

## **Victory Cruise Group ApS**

Dronninggårds Alle 64  
2840 Holte  
Business Registration  
No 38030671

## **Annual report 12.09.2016 - 31.12.2017**

The Annual General Meeting adopted the annual report on 31.05.2018

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

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**Name:** Niels-Erik Thamdrup Lund

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## Entity details

### Entity

Victory Cruise Group ApS  
Dronninggårds Alle 64  
2840 Holte

Business Registration No (CVR): 38030671

Founded: 12.09.2016

Registered in: Rudersdal

Financial year: 12.09.2016 - 31.12.2017

Reporting period, number:1

### Executive Board

Ole Bødtcher-Hansen  
Søren Rasmussen  
Niels-Erik Thamdrup Lund

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postbox 1600  
0900 Copenhagen C

## Statement by Executive Board on the annual report

The Executive Board has today considered and approved the annual report of Victory Cruise Group ApS for the financial period 12.09.2016 - 31.12.2017.

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 Group's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial period 12.09.2016 - 31.12.2017.

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, 28.05.2018

**Executive Board**

Ole Bødcher-Hansen



Søren Rasmussen

Niels-Erik Thamdrup Lund



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Copenhagen, 28.05.2018

### Executive Board

Ole Bødtcher-Hansen



Søren Rasmussen

Niels-Erik Thamdrup Lund

# Independent auditor's report

## To the shareholders of Victory Cruise Group ApS

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Victory Cruise Group ApS for the financial period 12.09.2016 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial period 12.09.2016 - 31.12.2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated and parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

## Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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, 28.05.2018

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No (CVR) 33963556



Sumit Sudan  
State Authorised Public Accountant  
Identification No (MNE) mne33716



## Management commentary

**2016/17**  
**USD'000**

### Financial highlights

#### Key figures

Revenue	16.493
Gross profit/loss	1.085
Operating profit/loss	(1.040)
Net financials	(853)
Profit/loss for the year	(1.893)
Total assets	27.329
Investments in ships, plant and equipment	24.407
Equity	(1.878)
Cash flows from (used in) operating activities	(1.195)
Cash flows from (used in) investing activities	(24.407)
Cash flows from (used in) financing activities	27.342

#### Ratios

Gross margin (%)	6,6
Net margin (%)	(11,5)
Equity ratio (%)	(6,9)

Financial highlights are defined and calculated in accordance with the CFA Society Denmark's current "Recommendations & Ratios".

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The Group's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Group's operating profitability.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Group.

## Management commentary

### Primary activities

The primary activity of the Group is owning and operating the cruise vessels Victory I and Victory II.

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

### Development in activities and finances

In 2017, the Group realized a loss of USD 1.892.769, and Management also expects a loss in 2018. From 2019, Management expects the Group to be profitable.

### Capital position

At 31 December 2017, the Group's short-term liabilities excluding prepayments exceed current assets by USD 2.3 million. Management expects improvement in the results in the coming years. If this is not the case, the shareholders are aware of these circumstances and will inject cash as needed.

As of 31 December 2017, the Group's shareholder loans outstanding were USD 6.745.148.

### Recapitalization of equity

Victory Cruise Group ApS was established in 2016 with a share capital of USD 14.499. Due to realised losses in 2016/2017, the Group has lost its equity. As of 31 December 2017, equity had a negative value of USD 1.878.270. The Group expects to recapitalize the equity via future earnings expected related to its future cruise ship activities.

### Events after the balance sheet date

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

## Consolidated income statement for 2016/17

	<u>Notes</u>	<u>2016/17 USD</u>
Revenue		16.493.383
Other operating income		1.144.505
Cost of sales		(13.157.458)
Other external expenses		(3.395.137)
<b>Gross profit/loss</b>		<b>1.085.293</b>
Staff costs	2	(1.198.363)
Depreciation, amortisation and impairment losses	3	(927.115)
<b>Operating profit/loss</b>		<b>(1.040.185)</b>
Other financial income		4.003
Other financial expenses	4	(856.587)
<b>Profit/loss for the period</b>	5	<b>(1.892.769)</b>

## Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2016/17 USD</u>
Ships		23.473.376
Other fixtures and fittings, tools and equipment		6.919
<b>Ships, tools and equipment</b>	6	<b>23.480.295</b>
<b>Fixed assets</b>		<b>23.480.295</b>
Raw materials and consumables		164.698
<b>Inventories</b>		<b>164.698</b>
Trade receivables		160.398
Other receivables	7	1.575.832
Prepayments	8	207.897
<b>Receivables</b>		<b>1.944.127</b>
<b>Cash</b>		<b>1.739.967</b>
<b>Current assets</b>		<b>3.848.792</b>
<b>Assets</b>		<b>27.329.087</b>

## Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2016/17 USD</u>
Contributed capital		14.499
Retained earnings		(1.892.769)
<b>Equity</b>		<b>(1.878.270)</b>
Bank loans		8.067.285
Payables to shareholders and Management		6.745.148
Other payables		8.415.246
<b>Non-current liabilities other than provisions</b>	<b>9</b>	<b>23.227.679</b>
Current portion of long-term liabilities other than provisions	9	4.100.000
Trade payables		1.214.660
Other payables		588.030
Deferred income		76.988
<b>Current liabilities other than provisions</b>		<b>5.979.678</b>
<b>Liabilities other than provisions</b>		<b>29.207.357</b>
<b>Equity and liabilities</b>		<b>27.329.087</b>
Going concern	1	
Unrecognised rental and lease commitments	11	
Contingent liabilities	12	
Assets charged and collateral	13	
Transactions with related parties	14	
Subsidiaries	15	

**Consolidated statement of changes in equity for 2016/17**

	<b>Contributed capital USD</b>	<b>Retained earnings USD</b>	<b>Total USD</b>
Equity at incorporation on 12.09.2016	14,499	0	14,499
Profit/loss for the year	0	(2,044,931)	(2,044,931)
<b>Equity end of year</b>	<b>14,499</b>	<b>(2,044,931)</b>	<b>(2,030,432)</b>

## Consolidated cash flow statement for 2016/17

	<u>Notes</u>	<u>2016/17 USD</u>
Operating profit/loss		(1.192.347)
Amortisation, depreciation and impairment losses		927.115
Working capital changes	10	(76.963)
<b>Cash flow from ordinary operating activities</b>		<b>(342.195)</b>
Financial income received		4.003
Financial income paid		(856.610)
<b>Cash flows from operating activities</b>		<b>(1.194.802)</b>
Acquisition etc of ships, tools and equipment		(24.407.409)
<b>Cash flows from investing activities</b>		<b>(24.407.409)</b>
Loans raised		27.327.679
Contribution of share capital		14.499
<b>Cash flows from financing activities</b>		<b>27.342.178</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>1.739.967</b>
<b>Cash and cash equivalents end of period</b>		<b>1.739.967</b>

## Notes to the consolidated financial statements

### 1. Going concern

The continued operation of the Group is conditional on the future profit and contribution of capital by the Group's owners as needed to finance current operations. The owners have confirmed that they intend to contribute further liquidity as needed to the effect that the Group will be able to honour its obligations as they mature.

	<b>2016/17 USD</b>
<b>2. Staff costs</b>	
Wages and salaries	978.715
Other staff costs	219.648
	<b>1.198.363</b>
Average number of employees	<b>6</b>

	<b>2016/17 USD</b>
<b>3. Depreciation, amortisation and impairment losses</b>	
Depreciation of ships, tools and equipment	927.115
	<b>927.115</b>

### 4. Other financial expenses

Other financial expenses comprise of interests on bank loans, interests on shareholders loans and foreign currency exchange.

	<b>2016/17 USD</b>
<b>5. Proposed distribution of profit/loss</b>	
Retained earnings	(1.892.769)
	<b>(1.892.769)</b>



## Notes to the consolidated financial statements

	<b>Ships USD</b>	<b>Other fixtures and fittings, tools and equipment USD</b>
<b>6. Ships, tools and equipment</b>		
Additions	24.397.583	9.826
<b>Cost end of year</b>	<b>24.397.583</b>	<b>9.826</b>
Depreciation for the year	(924.207)	(2.908)
<b>Depreciation and impairment losses end of year</b>	<b>(924.207)</b>	<b>(2.908)</b>
<b>Carrying amount end of year</b>	<b>23.473.376</b>	<b>6.918</b>

### 7. Other receivables

Other receivables mainly comprise claim receivables.

### 8. Prepayments

Prepayment comprise prepayments made for insurance, port expenses, etc. that do not relate to the period.

	<b>Due within 12 months 2016/17 USD</b>	<b>Due after more than 12 months 2016/17 USD</b>
<b>9. Liabilities other than provisions</b>		
Bank loans	2.200.000	8.067.285
Payables to shareholders and Management	0	6.745.148
Other payables	1.900.000	8.415.246
	<b>4.100.000</b>	<b>23.227.679</b>

Other payables consists of debt to the former owner of the Ships.

	<b>2016/17 USD</b>
<b>10. Change in working capital</b>	
Increase/decrease in inventories	(164.698)
Increase/decrease in receivables	(2.173.726)
Increase/decrease in trade payables etc	2.261.461
	<b>(76.963)</b>

## Notes to the consolidated financial statements

**2016/17**  
**USD**

### 11. Unrecognised rental and lease commitments

Liabilities under rental or lease agreements until maturity in total

**493.353**

### 12. Contingent liabilities

The Group's ships have during the period operated in US waters, and therefore a possible tax liability exist, which is not expected to be material.

### 13. Assets charged and collateral

The following have been provided as collateral for bank loans with an unpaid balance of USD 10.267.285:

- Mortgage deed registered to the ship owner. The book value of the ship amounts to USD 23.473.376
- Assignment of earnings
- Assignment of any other business

### 14. Transactions with related parties

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made on an arm's length basis in the financial year.

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
<b>15. Subsidiaries</b>			
Victory Cruise Lines Ltd.	Bahamas	Ltd.	100,0
Victory Cruise Management, Inc.	USA	Inc.	100,0
Victory I Partners Ltd.	Bahamas	Ltd.	100,0
Victory II Partners Ltd.	Bahamas	Ltd.	100,0

## Parent income statement for 2016/17

	<u>Notes</u>	<u>2016/17 USD</u>
Other external expenses		(28,770)
<b>Operating profit/loss</b>		<b>(28,770)</b>
<hr/>		
<b>Profit/loss for the period</b>	1	<b>(28,770)</b>

**Parent balance sheet at 31.12.2017**

	<u>Notes</u>	<u>2016/17 USD</u>
Cash		<u>6,930</u>
<b>Current assets</b>		<u>6,930</u>
<b>Assets</b>		<u>6,930</u>

## Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2016/17 USD</u>
Contributed capital		14,499
Retained earnings		<u>(28,770)</u>
<b>Equity</b>		<b><u>(14,271)</u></b>
Payables to group enterprises		<u>21,201</u>
<b>Current liabilities other than provisions</b>		<b><u>21,201</u></b>
<b>Liabilities other than provisions</b>		<b><u>21,201</u></b>
<b>Equity and liabilities</b>		<b><u>6,930</u></b>
Transactions with related parties	2	

## Parent statement of changes in equity for 2016/17

	<b>Contributed capital USD</b>	<b>Retained earnings USD</b>	<b>Total USD</b>
Equity at incorporation on 12.09.2016	14,499	0	14,499
Profit/loss for the year	0	(28,770)	(28,770)
<b>Equity end of year</b>	<b>14,499</b>	<b>(28,770)</b>	<b>(14,271)</b>

## Notes to the parent financial statements

	<b>2016/17</b> <b>USD</b>
<b>1. Proposed distribution of profit/loss</b>	
Retained earnings	(28.770)
	<b>(28.770)</b>

### **2. Transactions with related parties**

According to section 98c(7) of the Danish Financial Statements Act, only non-arm's-length related party transactions are disclosed. However, all transactions have been made an arm's length basis in the financial period

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The annual report has been prepared and presented in USD. A DKK/USD exchange rate of 6.208 has been applied. In addition, the income statement of the annual report is prepared for an extended period in accordance with the Danish Financial Statements Act.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

### 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 ex-change 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 recognised 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 includes invoiced sales of tours recognised in the income statement. If risk transfer has taken place according to the Company's General Conditions and if the income can be assessed reliably and is expected to be received.

Revenue is measured at fair value of the agreed payment ex VAT and duties collected on behalf of third parties. All discounts granted are recognised in the revenue.



## Accounting policies

### Other operating income

Other operating income comprises income of a secondary nature, such as insurance claims.

### Cost of sales

Cost of sales comprises expenses incurred for operation of ships, such as bunker and goods consumed in connection with the activities held on board, such as foods.

### Other external expenses

Other external expenses include expenses relating to the Group's ordinary activities, including expenses for office supplies, marketing costs, etc.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Group's staff.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to ships, tools and equipment comprise depreciation, amortisation and impairment losses for the financial year period, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

### Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

### Other financial income

Other financial income comprises interest income, including interest income on receivables.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises.

### Balance sheet

#### Ships, tools and equipment

Ships and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it 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 following estimated useful lives of the assets:

Ships	20 years
Other fixtures and fittings, tools and equipment	3 - 5 years

## Accounting policies

Estimated useful lives and residual values are reassessed annually.

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

### Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount. The cost for the subsidiaries as of 31 December 2017 is USD 0. See note 15 in the consolidated financial statements for subsidiaries.

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### 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.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### 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.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

## Accounting policies

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and ships, tools and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, instalments on interest-bearing debt.

Cash and cash equivalents comprise cash and bank deposits.

### **Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.