rate swaps

The functional currency of the Group is the U.S. dollar as a substantial portion of the Group's transactions are realised or settled in U.S. dollars. Transactions in currencies other than U.S. dollars ("foreign currencies") are translated into U.S. dollars at exchange rates in effect at the transaction dates. Monetary assets and liabilities expressed in foreign currencies are translated at exchange rates at the balance sheet date. All such exchange differences are reflected in the consolidated profit and loss account.

As at 31 December 2000, the Group's indebtedness and related interest expenses are denominated in U.S. dollars and are based upon floating rates of interest. The Group does not undertake extensive hedging of its foreign currency cashflows as the Directors believe that the main foreign currencies in which the Group derives its revenues, the Singapore dollar and the Hong Kong dollar, are generally stable. The Group does from time to time enter into hedging arrangements in connection with anticipated foreign currency fluctuations against the U.S. dollar. At 31 December 2000, the Group is a party to certain forward contracts in respect of the Singapore dollar. The Group also has forward contracts that hedge German Marks commitment for the construction of a cruise ship.

Taxation

Bermuda, the jurisdiction of incorporation for Star Cruises Limited ("Star"), and the Isle of Man, the jurisdiction of incorporation for most of Star's operating subsidiaries, excluding NCL and its subsidiaries which are primarily incorporated in Bermuda impose no tax on income derived outside of those respective jurisdictions. Star's operating subsidiaries do, however, file relevant returns in the tax regimes of the relevant Asian jurisdictions in which they operate, and pay taxes as required by those regimes. In addition, NCL and its subsidiaries are subject to taxation in Norway. Income tax expense includes current taxes and the change in deferred taxes. Deferred tax assets and liabilities are calculated in accordance with the liability method. Deferred income taxes are provided for all timing differences between the financial statements and the tax basis of assets and liabilities, and operating loss carryforwards.



Windows Restaurant, SuperStar Leo



Ports O' Call, SuperStar Leo

Sunset on Deck



Seasonality

The cruise industry in Asia Pacific is less seasonal than the North American cruise market. This lower degree of seasonality is primarily attributable to the lower degree of seasonal climate variation in certain parts of Asia Pacific, particularly South-east Asia. However, the Group has generally experienced a decrease in demand in December and January in the Hong Kong, Japan and Taiwan markets attributable to unfavourable weather patterns during that time of year. This seasonal decrease in demand is generally offset by increased demand in other markets, such as Singapore, Thailand and Malaysia, related to public holidays in December and January.

The cruise industry in North America is, however, moderately seasonal with greater demand generally occurring during the months of December through March and June through August. Demand, however, also varies by ship and itinerary.

Human Resources

As at 31 December 2000, the Group had approximately 13,494 full time employees, of which approximately 11,107 were ship officers, crew and staff on ships. The remaining was employed in shoreside operations world-wide. The Group has provided employee benefits including provident fund scheme and medical insurance schemes for its staff. The Group has Employees Share



SuperStar Leo

Option Schemes, under which options may be granted to employees of the Group entitling them to subscribe for shares representing up to a maximum of five percent of the issue and paid up share capital of Star Cruises Limited from time to time.

There was no significant change in the remuneration policies, bonus and share option schemes and training schemes for the Group during the year ended 31 December 2000.

Fiscal year ended 31 December 2000

The results of operations of the Group for the year ended 31 December 2000 discussed below included the consolidated results of NCL for the period from 1 March 2000 to 31 December 2000. The results for the year ended 31 December 2000 are not comparable to last year as the acquisition of a majority interest of NCL occurred in February 2000.



Marco Polo, Star Pisces



Pool Bar, Star Pisces

Turnover

Total revenues for the Group for the year ended 31 December 2000 were US\$1,326.7 million. Revenues from cruise and cruise-related activities were US\$1,312.7 million in the year ended 31 December 2000, and made up 99% of total revenues for the year.

The introduction of SuperStar Virgo, SuperStar Aries and Norwegian Sky in the second half of 1999, and SuperStar Taurus in the first half of 2000, resulted in an increase in the overall capacity of the Group's fleet. The additional turnover resulting from the commencement of operations of SuperStar Virgo in Singapore and the deployment of SuperStar Leo to Hong Kong was partially offset during the year by lower than expected turnover from operations of SuperStar Aries, MegaStar Capricorn and SuperStar Taurus in new markets. During the year, SuperStar Aries, which was initially based in Bangkok, was deployed to Japan and MegaStar Capricorn was deployed in Dubai. In addition, SuperStar Taurus commenced operations in Japan. While the management had expected that these new markets in Thailand, Japan and the Middle East would not be immediately profitable, turnover derived from these markets during the year were even less than expected.

As a result, the Group has terminated the operations of MegaStar Capricorn in Dubai, and deployed the ship to Malaysia. In addition, SuperStar Aries will be deployed to Bangkok in the second quarter of 2001 to fill the slot made available with the departure of Star Aquarius in February 2001. However, the Group intends to continue to market cruises from Asian ports to residents of Dubai and other countries in the Middle East, in order to maintain a presence in those markets.

Charter-hire revenues amounted to US\$14.0 million or 1% of total turnover of the Group. Charter-hire revenues were made up of the charter-hire of Hyundai Kumgang and SuperStar Express during the year ended 31 December 2000.

Cost and expenses

Total costs and expenses before interest and non-operating items for the year ended 31 December 2000 amounted to US\$1,166.9 million.

Operating expenses amounted to US\$780.1 million or 67% of total costs and expenses of the Group. Of operating expenses, approximately US\$620.2 million or 80% of total operating expenses of the Group, was attributable to shipboard expenses which included crew wages and benefits, port charges, fuel, food, ship maintenance expenses, entertainment, cabin consumables, ship insurance and charter-hire expenses. Other operating expenses were air and land transportation expenses, passenger shoreside hotel expenses, passenger transfer costs and travel agent commissions.



Norwegian Majesty



Sports Bar and Grill



Al Fresco Dining



Sun Terrace