

**TN Cruise K/S**  
Sundkrogsgade 19  
2100 Copenhagen  
Central Business Registration No  
33153066

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 30.05.2017

### **Chairman of the General Meeting**

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Name: Christian Lund

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## Entity details

### Entity

TN Cruise K/S  
Sundkrogsgade 19  
2100 Copenhagen

Central Business Registration No: 33153066

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

### Executive Board

Torben G. Jensen  
Niels-Erik Lund  
Niels G. Jensen  
Christian Lund

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 Copenhagen C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of TN Cruise K/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.05.2017

### Executive Board

Torben G. Jensen

Niels-Erik Lund

Niels G. Jensen

Christian Lund

# Independent auditor's report

## To the shareholders of TN Cruise K/S

### Opinion

We have audited the financial statements of TN Cruise K/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 30.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Sumit Sudan  
State Authorised Public Accountant

Michael Thorø Larsen  
State Authorised Public Accountant

## Management commentary

### Primary activities

The primary activity of the Company is owning and operating the cruise vessel Sea Spirit.

The Company has outsourced the ship management, including the technical management, hotel services, food and beverage etc, to Cruise Management International Inc., Miami, Florida and CMI Leisure Ltd., a sister company to Cruise Management International Inc.

### Development in activities and finances

In 2016 the Company realized a profit of USD 709,728 and Management expects a similar profit for the financial year 2017.

At 31 December 2016, current liabilities exceeds current assets as of 31 December by USD 2.1 million.

Even though the current liabilities exceed current assets, Management believes that the Company will be able to meet its liabilities when they become due. The Company has generated adequate cash during the first four months of the financial year 2017.

Management expects a satisfactory profit for 2017, which will assure that adequate cash is earned to enable the Company to meet its obligations as they fall due.

The Company has at the balance date received shareholder loans amounting to USD 1.6 million totally. The loan balances are not due until the Company has generated adequate cash to pay its current liabilities. Shareholder loans are therefore presented as long term liabilities.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.



## Income statement for 2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Revenue		7,353,625	7,001,324
Cost of sales	2	(5,192,790)	(5,028,351)
Other external expenses	3	(351,187)	(416,952)
<b>Gross profit/loss</b>		<b>1,809,648</b>	<b>1,556,021</b>
Depreciation, amortisation and impairment losses		(817,024)	(895,149)
<b>Operating profit/loss</b>		<b>992,624</b>	<b>660,872</b>
Other financial income		11	10,670
Other financial expenses	4	(282,907)	(319,389)
<b>Profit/loss for the year</b>		<b>709,728</b>	<b>352,153</b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		709,728	352,153
		<b>709,728</b>	<b>352,153</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Ships		10,287,121	9,371,644
<b>Property, plant and equipment</b>	5	<b>10,287,121</b>	<b>9,371,644</b>
<b>Fixed assets</b>		<b>10,287,121</b>	<b>9,371,644</b>
Trade receivables		41,599	48,782
Other receivables		112,210	168,815
Prepayments		48,163	467,758
<b>Receivables</b>		<b>201,972</b>	<b>685,355</b>
<b>Cash</b>		<b>1,172,744</b>	<b>2,391,342</b>
<b>Current assets</b>		<b>1,374,716</b>	<b>3,076,697</b>
<b>Assets</b>		<b>11,661,837</b>	<b>12,448,341</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD</u>	<u>2015 USD</u>
Retained earnings		<u>2,575,438</u>	<u>1,865,710</u>
<b>Equity</b>		<b><u>2,575,438</u></b>	<b><u>1,865,710</u></b>
Bank loans		3,044,492	4,061,957
Payables to associates		1,608,907	2,023,542
Other payables		<u>1,000,000</u>	<u>1,000,000</u>
<b>Non-current liabilities other than provisions</b>	<b>6</b>	<b><u>5,653,399</u></b>	<b><u>7,085,499</u></b>
Current portion of long-term liabilities other than provisions	6	969,219	938,043
Trade payables		613,659	378,465
Payables to group enterprises		101,056	83,237
Other payables		389,066	217,387
Deferred income		<u>1,360,000</u>	<u>1,880,000</u>
<b>Current liabilities other than provisions</b>		<b><u>3,433,000</u></b>	<b><u>3,497,132</u></b>
<b>Liabilities other than provisions</b>		<b><u>9,086,399</u></b>	<b><u>10,582,631</u></b>
<b>Equity and liabilities</b>		<b><u>11,661,837</u></b>	<b><u>12,448,341</u></b>
Going concern	1		
Mortgages and securities	7		

## Statement of changes in equity for 2016

	<b>Retained earnings USD</b>
Equity beginning of year	1,865,710
Profit/loss for the year	<u>709,728</u>
<b>Equity end of year</b>	<b><u>2,575,438</u></b>

The contributed capital paid up in cash amounts to USD 0 (DKK 0).

The nominal limited partnership share capital which has not been paid is DKK 60,000,000 divided into 100 partnership shares of DKK 600,000 each.

## Notes

### 1. Going concern

As of 31 December 2016, the equity is positive, however, current liabilities exceeds current assets with USD 2.1 million. Even though, the current liabilities exceeds current assets, Management believes that the Company will be able to meet its liabilities when they become due. If that is not the case, the owners will contribute additional capital as needed. Further, the Company has generated adequate cash during the first four months of the financial year 2017.

### 2. Cost of sales

	<b>2016</b>	<b>2015</b>
	<b>USD</b>	<b>USD</b>
Maintenance, repairs and spare parts	1,192,069	1,288,770
Insurance	387,741	333,881
Crew	1,673,724	1,642,316
Port expenses	333,725	596,759
Service expenses	<u>1,605,531</u>	<u>1,166,625</u>
	<b><u>5,192,790</u></b>	<b><u>5,028,561</u></b>

### 3. Other external expenses

The Company has not had any employees during the financial year, because the crew has been outsourced, and expenses in this respect are included in operating expenses.

	<b>2016</b>	<b>2015</b>
	<b>USD</b>	<b>USD</b>
<b>4. Other financial expenses</b>		
Financial expenses from group enterprises	2,790	3,247
Financial expenses from associates	116,111	185,365
Interest expenses	155,715	122,696
Exchange rate adjustments	<u>8,291</u>	<u>8,081</u>
	<b><u>282,907</u></b>	<b><u>319,389</u></b>

## Notes

	<b>Ships USD</b>
<b>5. Property, plant and equipment</b>	
Cost beginning of year	12,802,329
Additions	1,732,501
Disposals	<u>(515,368)</u>
<b>Cost end of year</b>	<b><u>14,019,462</u></b>
Depreciation and impairment losses beginning of the year	(3,430,685)
Depreciation for the year	(817,024)
Reversal regarding disposals	<u>515,368</u>
<b>Depreciation and impairment losses end of the year</b>	<b><u>(3,732,341)</u></b>
<b>Carrying amount end of year</b>	<b><u>10,287,121</u></b>

	<b>Instalments within 12 months 2016 USD</b>	<b>Instalments within 12 months 2015 USD</b>	<b>Instalments beyond 12 months 2016 USD</b>	<b>Outstanding after 5 years USD</b>
<b>6. Liabilities other than provisions</b>				
Bank loans	969,219	938,043	3,044,492	0
Payables to associates	0	0	1,608,907	1,608,907
Other payables	<u>0</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<b><u>969,219</u></b>	<b><u>938,043</u></b>	<b><u>5,653,399</u></b>	<b><u>2,608,907</u></b>

### 7. Mortgages and securities

The following has been provided as collateral for bank loan with an unpaid balance of USD 4,060,567:

- Mortgage deed registered to the vessel owner. The book value amounts to USD 10,287,121
- Assignment of the insurance amount of the vessel
- Assignment of earnings of the vessel
- Unlimited guarantee by Niels-Erik Lund and Achieva Holding A/S

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The annual report has been prepared and presented in USD. A DKK/USD exchange rate of 7.053 (2015: 6.828) has been applied.

The financial statements have been presented applying the accounting policies consistently with last year.

Adjustments have been made to comparative figures without having effected equity or the result for the year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the balance sheet date, are recognized in the income statement as financial income or financial expenses. Fixed assets purchased in foreign currencies are translated using historical rates.

### Income statement

#### Revenue

Revenue from time charters is recognized over the duration of the charters.

#### Cost of sales

Cost of sales comprise expenses incurred for the operation of the vessel.

## Accounting policies

### Other external expenses

Other external expenses comprise expenses incurred for the management and administration of the Company.

### Depreciation, amortisation and impairment losses

Depreciation and impairment losses relating to ships comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of ships.

### Other financial income

Other financial income comprise interest income.

### Other financial expenses

Other financial expenses comprise interest to bank, group enterprises and associates as well as net realized and unrealized exchange losses.

### Balance sheet

#### Property, plant and equipment

The ship is measured at cost less depreciation and impairment losses. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the vessel until the time when the ship is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the ship's estimated useful life of 20 years.

Dry docking expenses are capitalized and depreciated over a period of 30 months.

Ships are written down to the lower of recoverable amount and carrying amount. Estimated useful lives and residual values are reassessed annually.

Items of ships are written down to the lower of recoverable amount and carrying amount.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

#### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

#### Cash

Cash comprises cash in hand and bank deposits.



## Accounting policies

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### Tax

Due to its corporate form, the Company is not taxable and therefore no tax is included in the income statement.