Monjasa A/S

Strevelinsvej 34
7000 Fredericia
CVR No. 26480531

Annual report 2019

The Annual General Meeting adopted the annual report on 05.06.2020

Rasmus Ravnholdt Knudsen
Chairman of the General Meeting

Contents

Entity details

Entity

Monjasa A/S

Strevelinsvej 34

7000 Fredericia

CVR No.: 26480531

Registered office: Fredericia

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Anders Østergaard

Svend Stenberg Mølholt

Rasmus Ravnholdt Knudsen

Executive Board

Mikkel Lindvig Kannegaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Monjasa A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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.

Fredericia, 05.06.2020

Executive Board

Mikkel Lindvig Kannegaard

Board of Directors

Anders Østergaard

Svend Stenberg Mølholt

Rasmus Ravnholdt Knudsen

Independent auditor's report

To the shareholder of Monjasa A/S

Opinion

We have audited the financial statements of Monjasa A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 05.06.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Lars Siggaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne32208

Kåre Kansonen Valtersdorf
State Authorised Public Accountant
Identification No (MNE) mne34490

Management commentary

Financial highlights

	2019 USD'000	2018 USD'000	2017 USD'000	2016 USD'000	2015 USD'000
Key figures					
Revenue	674,700	642,269	457,250	434,324	700,185
Gross profit/loss	13,173	6,524	2,044	8	27,126
Operating profit/loss	2,607	(3,792)	(7,917)	(12,977)	15,480
Net financials	(2,470)	(5,075)	(910)	(3,364)	(2,686)
Profit/loss for the year	(2,693)	(6,915)	(6,359)	(13,293)	7,627
Total assets	118,702	134,285	84,053	83,036	101,213
Investments in property, plant and equipment	142	450	21	344	640
Equity	24,405	27,098	12,013	18,372	51,665
Ratios					
Gross margin (%)	1.95	1.02	0.45	0.00	3.87
EBIT margin (%)	0.39	(0.59)	(1.73)	(2.99)	2.21
Return on equity (%)	(10.46)	(35.36)	(41.86)	(37.96)	15.90
Equity ratio (%)	20.56	20.18	14.29	22.13	51.05

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross profit/loss * 100
Revenue

EBIT margin (%):
Operating profit/loss * 100
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

The main activity of the company comprises sale, purchase, and transportation of oil products primarily for the maritime industry. Monjasa focuses on providing value-added services such as in-depth product knowledge, geographical knowledge, granting of fuel credit and issuing technical and commercial advice.

Development in activities and finances

Monjasa operations (EBIT) reached USD 3m in 2019 (2018: USD -4m). The operating result was positively impacted by increasing volumes and extensive operational preparations to match supply and demand in connection with the shipping industry's transition towards more environmentally friendly marine fuels effective by 1 January 2020.

The net result after tax for 2019 amounts to USD -3m (2018: USD -7m), which is considered positive and above expectations set in the Annual Report 2018. The net result reflects Monjasa's extensive preparations for IMO 2020 leading to a greater demand for services and products.

Overall, Management expresses satisfaction with the set of results.

Profit/loss for the year in relation to expected developments

Total revenue from the bunker oil activity increased in 2019, as a result of a higher average oil price and increased volume sold, however competition remained strong in some of the main markets.

Uncertainty relating to recognition and measurement

Trade receivables are recognised at amortised cost less provisions for bad and doubtful debts. Provisions are made for assessed probable losses as well as on a general level. The receivables in the balance sheet are not insured in full and residual risk hence exists.

Management assesses that there are no further items in the financial statement which are subject to uncertainty that may have significant impact on results, and therefore, on the true and fair view.

Unusual circumstances affecting recognition and measurement

The Company's financial position at 31 December 2019 as well as the results of the Company's operations for the financial year 2019 are not affected by any unusual circumstances.

Outlook

The 2020 EBIT is expected to be at the same level as 2019 with activity levels expected to develop at a moderate growth rate. A continuation of the Group's initiatives to position Monjasa ahead of the industry curve on quality management and compliance measures is expected to further develop the business by meeting the global shipping industry's increasing demands.

Financial resources

2019 was characterised by increasing oil activity levels and an outlook to a shifting customer demand towards new and higher priced fuel types. In combination, this led to higher working capital needs, which was met by the introduction of new banking partners and additional credit facilities. With adequate working capital in place, the company holds the financial resources to meet Management's expected future demands across all markets.

With an equity ratio of 20.6%, Management further considers the Group to be in a solid financial position to further develop its activities.

Particular risks

Operating risks

Oil activity

The Board of Directors, and the Monjasa Compliance department are acting independently from the operational Group functions. Thereby, they continuously review and manage any developments in the overall operating risks associated to the Company's main business activities.

It is assessed that there are no sizeable uncovered risks in respect of the Company's operations. The Company likewise holds adequate insurances against potential exposures, which could occur to the Company bunker oil operations.

Market risks

The oil activity is only marginally affected by the risk of fluctuations in oil prices, as the oil products are either purchased and sold simultaneously, or otherwise hedged against fluctuations.

Financial risks

Bunker oil

USD is the primary currency applied in the bunkering and tanker activities and there are no currency risks related to exchange rates in the financial statements.

The financial risk from fluctuations in oil prices is either naturally hedged by selling and purchasing transactions happening simultaneously, or otherwise hedged against fluctuations by the use of derivatives.

Monjasa considers oil price volatility a risk to be man- aged and an Oil Price Risk Management Policy is in place, which sets out Monjasa's commitment to efficiently hedge any oil price exposure of the Group.

Monjasa evaluates the oil price exposure based on the aggregated physical inventory, purchase and sales orders as well as agreements with suppliers. On a daily basis, oil price exposure is hedged using derivatives.

Interest rate risks

Operating within the oil and shipping industry often involves extensive capital requirements, which results in financing requirements for companies with high growth. The Group's debt is primarily based on variable interest rates. Therefore, the interest rate has an influence on the Group's results. Management reassesses financing options on a concurrent basis based on a.o. the interest rate development.

Credit risks

Granting credit to counterparts represents a risk in the oil and shipping industries. Management therefore maintains a strong focus on the policies towards approval of trading partners and granting of credit lines to these.

The Company has a separate Credit department, which evaluates all new and existing trading partners in accordance with the credit policy. This includes use of client credit insurance, an updated credit rating model, access to extensive internal and external data sources and advanced Business Intelligence monitoring tools. Models and tools are being regularly updated to fit the state of the industry at all times.

No material changes in 2019 realised on loss on debtors compared to previous year.

Intellectual capital resources

Development in the Company leads to an increasing need for competent employees and a flexible organisation. Therefore, the Company spends increased resources towards attracting new talented employees and on retaining and training current ones. The Company operates a flat organisational structure characterised by close and open dialogue between Management and employees.

Environmental performance

We have a commitment and responsibility to ensure the sustainable future of the areas where we operate, this means we take all reasonable precautions to ensure our business activities cause minimal impact to the environment.

We aim to reduce our environmental footprint by implementing practical and sustainable solutions.
Our environmental impacts include, but are not limited potential oil spill during our bunkering operations and CO2 emissions during both office and operational environment. We have implemented bunker fuel and electricity consumption monitoring through ship energy efficient management plans and quarterly HSEQ reporting, establishing a baseline which will allow us to measure the effectiveness of initiatives during 2020.

In 2019, the Company experienced zero environmental incidents during any operation. We acknowledge that we have a responsibility towards the global environment and climate challenges.

Monjasa maintains accreditation to OHSAS 18001:2007 since 2014, this means an ongoing commitment towards ensuring the health and safety of our employees, con- tractors and community.

The purpose of this certification is to ensure sound management of health and safety risks posed on employees, whilst also ensuring the safety of those who work with us.

During 2019, we conducted interactive HSEQ workshops across the Group to review our risk assessments and ensure that hazards, risks and control measures were completely understood. It was also an opportunity to identify areas for improvement as we embark in the transition to ISO 45001:2018.

ISO 9001: 2015 Quality Management
Customer feedback is important to us. It provides Monjasa a platform for managing and improving our over all business.

We strive to ensure that our customers are happy, and that, should any deviations occur, appropriate action is taken. Monjasa issues Customer Satisfaction Surveys after each delivery in their physical set up.

ISO 14001: 2015 Environmental Management
The purpose of this certification is to ensure we manage and minimise the impact and harmful effects our business activities pose on the environment.

OHSAS 18001: 2007 Occupational Health and Safety Management
Monjasa maintains accreditation to OHSAS 18001:2007 since 2014, this means an ongoing commitment towards ensuring the health and safety of our employees, con- tractors and community.
The purpose of this certification is to ensure sound management of health and safety risks posed on employees, whilst also ensuring the safety of those who work with us.

Statutory report on corporate social responsibility

With reference to the Monjasa Holding A/S' consolidated statement for corporate social responsibility according to Danish Financial Statements Act section 99a sub-clause 8.

Statutory report on the underrepresented gender

This section constitutes Monjasa's statement of compliance with the Danish Financial Statements Act, section 99 (b).

Monjasa is committed to providing equal opportunities at the workplace – we recruit and promote employees based solely on merit rather than focusing on gender equality. We take pride in having a more proportionate gender distribution in the organisation compared to the industry average.

The female composition of employees in the organisation was 38% in 2019, which was in the same range as 2018. The female representation of managers was 29% in 2019 compared to 32% in 2018. While we are aware that the gender composition at manager levels is disproportionate relative to our overall employee gender ratio, we remain steadfast in our view that the most competent and suitable candidates have been selected for the job.

The gender composition in the Board of Directors did not change in 2019. In an effort to achieve the 2022 gender composition of 20% female representation, Monjasa A/S will ensure that the under-represented gender is included on the list of candidates.

Events after the balance sheet date

Management follows the development of the current Covid-19 health situation closely and the impact on our business and employees.

We are following governmental guidelines throughout the world and adjusting our daily work and routines accordingly.

As of May 2020, we have not experienced any material impact on our business or financial performance, however, Management acknowledges increased uncertainty related to global trade volumes and supplies, which may affect our activity level as the health situation develops. Furthermore, we have not seen any negative development in our customers' ability to pay or changes to our financing

After the balance sheet date the company has received capital contribution of USD 10 million from the parent company.

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

Income statement for 2019

	Notes	2019 USD'000	2018 USD '000
Revenue	2	674,700	642,269
Other operating income		5,105	2,630
Cost of sales		(658,489)	(631,973)
Other external expenses		(8,143)	(6,402)
Gross profit/loss		**13,173**	**6,524**
Staff costs	3	(9,194)	(8,896)
Depreciation, amortisation and impairment losses	4	(1,372)	(1,420)
Operating profit/loss		**2,607**	**(3,792)**
Other financial income	5	3,002	1,720
Other financial expenses	6	(5,472)	(6,795)
Profit/loss before tax		**137**	**(8,867)**
Tax on profit/loss for the year	7	(2,830)	1,952
Profit/loss for the year	8	**(2,693)**	**(6,915)**

Balance sheet at 31.12.2019

Assets

	Notes	2019 USD'000	2018 USD'000
Acquired licences		2,734	2,772
Intangible assets	9	**2,734**	**2,772**
Land and buildings		1,135	1,155
Other fixtures and fittings, tools and equipment		456	651
Leasehold improvements		170	161
Property, plant and equipment	10	**1,761**	**1,967**
Other investments		243	243
Deposits		1,274	1,185
Other financial assets	11	**1,517**	**1,428**
Fixed assets		**6,012**	**6,167**
Raw materials and consumables		22,523	22,395
Inventories		**22,523**	**22,395**
Trade receivables		78,012	61,821
Receivables from group enterprises		3,555	11,026
Deferred tax	12	2,538	5,368
Other receivables		3,089	16,804
Prepayments	13	527	588
Receivables		**87,721**	**95,607**
Cash		**2,446**	**10,116**
Current assets		**112,690**	**128,118**
Assets		**118,702**	**134,285**

Equity and liabilities

	Notes	2019 USD'000	2018 USD'000
Contributed capital	14	68	68
Retained earnings		24,337	27,030
Equity		**24,405**	**27,098**
Other payables	15	317	0
Non-current liabilities other than provisions	16	**317**	**0**
Bank loans		16,627	25,582
Trade payables		29,347	37,973
Payables to group enterprises		46,557	30,585
Other payables		1,449	12,975
Deferred income	17	0	72
Current liabilities other than provisions		**93,980**	**107,187**
Liabilities other than provisions		**94,297**	**107,187**
Equity and liabilities		**118,702**	**134,285**

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Statement of changes in equity for 2019

	Contributed capital USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	68	27,030	27,098
Profit/loss for the year	0	(2,693)	(2,693)
Equity end of year	**68**	**24,337**	**24,405**

Notes

1 Events after the balance sheet date

Management follows the development of the current Covid-19 health situation closely and the impact on our business and employees.

We are following governmental guidelines throughout the world and adjusting our daily work and routines accordingly.

We have not experienced any material impact on our business or financial performance, however, Management acknowledges increased uncertainty related to global trade volumes and supplies, which may affect our activity level as the health situation develops. Furthermore, we have not seen any negative development in our customers' ability to pay or changes to our financing.

After the balance sheet date the company has received capital contribution of USD 10 million from the parent company.

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

2 Revenue

The Company's activities are perceived as one segment.

3 Staff costs

	2019 USD'000	2018 USD'000
Wages and salaries	8,528	8,241
Pension costs	588	580
Other social security costs	78	75
	9,194	**8,896**

Average number of full-time employees	**89**	**87**

Remuneration of management is omitted in pursuance of the Danish Financial Statements Act section 96 (b), subsection 3, as only one management person receives remuneration.

4 Depreciation, amortisation and impairment losses

	2019 USD'000	2018 USD'000
Amortisation of intangible assets	1,024	911
Depreciation of property, plant and equipment	348	509
	1,372	**1,420**

5 Other financial income

	2019 USD'000	2018 USD'000
Financial income from group enterprises	38	74
Other interest income	271	276
Exchange rate adjustments	0	701
Other financial income	2,693	669
	3,002	**1,720**

6 Other financial expenses

	2019 USD'000	2018 USD'000
Financial expenses from group enterprises	1,673	1,960
Other interest expenses	649	1,896
Exchange rate adjustments	76	981
Other financial expenses	3,074	1,958
	5,472	**6,795**

7 Tax on profit/loss for the year

	2019 USD'000	2018 USD'000
Change in deferred tax	2,830	(1,952)
	2,830	**(1,952)**

8 Proposed distribution of profit and loss

	2019 USD'000	2018 USD'000
Retained earnings	(2,693)	(6,915)
	(2,693)	**(6,915)**

9 Intangible assets

	Acquired licences USD'000
Cost beginning of year	5,996
Additions	986
Cost end of year	**6,982**
Amortisation and impairment losses beginning of year	(3,224)
Amortisation for the year	(1,024)
Amortisation and impairment losses end of year	**(4,248)**
Carrying amount end of year	**2,734**

10 Property, plant and equipment

	Land and buildings USD'000	Other fixtures and fittings, tools and equipment USD'000	Leasehold improvements USD'000
Cost beginning of year	1,395	4,184	1,053
Additions	0	92	50
Disposals	0	(71)	0
Cost end of year	**1,395**	**4,205**	**1,103**
Depreciation and impairment losses beginning of year	(240)	(3,533)	(892)
Depreciation for the year	(20)	(287)	(41)
Reversal regarding disposals	0	71	0
Depreciation and impairment losses end of year	**(260)**	**(3,749)**	**(933)**
Carrying amount end of year	**1,135**	**456**	**170**

11 Financial assets

	Other investments USD'000	Deposits USD'000
Cost beginning of year	243	1,185
Exchange rate adjustments	0	(14)
Additions	0	109
Disposals	0	(6)
Cost end of year	**243**	**1,274**
Carrying amount end of year	**243**	**1,274**

12 Deferred tax

Changes during the year	2019 USD'000	2018 USD'000
Beginning of year	5,368	1,701
Recognised in the income statement	(2,830)	1,952
Other changes	0	1,715
End of year	**2,538**	**5,368**

Deferred tax is relating to intangible assets, tangible assets and derivative financial instruments.

Deferred tax assets has been impaired by USD 2,764k based on an assessment of utilisation of tax losses carried forward within the foreseeable future (3 years).

13 Prepayments

Prepayments comprises prepaid costs relating to subsequent financial years as freight , insurance etc.

14 Share capital

	Number	Par value USD'000	Nominal value USD'000
Shares	578,431	0,12	68
	578,431		**68**

The share capital is registrered as DKK 578,431.
There has not been changes to the contributed capital in the last 5 years.

15 Other payables

	2019 USD'000	2018 USD'000
Holiday pay obligation	317	0
	317	**0**

16 Non-current liabilities other than provisions

	Due after more than 12 months 2019 USD'000
Other payables	317
	317

17 Deferred income

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

18 Financial instruments

The Company has entered into derivative financial instruments used for fair value hedging of inventory and fair value hedging of firm commitments.

Derivatives used for fair value hedging of inventory

Derivatives maturing within 0-3 months with a net volume of -17 MTS'000 amount to USD -925k at 31 December 2019 (2018: USD 935k).

Derivatives used for fair value hedging of firm commitments

Derivatives maturing within 0-3 months with a net volume of 16 MTS'000 amount to USD 1,161k at 31 December 2019 (2018: USD -7,503k).

Derivatives maturing within 3-12 months with a net volume of 9 MTS'000 amount to USD 306k at 31 December 2019 (2018: USD -3,547k).

Firm commitments

Firm commitments effectually hedge with derivatives with a net volume of 25 MTS'000 amount to USD 1,671 at 31 December 2019 (2018: USD 15,266k).

The Company has no unhedged firm commitments.

19 Unrecognised rental and lease commitments

	2019 USD'000	2018 USD'000
Liabilities under rental or lease agreements until maturity in total	**15,251**	**13,386**
Liabilities under rental agreements or leases with group enterprises until expiry	**5,093**	**3,073**

20 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Endeavour Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. Corporate income tax payable for the Danish jointly taxed companies amounted to USD 0m at 31 December 2019 (2018: USD 0m).

21 Assets charged and collateral

The Company has issued a guarantee for the debt to financial institutions, which at 31 December 2019 amounts to USD 16.6m (2018: USD 0m).

The guarantee consist of the following collaterals: receivables, inventory and floating charge.

Collateral provided for group enterprises

The Company has issued guarantee for the debt to financial institutions of the group enterprise Monjasa Holding A/S, which at 31 December 2019 amounts to USD 35.2m (2018: USD 31m).

22 Related parties with controlling interest

Controlling interest

Endeavour Invest ApS, Fredericia, Denmark, controlling shareholder (ultimate)
Monjasa Holding A/S, Fredericia, Denmark, controlling shareholder
Downstream Holding A/S, Fredericia, Denmark, immediate controlling shareholder

Other related parties

Anders Østergaard, Chairman of the Supervisory Board
Rasmus Ravnholdt Knudsen, member of the Supervisory Board
Svend Stenberg Mølholt, member of the Supervisory Board
Endeavour Invest ApS and related companies

23 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

24 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Endeavour Invest ApS, Fredericia

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Monjasa Holding A/S, Fredericia

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 (large).

The accounting policies applied to these financial statements are consistent with those applied last year.

The functional and presentation currency is USD with the applied exchange rate for 2019: 6.68 (2018: 6.52).

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

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

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

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

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

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

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability or a firm commitment are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability. Firm commitments are confirmed sales contracts for delivery of oil at a predefined volume, port, period and price.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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.

The Entity is jointly taxed with the Danish Parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Software is measured at cost less any accumulated amortisation and impairment losses or at a lower recoverable amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Aquired licenses are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

nterest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

Buildings	2-8 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted securities and deposits which are measured at cost at the balance sheet date.

Inventories

Inventories are measured at the lower of cost using the weighted average 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.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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
Cash flow statement has been omitted in pursuance of the Danish Financial Statements Act section 86, subsection 4. Cash flows are included in the Consolidated Cash Flow Statement for Monjasa Holding A/S, Business Registration No. 33 15 07 09.