

Registered number: 08694012

NORWEGIAN COMPASS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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NORWEGIAN COMPASS LTD

COMPANY INFORMATION

Directors	H J Sommer D S Farkas
Registered number	08694012
Registered office	The St Botolph Building 138 Houndsditch London EC3A 7AR
Independent auditor	BDO LLP Arcadia House Maritime Walk – Ocean Village Southampton SO14 3TL

NORWEGIAN COMPASS LTD

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NORWEGIAN COMPASS LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The principal activity of the Company during the year is to provide advances to companies within the same group.

Business review

Our primary objective is to provide continued financial support to Norwegian Cruise Line Holdings Ltd.'s ("NCLH" or "the Group") growing business in a sustainable and cost-effective manner.

Results and performance

The results of the Company for the year ended 31 December 2022, as shown on page 10, show a profit for the year of \$9,924,004 (2021 - \$9,931,674).

The Company is dependent on its ultimate parent company Norwegian Cruise Line Holdings Ltd. to provide operational and financial support. The Group has provided confirmation that demonstrates their commitment to maintain the Company from an operational standpoint. As described in the audited consolidated financial statements of the Group, significant events affecting travel typically have an impact on demand for cruise vacations, with the full extent of the impact determined by the length of time the event influences travel decisions.

NCLH Directors believe the ongoing effects of the COVID-19 pandemic and other global events on the Group's operations and global bookings have had, and will continue to have, a significant impact on the Group's financial results and liquidity. NCLH management have taken actions to improve the Group's liquidity, including completing various capital market transactions and enacting capital expenditure and operating expense reductions. NCLH management expects to continue to pursue other opportunities to further improve the Group's liquidity.

The estimation of the Group's future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties. NCLH Directors' principal assumptions for the Group's future cash flow projections include: (i) the expected gradual return to historical occupancy levels; (ii) the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue; (iii) the forecasted cash collections in accordance with the terms of the Group's credit card processing agreements; and (iv) the expected sustained higher fuel prices and the impact of inflation.

The Group consolidated financial statements included a material uncertainty related to going concern. This would have a direct impact on the Group's ability to provide required financial support to the Company. This indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would otherwise be necessary and have been prepared on a going concern basis.

The Group has demonstrated its ability to maintain sufficient liquidity and raise capital to meet its obligations for at least the next twelve months from the respective years ended 31 December 2020, 2021, and 2022. To the point, in May 2022 the Group returned its full fleet back to operation and subsequently returned to profitability and historical occupancy levels in the second quarter of 2023. Consequently, the Directors have assessed that the Company continues to remain a going concern, as disclosed in the notes to the financial Statements. We consider that the disclosures in the financial statements adequately describe this uncertainty and our plans to deal with these events or conditions.

Principal risks and uncertainties

As a result of conditions associated with global events, including the downstream effects of the COVID-19 pandemic and Russia's ongoing invasion of Ukraine and actions taken by the United States and other governments in response to the invasion, the global economy has experienced volatility and market disruptions. The impact from these events have contributed toward the recent global surge in prices and anticipated ongoing inflationary pressures for the foreseeable future.

We do not believe the ongoing effects of these events have a material impact on the Company's operations. The other principal risks and uncertainties facing the company are:

Liquidity Risk

In the management of liquidity risk, the Company monitors its cash positioning and obtained funding via principal and interest payments on its notes receivable from group companies.

Credit Risk

The Company has no primary exposure to credit risk, other than amounts due from group companies.

Other Risks

In the management of other risks, the Company follows certain controls and processes to ensure the accuracy of annual accounts.

Financial key performance indicators

The key performance indicator used to manage the business is net profit margin.

Directors' Section 172 Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 and forms the statement as required by section 414CZA of the Companies Act 2006. This reporting requirement is made in accordance with corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018.

The matters set out in section 172(1)(a) to (f) are that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.

Approach of the board

A stakeholder mapping exercise is used to identify and form the board's opinion as to which key stakeholders are considered relevant in complying with section 172(1)(a) to (f). Each director is responsible so far as the director is aware, for the disclosure of relevant information of which the board are unaware that could impact the relevant key stakeholders identified. A formal review of key stakeholders will be completed annually by the board.

During board meetings, in relation to the matters considered, the directors:

- are provided board papers where required with relevant information together with internal and/or external reports and opinions where appropriate;

NORWEGIAN COMPASS LTD

STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

- can request during their due diligence and deliberation and to provide an informed decision-making process, further enquiries of management, staff and external advisors with relevant knowledge and experience, including where necessary, inspection of additional supporting documentation sufficient to satisfy themselves properly; and
- must confirm that they have carefully and in good faith, considered what would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so having regard to the six factors listed in section 172 of the Companies Act 2006 (as set out in an appendix to the resolutions) as well as all other relevant factors.

There is currently no intention for key decisions to be made outside the board. Accordingly, specific policies are not required governing delegated decision-making and consideration of section 172 factors as the board would apply them.

Stakeholder engagement

The company has identified its shareholder as its key stakeholder that is important to the long-term success of the company. The company engagement activities with the stakeholder and their impact during the reporting period as detailed in the stakeholder overview below.

Engage?	Interest?	Response?
Annual Report Regular reporting of performance, financial position & forecast	Flawless execution Financial excellence Entrepreneurship	Take decisive action to drive the business forward Deliver on financial targets Ethical Code of Conduct Encourage and embrace innovation

Key Decisions

The key decisions taken by the board include the resolution for the approval of the financial statements and the reappointment of the auditors for the following reporting period.

This report was approved by the board on 27 September 2023 and signed on its behalf.
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D S Farkas
Director

NORWEGIAN COMPASS LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

The financial statements have been prepared under, and comply with, the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

PRINCIPAL ACTIVITY

The principal activity of the Company was to provide advances to companies within the same group.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to \$9,924,004 (2021 - \$9,931,674). The dividends paid in the year amounted to \$9,939,375 (2021 - \$10,229,255).

DIRECTORS

The directors who served during the year and up to the date of the financial statements were:

H J Sommer
D S Farkas

In March 2023, it was announced that Frank J. Del Rio would retire from his position as the Norwegian Cruise Line Holdings Ltd. President and Chief Executive Officer and resign from the Board of Directors of NCLH effective 30 June 2023. Simultaneously, Harry J. Sommer was announced as the President and Chief Executive Officer – Elect of NCLH, effective 1 April 2023, and President and Chief Executive Officer of NCLH, effective 1 July 2023. Mr. Sommer also assumed Mr. Del Rio's vacant Board of Directors seat, effective 1 July 2023.

INDEMNITY PROVISION

An indemnity and/or insurance provision has been in place for one or more directors of the company as maintained at the group level.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

AUDITOR

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 September 2023 and signed on its behalf.

D S Farkas
Director



NORWEGIAN COMPASS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NORWEGIAN COMPASS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORWEGIAN COMPASS LTD

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Norwegian Compass Ltd ("the Company") for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements, which indicates that the company is reliant on the ultimate parent company for financial support. The group consolidated financial statements included a material uncertainty related to going concern which would have a direct impact on the group's ability to provide required financial support to the company. As stated in note 2.2, these events and conditions, along with other matters set forth in note 2.2 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the notes to the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORWEGIAN COMPASS LTD

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have 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 (UK) 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORWEGIAN COMPASS LTD

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Evaluation of controls designed to prevent and detect irregularities.

we considered the significant laws and regulations to include the applicable accounting framework and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and checking to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and considered that the principal risk was related to the posting of inappropriate journal entries to improve the result before tax for the year, which would be addressed by applying the below mentioned procedures.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by assessing against supporting documentation;
- Assessing significant estimates made by management for indicators of bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

NORWEGIAN COMPASS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORWEGIAN COMPASS LTD

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Arbinder Chatwal

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28 September 2023

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

		Year ended 31 December 2022 \$	Year Ended 31 December 2021 \$
	Note		
Administrative expenses		<u>(15,766)</u>	<u>(7,708)</u>
OPERATING LOSS	4	<u>(15,766)</u>	<u>(7,708)</u>
Interest income	6	<u>9,939,770</u>	<u>9,939,382</u>
PROFIT BEFORE TAX		<u>9,924,004</u>	<u>9,931,674</u>
Taxation	7	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>9,924,004</u></u>	<u><u>9,931,674</u></u>
 TOTAL COMPREHENSIVE INCOME FOR THE YEAR		 <u><u>9,924,004</u></u>	 <u><u>9,931,674</u></u>

The notes on pages 14 to 21 form part of these financial statements.

NORWEGIAN COMPASS LTD
REGISTERED NUMBER: 08694012

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

			2022	2021
	Note	\$	\$	\$
CURRENT ASSETS				
Debtors: due after more than one year	9	147,250,000	147,250,000	
Debtors: due within one year	9	1,658,402	1,658,402	
Cash and cash equivalents	10	<u>29,936</u>	<u>31,756</u>	
		148,938,338	148,940,158	
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	11	<u>(127,799)</u>	<u>(114,248)</u>	
NET CURRENT ASSETS		<u>148,810,539</u>	<u>148,825,910</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>148,810,539</u>	<u>148,825,910</u>	
NET ASSETS		<u>148,810,539</u>	<u>148,825,910</u>	
CAPITAL AND RESERVES				
Share capital	13	145,000,002	145,000,002	
Profit and loss account	14	<u>3,810,537</u>	<u>3,825,908</u>	
TOTAL EQUITY		<u>148,810,539</u>	<u>148,825,910</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2023.



D S Farkas
 Director

The notes on pages 14 to 21 form part of these financial statements.

NORWEGIAN COMPASS LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2022	145,000,002	3,825,908	148,825,910
Profit for the year	-	9,924,004	9,924,004
Dividends: Equity capital	-	<u>(9,939,375)</u>	<u>(9,939,375)</u>
At 31 December 2022	<u>145,000,002</u>	<u>3,810,537</u>	<u>148,810,539</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2021	145,000,002	4,123,489	149,123,491
Profit for the year	-	9,931,674	9,931,674
Dividends: Equity capital	-	<u>(10,229,255)</u>	<u>(10,229,255)</u>
At 31 December 2021	<u>145,000,002</u>	<u>3,825,908</u>	<u>148,825,910</u>

The notes on pages 14 to 21 form part of these financial statements.

NORWEGIAN COMPASS LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	9,924,004	9,931,674
ADJUSTMENTS FOR:		
Interest income	(9,939,770)	(9,939,382)
Increase in creditors	<u>13,551</u>	<u>5,492</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,215)</u>	<u>(2,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,939,770	10,229,262
Receipt of intercompany amounts due	<u>-</u>	<u>-</u>
NET CASH GENERATED FROM INVESTING ACTIVITIES	<u>9,939,770</u>	<u>10,229,262</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	<u>(9,939,375)</u>	<u>(10,229,255)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(9,939,375)</u>	<u>(10,229,255)</u>
Net decrease in cash and cash equivalents	(1,820)	(2,209)
Cash and cash equivalents at beginning of year	<u>31,756</u>	<u>33,965</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>29,936</u></u>	<u><u>31,756</u></u>

The notes on pages 14 to 21 form part of these financial statements.

NORWEGIAN COMPASS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

The financial statements are presented in US Dollars (USD), as this is the currency in which the majority of the Company's transactions are denominated.

The Company is a private company limited by shares, incorporated on 17 September 2013 under the laws of the United Kingdom. The address of its registered office is The St Botolph Building, 138 Houndsditch, London, EC3A 7AR.

The parent company is NCL Corporation Ltd., a company incorporated in Bermuda.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The financial statements contain information about the Company as an individual undertaking, and do not contain consolidated financial information as the parent of a group. The Company is exempt from the requirements to prepare consolidated financial statements as it, and its subsidiaries are consolidated into the financial statements of Norwegian Cruise Line Holdings Ltd., a company incorporated in Bermuda and publicly available on www.nclhld.com/investors.

The following principal accounting policies have been applied:

2.2 Going concern

The Company held net current assets at 31 December 2022 of \$148,810,539 (2021 - \$148,825,910). The company is dependent on its ultimate parent company Norwegian Cruise Line Holdings Ltd. to provide operational and financial support. The Group has provided confirmation that demonstrates their commitment to keep the company from a strategic standpoint. As described in the audited consolidated financial statements of the Group, significant events affecting travel typically have an impact on demand for cruise vacations, with the full extent of the impact determined by the length of time the event influences travel decisions.

NCLH Directors believe the ongoing effects of the COVID-19 pandemic and other global events on the Group's operations and global bookings have had, and will continue to have, a significant impact on the Group's financial results and liquidity. The NCLH management have taken actions to improve the Group's liquidity, including completing various capital market transactions, making capital expenditure and operating expense reductions, and NCLH management expects to continue to pursue other opportunities to improve the Group's liquidity. The estimation by NCLH management of the Group's future cash flow projections includes numerous assumptions that are subject to various risks and uncertainties.

NCLH Director's principal assumptions for the Group's future cash flow projections include: (i) the expected gradual return to historical occupancy levels; (ii) the expected increase in revenue per passenger cruise day through a combination of both passenger ticket and onboard revenue; (iii) the forecasted cash collections in accordance with the terms of the Group's credit card processing agreements; and (iv) the expected sustained higher fuel prices and the impact of inflation.

NORWEGIAN COMPASS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2.2 Going Concern (Continued)

The Group consolidated financial statements included a material uncertainty related to going concern. This would have a direct impact on the Group's ability to provide required financial support to the Company. This indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would otherwise be necessary and financial statements have been prepared on a going concern basis.

2.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortized cost using the effective interest method, less any impairment.

2.4 Cash and cash equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.5 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortized cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortized cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognized in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably; and
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortized cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognized in the Statement of Comprehensive Income.

NORWEGIAN COMPASS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

2.5 Financial instruments (continued)

For financial assets measured at amortized cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.6 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortized cost using the effective interest method.

2.7 Foreign currencies

Functional and presentation currency

The Company's functional and presentation currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.8 Dividends

Equity dividends are recognized when they become legally payable. Interim equity dividends are recognized when paid. Final equity dividends are recognized when approved by the shareholders. Dividends on shares recognized as liabilities are recognized as expenses and classified within interest payable.

2.9 Interest income

Interest income is recognized in the Statement of Comprehensive Income using the effective interest method.

2.10 Taxation

Tax is recognized in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognized as other comprehensive income or to an item recognized directly in equity is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

NORWEGIAN COMPASS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

4. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	\$	\$
Audit fee	<u>13,551</u>	<u>5,492</u>

5. AUDITOR'S REMUNERATION

	2022	2021
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>13,551</u>	<u>5,492</u>

6. INTEREST INCOME

	2022	2021
	\$	\$
Other interest receivable	<u>9,939,770</u>	<u>9,939,382</u>

NORWEGIAN COMPASS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

7. TAXATION

	2022	2021
	\$	\$

UK Corporation tax charge for the year	-	-
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UK Income tax is calculated at 19.0% (2021: 19.0%) of the estimated profit for the year.

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022	2021
	\$	\$

Profit on ordinary activities before tax	9,924,004	9,931,674
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	1,885,561	1,887,018
Effects of:		
Group relief	(1,885,561)	(1,887,018)
Total tax charge for the year	-	-

Factors that may affect future tax changes

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly.

NORWEGIAN COMPASS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

8. DIVIDENDS

	2022	2021
	\$	\$
Dividends on Equity Shares	<u>9,939,375</u>	<u>10,229,255</u>

9. DEBTORS

	2022	2021
	\$	\$
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	<u>147,250,000</u>	<u>147,250,000</u>

	2022	2021
	\$	\$
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	<u>1,658,402</u>	<u>1,658,402</u>

The promissory note maturing 1 November 2025, will have interest only payments made on 1 November of years 2022 through 2024 with the final interest and instalment payment to be made on 1 November 2025.

As of 31 December 2022, amounts owed by group companies due after one year are being repaid in a final instalment of \$147,250,000 on 1 November 2025 plus interest. Interest is payable at the rate of 6.75% (2021: 6.75%). None of the debtors are past due or impaired. Amounts are unsecured.

NORWEGIAN COMPASS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

10. CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	<u>29,936</u>	<u>31,756</u>

11. CREDITORS: Amounts falling due within one year

	2022	2021
	\$	\$
Accruals	14,500	13,803
Amounts owed to group undertakings	<u>113,299</u>	<u>100,445</u>
	<u>127,799</u>	<u>114,248</u>

12. FINANCIAL INSTRUMENTS

	2022	2021
	\$	\$
Financial assets		
Cash and cash equivalents	29,936	31,756
Amounts owed by group undertakings	<u>148,908,402</u>	<u>148,908,402</u>
	<u>148,938,338</u>	<u>148,940,158</u>
Financial liabilities		
Creditors	<u>(127,799)</u>	<u>(114,248)</u>

13. SHARE CAPITAL

	2022		2021	
Shares classified as equity	Number	Nominal value \$	Number	Nominal value \$
Authorised, Allotted, called up and fully paid				
145,000,000 Ordinary shares of \$1 each	145,000,000	145,000,000	145,000,000	145,000,000
1 Ordinary share of £1 each	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>
	<u>145,000,001</u>	<u>145,000,002</u>	<u>145,000,001</u>	<u>145,000,002</u>

NORWEGIAN COMPASS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

14. RESERVE

Profit and Loss

Profit and loss include all current year and prior period retained profit.

15. RELATED PARTY TRANSACTIONS

In accordance with FRS 102 section 33.1A the Company has taken advantage of the exemption available not to disclose details of transactions entered into between wholly owned subsidiaries. Amounts owed by and to group undertakings are disclosed in notes 9 and 11 respectively.

Key management personnel compensation in the year totaled \$Nil (2021: \$Nil).

16. FINANCIAL RISK MANAGEMENT

Norwegian Cruise Line Holdings Ltd. has overall responsibility for the establishment and oversight of the Company's risk management framework. The Group is responsible for developing and monitoring the Group's risk management strategy and policies.

17. CONTROLLING PARTY

The Company is a subsidiary undertaking of NCL Corporation Ltd., a company incorporated in Bermuda.

The ultimate parent undertaking is Norwegian Cruise Line Holdings Ltd., a public company incorporated in Bermuda, and its registered office is Park Place, 3rd Floor, 55 Par-la-Ville Road, Hamilton HM 11, Bermuda. These group accounts are publicly available on www.nclhltd.com/investors.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events affecting the Company since the year end.