AVISTA OIL Danmark A/S

Juelsmindevej 6
4400 Kalundborg

CVR no. 10 16 92 91

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting on

7 July 2020

Leon Sloth Skovbo
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of AVISTA OIL Danmark A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Kalundborg, 7 July 2020
Executive Board:

Leon Sloth Skovbo
CEO

Board of Directors:

Detlev Bruhnke Chairman	Marc Verfürth	Benedikt Fuhlrott

Independent auditor's report

To the shareholders of AVISTA OIL Danmark A/S

Opinion

We have audited the financial statements of AVISTA OIL Danmark A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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 financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter regarding matters in the financial statements

We draw attention to note 2, "Material uncertainty related to recognition and measurement", where it is described that there is material uncertainty as to the amount of income from insurance claims related to the fire in the Company's oil refinery. Our opinion is not modified in respect of this matter.

Management's responsibility 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 that 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 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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

— identify and assess the risks of material misstatement of the company 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 Company'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 Company'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 Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review 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's review.

Copenhagen, 7 July 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Management's review

Company details

AVISTA OIL Danmark A/S
Juelsmindevej 6
4400 Kalundborg

CVR no.:	10 16 92 91
Established:	1 March 1986
Financial year:	1 January – 31 December

Board of Directors

Detlev Bruhnke, Chairman
Marc Verfürth
Benedikt Fuhlrott

Executive Board

Leon Sloth Skovbo, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross profit/loss	1,626	-48	27,156	-626	57,102
Ordinary operating profit/loss	-10,486	-7,056	19,473	-8,691	57,102
Profit/loss for the year	42,564	134,244	17,198	-11,844	57,102
Total assets	131,449	66,568	137,787	130,054	158,771
Equity	98,179	52,579	71,154	53,769	-164,307
Investment in property, plant and equipment	26,143	1,949	10,337	4,761	1,970
Ratios					
Return on invested capital	0.0%	0.0%	0.1%	0.0%	0.7%
Return on equity	56.5%	217.0%	27.5%	21.4%	-69.5%
Solvency ratio	74.7%	79.0%	51.6%	41.3%	-103.5%
Average number of full-time employees	20	18	48	49	50

Financial ratios are calculated in accordance with the guidelines "Recomendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on invested capital $$\frac{\text{Operating profit/loss * 100}}{\text{Average invested capital}}$$

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

AVISTA OIL Danmark A/S collects used lubrication oil (ULO) in Denmark by the Company's own collecting organisation. Additional ULO is imported from Scandinavian and other European countries. The ULO is sold to re-refineries within the AVISTA OIL Group as well as 3rd party re-refineries.

AVISTA OIL Danmark A/S also collects oil emulsions and other oil/water wastes. The emulsions are treated at the Horsens facility where water and oil are separated. The water is sufficiently cleaned for discharging into the Horsens public sewer system, whilst the oil is sold as supporting fuel for heavy industrial purposes.

Development in activities and financial position

On 24 July 2017, a large fire at the AVISTA OIL Danmark A/S' used oil re-refinery in Kalundborg destroyed the production facilities. In 2018, the re-refinery business was carved out to AVISTA Greeen ApS in a non-cash transaction. The shares in AVISTA Green ApS were subsequently distributed to AVISTA OIL AG.

The Company realised a profit of DKK 42.6 million for the financial year 2019 and a positive equity at 31 December 2019 of DKK 98.2 million. The profit is impacted by income from insurance claims related to the fire in the refinery of DKK 53.5 million. The result from continuing operations for 2019, which includes the ULO collection business and the operations of the oily waste treatment plant in Horsens, showed a loss of DKK 10.9 million.

Profit/loss for the year and the balance sheet total are affected by the fact that the Company has changed its interpretation of leases to which the Company is the lessee from IAS 17 to IFRS 16.

In the income statement, EBITDA and EBIT for 2019 are affected, whereas profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liability be substantially equal the operating lease costs previously recognised in the income statement.

The loss from continuing operations for 2019 was not satisfactory. A deliberate choice on keeping the collection volume as high as possible, so that deliveries are available when the re-refinery starts production in 2020, has had a negative impact on the result. It is expected that the result from continuing operations will be positive from 2020 onwards.

Material uncertainty regarding recognition and measurement

The insurance claims regarding the fire in July 2017 have not been settled with the insurance company. The claims, which are related to operating loss and property damage, are recognised in the annual report with the amounts received during 2017, 2018, and 2019. No receivable for unsettled claims has been recognised in the annual report, even though the settlement of the insurance claims are expected to be significantly higher than the amounts received in 2017, 2018, and 2019. The receivable has not been recognised as there is a considerable dispute between insurer and insured regarding the final settlement therefore there is considerable uncertainty related to the receivable.

Measurement of property, plant and equipment

Management has prepared an impairment test of the carrying amount of property, plant and equipment which shows that there is no need for impairment. The test is based on an expectation of improvement of the Company's future earnings and is therefore associated with uncertainty.

Management's review

Operating review

Events after the balance sheet date

At the beginning of 2020, the outbreak of the coronavirus, COVID-19, affected major parts of the world. As a result of the outbreak of COVID-19 a number of measures have been taken around the world to curtail the spread, which has impacted the demand for and pricing of BaseOil A number of measures have been taken to mitigate the impact of the decline in revenues. The COVID-19 outbreak occurred during 2020 and did not exist on the balance sheet date at 31 December 2019. The Company is looking into how the Government's relief packages can help the Group through the economic crisis, and Management assesses that there is no uncertainty related to the Company's ability to continue as a going concern. The effect of the virus outbreak is considered a non-adjusting subsequent event and thus does not affect the financial reporting for the financial year ended 31 December 2019.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2019	2018
Gross profit/loss	3	1,625,599	-47,650
Distribution costs	3	-952,953	-1,021,335
Administrative expenses	3	-11,158,566	-5,986,770
Operating loss		-10,485,920	-7,055,755
Financial income	4	236,452	8,448
Financial expenses	5	-644,465	-570,051
Loss before tax		-10,893,933	-7,617,358
Tax on loss for the year		0	0
Loss from continuing operations		-10,893,933	-7,617,358
Profit from discontinued operations	6	53,457,799	141,861,034
Profit for the year	7	42,563,866	134,243,676

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	8		
Customer relations		2,009,936	2,349,281
Software		5,884,722	1,110,073
		7,894,658	3,459,354
Property, plant and equipment	9		
Land and buildings		1,478,671	1,584,168
Plant and machinery		33,749,080	13,413,692
Fixtures and fittings, tools and equipment		2,003,270	2,048,448
		37,231,021	17,046,308
Investments	10		
Deposits		233,061	175,500
Total fixed assets		45,358,740	20,681,162
Current assets			
Inventories	11		
Raw materials and consumables		7,403,583	6,188,895
Receivables			
Trade receivables		6,269,989	13,291,165
Receivables from group entities		69,269,481	911,949
Other receivables		1,593,744	18,020,892
Prepayments	12	220,744	321,702
		77,353,958	32,545,708
Cash at bank and in hand		1,332,238	7,152,240
Total current assets		86,089,779	45,886,843
TOTAL ASSETS		131,448,519	66,568,005

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	13	500,000	500,000
Retained earnings		97,679,473	52,078,975
Total equity		98,179,473	52,578,975
Provisions	14		
Other provisions		819,500	819,500
Total provisions		819,500	819,500
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Lease obligations		18,441,741	223,476
Other payables		368,556	0
		18,810,297	223,476
Current liabilities other than provisions			
Current portion of non-current liabilities		3,580,271	696,200
Trade payables		8,239,046	10,784,533
Payables to group entities		485,011	41,733
Other payables		1,334,921	1,423,588
		13,639,249	12,946,054
Total liabilities other than provisions		32,449,546	13,169,530
TOTAL EQUITY AND LIABILITIES		131,448,519	66,568,005
Staff costs and incentive schemes			
Contingent assets, contractual obligations, contingencies, etc.	16		
Related party disclosures	17		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	500,000	52,078,975	52,578,975
Net effect from change of accounting policy	0	3,036,632	3,036,632
Transferred over the profit appropriation	0	42,563,866	42,563,866
Equity at 31 December 2019	500,000	97,679,473	98,179,473

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of AVISTA OIL Danmark A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Avista Oil AG.

Change in accounting policies

With effect from 1 January 2019, the Company has chosen to use IFRS 16 Leases as the basis of interpretation for recognising and measurement of leases to which the Company is the lessee.
Consequently, with effect from 1 January 2019, the Company recognises all finance and operating leases in the balance sheet as a right-of-use asset and a lease liability except from:

- Short-term leases with a maximum lease term of 12 months
- Leases for low-value assets.

For such leases, lease payments are recognised on a straight-line basis in the income statement over the lease term.

When changing its basis of interpretation, the Company has used the lessee accounting model under IFRS 16 from 1 January 2019 without restatement of comparative figures. The effect of the change as of 1 January 2019 has been recognised directly in equity. The Company has applied the following practical expedients for right-of-use assets and lease liabilities previously accounted for as operating leases:

- Applied a single discount rate to a portfolio of leased assets with reasonably similar characteristics.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.
- Excluded initial direct costs from the measurement of the right-use-assets at 1 January 2019.
- At 1 January 2019, the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.
- Not applied the new lease definition to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- On 1 January 2019, not separated non-lease components from lease components, but considered them a single lease component.

Profit/loss for the year remains substantially unchanged. This is due to the depreciation of the right-of-use assets and interest costs from the lease liabilities being almost equal to the operating lease expense.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Business combinations

Divested or wound-up activities are recognised in the income statement up to the date of divestment or winding-up. Comparative figures are not restated to reflect divestments.

Gains or losses on the divestment of activities are calculated as the difference between the sales amount and the carrying amount of net assets at the date of disposal, including non-amortised goodwill and projected costs of divestment.

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue from the sale of goods for resale and finished goods, which comprise base oil, bi-products from the re-refining process and oil products used for fuel in heavy industry processes is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised excluding VAT and net of discounts relating to sales.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, receivables and payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Discontinued operations

Profit/loss after tax on discontinued operations and assets and related liabilities for discontinued operations are recognised as a separate line item without restatement of comparative figures. Principal items are specified in the notes.

Balance sheet

Intangible assets

Rights and software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the usefull life, which is assessed at 3 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are showed in the table below.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.
Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Production buildings	15 years
Administration buildings	15-40 years
Plant and machinery	3-20 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Investments

Deposits are recognised at amortised cost.

Leased assets and lease liabilities

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

The Company leases cars including a service component in the payments to the lessor. This service is separated from the lease payment when measuring the lease liability. If the Company is unable to reliably separate lease components and non-lease components, it is considered a single lease component.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease payments consist of fixed and variable lease payments that depend on an index or a rate, guaranteed residual values, purchase options and extension options if the Company is reasonably certain to exercise the option and termination penalties if the lease term reflects the Company exercising an option to terminate the lease. The lease liability is subsequently adjusted as follows if:

— The value of the index or rate on which the lease payments are based is changed.

— The exercise of options is changed in order to extend or terminate the lease due to significant events or a significant change in circumstances within the Company's control.

— The lease term is changed if the option is exercised in order to extend or terminate the lease.

— Estimated residual value guarantee is changed.

— The contract is renegotiated or modified.

Any subsequent adjustment of the future lease liability is recognised as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is DKK 0, a negative adjustment to the right-of-use asset is, however, recognised in the income statement.

The right-of-use asset is initially measured at cost comprising amount of initial measurement of the lease liability plus any initial direct costs and any estimated costs of dismantling and removal of the asset at the end of the lease term which the Company is under an obligation to incur and any prepaid lease payments and less any lease incentives received.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

Short-term leases with a maximum lease term of 12 months and leases for low-value assets are not recognised in the balance sheet.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments recognized under assets comprise payments relating to costs in subsequent years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use

Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield. Re-establishment obligations are recognised at net present value.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprises the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

Notes

2 Material uncertainty related to recognition and measurement

The insurance claims regarding the fire in July 2017 have not been settled with the insurance company. The claims, which are related to operating loss and property damage, are recognised in the annual report with the amounts received during 2017, 2018, and 2019. No receivable for unsettled claims has been recognised in the annual report, even though the settlement of the insurance claims are expected to be significantly higher than the amounts received in 2017, 2018, and 2019. The receivable has not been recognised as there is a considerable dispute between insurer and insured regarding the final settlement therefore there is considerable uncertainty related to the receivable.

DKK	2019	2018

3 Staff cost

Wages and salaries	9,379,913	6,465,115
Pensions	416,400	473,000
Other social security costs	916,851	119,261
	10,713,164	7,057,376
Average number of employees	20	18

Omission in accordance with ÅRL § 98 b, stk. 3 for remunernation of the board of directors.

4 Financial income

Interest income from group entities	236,115	0
Other financial income	337	8,448
	236,452	8,448

Financial statements 1 January – 31 December

Notes

DKK		2019	2018
5	**Financial expenses**		
	Interest expense to group entities	0	442,031
	Other financial costs	456,361	76,693
	Exchange losses	188,104	51,327
		644,465	570,051

6 Discontinued operations

With accouting effect 1 January 2018, the Company carved out the assets and liabilities of its base oil re-refinery business. Profit after tax of the carved out activity is recognised as a separate line item in the income statement.

	2019	2018
Income from insurance claims	53,457,794	69,509,041
Gain carve-out	0	72,351,993
Profit/loss for the year before tax from discounted operations	53,457,794	141,861,034

7 Proposed profit appropriation

	2019	2018
Retained earnings	42,563,866	134,243,676

8 Intangible assets

DKK	Customer relations	Software	Total
Cost at 1 January 2019	2,349,281	1,863,755	4,213,036
Additions for the year	0	4,774,649	4,774,649
Cost at 31 December 2019	2,349,281	6,638,404	8,987,685
Amortisation and impairment losses at 1 January 2019	0	-753,682	-753,682
Amortisation for the year	-339,345	0	-339,345
Amortisation and impairment losses at 31 December 2019	-339,345	-753,682	-1,093,027
Carrying amount at 31 December 2019	2,009,936	5,884,722	7,894,658

Financial statements 1 January – 31 December

Notes

9 Property, plant and equipment

DKK	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	6,597,031	82,013,350	8,147,725	96,758,106
Additions for the year	0	26,142,884	0	26,142,884
Disposals for the year	0	-1,200,118	0	-1,200,118
Cost at 31 December 2019	6,597,031	106,956,116	8,147,725	121,700,872
Depreciation and impairment losses at 1 January 2019	-5,012,863	-68,599,658	-6,099,277	-79,711,798
Depreciation for the year	-105,496	-5,456,603	-45,179	-5,607,278
Reversed depreciation and impairment losses on assets sold	0	849,225	0	849,225
Depreciation and impairment losses at 31 December 2019	-5,118,359	-73,207,036	-6,144,456	-84,469,851
Carrying amount at 31 December 2019	1,478,672	33,749,080	2,003,269	37,231,021
Assets held under finance leases	0	22,852,363	0	0

10 Investments

DKK	Deposits
Cost at 1 January 2019	175,500
Additions for the year	57,561
Cost at 31 December 2019	233,061
Carrying amount at 31 December 2019	233,061

Financial statements 1 January – 31 December

Notes

11 Inventories

DKK	2019	2018
Raw materials and consumables	6,749,934	5,005,009
Finished goods and goods for resale	633,649	1,183,886
	7,383,583	6,188,895

12 Prepayments

Insurances	63,751	160,145
Prepaid rent	69,352	34,500
Fees and contributions	87,641	127,057
	220,744	321,702

13 Equity

The share capital consists of 5,000 shares of a nominal value of DKK 100.

No shares carry any special rights.

All shares rank equally.

14 Provisions

Other provisions

Environmental obligation	819,500	819,500
	819,500	819,500

The provisions are expected to mature as follows:

Over 5 years	819,500	819,500
	819,500	819,500

Other provisions comprise estimated costs for clean-up from the Company's locations

Financial statements 1 January – 31 December

Notes

15 Liabilitites other than provisions

Payments due within 1 year are recognised as current liabilities other than provisions. Other debt is recognised as non-current liabilities other than provisions.

DKK	2019	2018
Non-current liabilities other than provision can be specified as follows:		
Leasing obligations more than 5 years	9,446,809	0
Leasing obligations between 1 and 5 years	8,994,932	223,476
Leasing obligations within 1 year	3,580,271	696,200
Payables to group enterprises between 1 and 5 years	0	41,733
	22,022,012	961,409

16 Contingent assets, contractual obligations, contingencies, etc.

The company is the management company in a Danish joint taxation with Avista Green ApS. The company is therefore liable for income tax, etc. in accordance with the Companies Tax Act. for the jointly taxed companies.

Contingent liabilities

Security:
The Company has assumed joint and several liabilities to the Group's bank debt which at 31 December 2019 amounts to DKK 3.5 million.

17 Related party disclosures

AVISTA Oil Danmark A/S' related parties comprise the following:

Control

AVISTA OIL AG
Bahnhofstrasse 82
31311 Uetze
Germany

AVISTA OIL AG holds the majority of the contributed capital in the Company

Financial statements 1 January – 31 December

Notes

Related party transactions

DKK	2019	2018
Purchases of goods and services from group companies	2,040,393	36,594,454
Sales of goods to group companies	10,189,229	25,996,622
Interest received from group companies	236,115	-
Interest expenses to group companies	-	442,031

Consolidated financial statements

AVISTA OIL Danmark A/S is part of the consolidated financial statements of AVISTA OIL AG, Germany, which is the largest and smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of AVISTA OIL AG can be obtained by contacting the Company.