# Team Tankers Management A/S

Strandvejen 58
DK-2900 Hellerup

CVR no. 29 68 75 95

## Annual report 2018

Approved at the Company's annual general meeting on 3 May 2019

Chairman:

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Hans P. Feringa

## Contents

## Management's review

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Team Tankers Management A/S for the financial year 1 January – 31 December 2018.

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 financial position at 31 December 2018 and of the results of its operations for the financial year 1 January – 31 December 2018.

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

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

3 May 2019

**Executive Board:**

Malene Hald Pedersen

**Board of Directors:**

Hans P. Feringa
Chairman

Morten Arntzen

Michael Vilson

## Independent auditor's report

### To the shareholders of Team Tankers Management A/S

### Opinion

We have audited the financial statements of Team Tankers Management A/S for the financial year 1 January – 31 December 2018, which comprise 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 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.

### 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 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 the financial statements.

**Independent auditor's report**

As part of an audit conducted in accordance with ISAs and 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 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 note 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.

**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, 3 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Andersen
State Authorised
Public Accountant
MNE no.: mne34313

## Management's review

### Financial highlights

| ($ '000) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 9,201 | 6,914 | 12,081 | 15,867 | 19,604 |
| Ordinary operating profit/loss | 5,779 | 4,285 | 4,292 | 7,010 | 7,537 |
| Profit/loss from financial income and expenses | -265 | -651 | -1,577 | -1,172 | -1,831 |
| Profit for the year | -303 | -480 | -1,742 | 27,308 | 269 |
| | | | | | |
| Non-current assets | 449 | 596 | 1,663 | 1,003 | 3,362 |
| Current assets | 9,114 | 5,844 | 6,675 | 7,373 | 20,538 |
| Total assets | 9,563 | 6,440 | 8,338 | 8,376 | 23,899 |
| Equity | 3,031 | 3,364 | 3,844 | 5,586 | 5,224 |
| Non-current liabilities | - | - | - | - | 9,558 |
| Current liabilities | 6,532 | 3,076 | 4,495 | 2,751 | 9,117 |
| **Financial ratios** | | | | | |
| Profit margin (%) | -3 | -7 | -14 | 172 | 1 |
| Current ratio (%) | 1 | 2 | 2 | 3 | 2 |
| Equity ratio (%) | 32 | 52 | 46 | 67 | 22 |
| Return on equity (%) | -10 | -13 | -37 | 505 | 5 |
| | | | | | |
| Average number of full-time employees | 36 | 29 | 36 | 39 | 40 |

For terms and definitions of financial ratios, please see the accounting policies.

# Management's review

## Management commentary

### Business review
Team Tankers Management A/S (the "Company") is primarily a management company with no direct or indirect ownership of ships. The Company is a wholly owned subsidiary of Team Tankers Management Holding AS registered in Norway, which is a direct subsidiary of Team Tankers International Ltd. The Company's most important activity is to provide chemical tanker commercial management and technical management services to subsidiaries of the Team Tankers International Group (the "Group").

### Financial review
There was no vessel activity or ship revenues in 2018. In the prior years, the Company managed the bareboat agreement for the vessel Sichem Singapore. This agreement was terminated at the end of 2016. Commercial management and technical management services were performed by the Company and billed to the Group. Expenses of the Company include office salaries and benefits, rent, depreciation and general office expenses. The result in 2018 was a net loss in the amount of USD 0.3 million compared to a net loss of USD 0.5 million in 2017.

Equity on the Balance Sheet at 31 December 2018 was USD 3.0 million as compared to USD 3.4 million in 2017.

Management expects, based on the financial position, budget and strategic plans, that the company's capital resources are appropriate for the continued operation of the company.

### Special risks

***Business risks***
Market conditions for shipping activities and services are volatile and may vary considerably from year to year. The Company's earnings are dependent on developments in the general freight market.

***Financial risks***
*Currency risks*
The Company's earnings and balance sheet items are mainly in USD. Some of the earnings are in EUR and most of the company's administrative costs are in DKK. The Company's result is therefore dependent on the currency difference in price between EUR and USD, as well as between DKK and USD.

*Knowledge resources*
The company's business consists of providing management services for chemical tanker owners. In connection with the company's operation, the company places special demands on knowledge resources, including general knowledge of shipping, special conditions that characterize chemical tankers, including chartering, operations, technology, processes and legal.

***Events after the balance sheet date***
There are no additional events, other than those disclosed above which has occurred after the financial year, which could significantly affect the assessment of the company's financial position.

## Financial statements 1 January – 31 December

### Income statement

| *($ '000)* | Note | 2018 | 2017 |
|---|---|---|---|
| Revenue | | 9,201 | 6,914 |
| Direct costs | | - | (26) |
| Other external expenses | | (3,422) | (2,603) |
| **Gross profit** | | **5,779** | **4,285** |
| Staff costs | 3 | (5,885) | (4,767) |
| Depreciation | | (159) | (169) |
| **Operating loss** | | **(265)** | **(651)** |
| Financial income | 4 | 36 | 190 |
| Financial expenses | 5 | (74) | (19) |
| **(Loss) before tax** | | **(303)** | **(480)** |
| Tax for the year | | - | - |
| **Loss for the year** | | **(303)** | **(480)** |
| **Recommended appropriation of profit/loss** | | | |
| Dividend proposed for the year | | - | - |
| Transferred to reserves under equity | | (303) | (480) |
| **Appropriation of loss** | | **(303)** | **(480)** |

## Financial statements 1 January – 31 December

### Balance sheet

| *($ '000)* | Note | 2018<br>31 December | 2017<br>31 December |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Development projects | 6 | 418 | 556 |
| | | **418** | **556** |
| **Property, plant and equipment** | | | |
| Office equipment | 7 | 15 | 40 |
| | | **15** | **40** |
| **Financial assets** | | | |
| Investment in associates | 8 | 46 | - |
| | | **46** | **-** |
| **Total non-current assets** | | **479** | **596** |
| **Current assets** | | | |
| Other receivables | | 260 | 251 |
| Receivables from group entities | | 6,810 | 1,652 |
| Prepayments | | 272 | 349 |
| | | **7,342** | **2,253** |
| Cash | | 1,772 | 3,591 |
| **Total current assets** | | **9,114** | **5,844** |
| **TOTAL ASSETS** | | **9,593** | **6,440** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 10 | 60 | 60 |
| Profit and loss account | | 3,001 | 3,304 |
| **Total Equity** | | **3,061** | **3,364** |
| **Current liabilities** | | | |
| Trade payables | | 1,027 | 707 |
| Other payables | | 794 | 734 |
| Payables to group entities | | 4,711 | 1,635 |
| **Total current liabilities** | | **6,532** | **3,076** |
| **Total liabilities** | | **6,532** | **3,076** |
| **TOTAL EQUITY AND LIABILITIES** | | **9,593** | **6,440** |

Note 1 Basis of Presentation
Note 2 Accounting Policies
Note 9 Contractual obligations
Note 11 Related party

## Financial statements 1 January – 31 December

### Statement of changes in equity

| ($ '000) | Share capital | Reserve for development costs | Profit and loss account | Total |
|---|---|---|---|---|
| **Equity at 1 January 2017** | **60** | **556** | **3,228** | **3,844** |
| Transfer, appropriation of profit/(loss) | - | (139) | (341) | (480) |
| **Equity at 31 December 2017** | **60** | **417** | **2,887** | **3,364** |
| Transfer, appropriation of profit/(loss) | - | (139) | (164) | (303) |
| **Equity at 31 December 2018** | **60** | **278** | **2,723** | **3,061** |

## Financial statements 1 January – 31 December

### Notes

### 1 Basis of Presentation

The annual report of Team Tankers Management A/S has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

### 2 Accounting policies

**Foreign currency translation**

The Company's presentation currency is United States Dollars ("USD"). On initial recognition, transactions denominated in foreign currencies other than USD are translated at the exchange rates prevailing at the date of transaction. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses. The currency exchange rate used as of 31 December 2018 is 0.1589 and 31 December 2017 is 0.1513.

**Income Statement**

<u>Revenue</u>

Revenues generally include commercial management fees and technical management fees charged to the Group's operating fleet for vessel consulting and advisory services. The Company also receives administrative revenue from the Group for its costs and services rendered through the Copenhagen office. Management fees are invoiced and collected quarterly.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties.

<u>Staff cost</u>

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

<u>Other external expenses</u>

Other external expenses include costs incurred in the year to manage and administer the Company, including office premises and general office costs, information technology, and external fees.

<u>Foreign currencies and financial income/expenses</u>

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

Financial income and expenses comprise interest income and bank fees and currency exchange differences recognized on transactions denominated in foreign currencies.

## Financial statements 1 January – 31 December

### Notes

### 2 Accounting policies (continued)

Tax for the year

Tax for the year include the current tax for the year and changes in deferred tax. 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.

### Balance Sheet

Development projects

Development projects comprise of external costs and charges directly attributable to the Company's development activities. Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years. The residual value is determined at the time of acquisition and are reassessed every year. The residual value is USD 0.

Office Equipment

Office equipment is measured at cost less accumulated depreciation. Cost comprises the purchase price and any costs directly attributable to the installation until the date when the asset is available for use.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are 5 years. The residual value is determined at the time of acquisition and are reassessed every year. The residual value is USD 0.

Investment in associates

Investment in associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of possible impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Impairment of non-financial assets

At each reporting date the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life. Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

## Financial statements 1 January – 31 December

**Notes**

**2 Accounting policies (continued)**

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments consist of costs paid for future periods and is mainly comprised of office rent and IT software subscriptions and licenses.

Cash

Cash comprises cash at banks and cash on hand.

Equity

***Reserve for development costs***

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or if they are no more part of the Company's operations by a transfer directly to distributable reserves under equity.

Income tax and deferred tax

Current tax payable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on accounts.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised at the expected value of their utilisation; 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Other liabilities are measured at net realisable value.

## Financial statements 1 January – 31 December

### Notes

### 2 Accounting policies (continued)

#### Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

| Financial ratios | Ratio calculation |
|---|---|
| Profit margin | Profit for the year divided by revenue |
| Current ratio | Current assets divided by current liabilities |
| Equity ratio | Total equity divided by total assets |
| Return on equity | Net profit divided by average equity |

### 3 Staff costs

| ($ '000) | 2018 | 2017 |
|---|---|---|
| Wages and salaries | 4,832 | 4,035 |
| Pensions | 391 | 337 |
| Other social security costs | 38 | 27 |
| Other staff costs | 624 | 368 |
| **Total staff costs** | **5,885** | **4,767** |
| | | |
| **Average number of full-time employees** | **36** | **29** |

### 4 Financial income

| ($ '000) | 2018 | 2017 |
|---|---|---|
| Foreign exchange gain | 23 | 159 |
| Other financial income | 13 | 31 |
| **Total financial income** | **36** | **190** |

### 5 Financial expenses

| ($ '000) | 2018 | 2017 |
|---|---|---|
| Foreign exchange losses | (57) | - |
| Other financial expenses | (17) | (19) |
| **Total financial expenses** | **(74)** | **(19)** |

## Financial statements 1 January – 31 December

### Notes

### 6 Intangible assets

| ($ '000) | Development projects |
|---|---|
| **Cost at 1 January 2018** | **696** |
| Additions | - |
| **Cost at 31 December 2018** | **696** |
| **Amortisation and impairment losses at 1 January 2018** | **(139)** |
| Amortisation | (139) |
| **Amortisation and impairment losses at 31 December 2018** | **(278)** |
| **Carrying amount at 31 December 2018** | **418** |

***Development projects in progress***

Development projects include development of software. The related expenses primarily consist of external expenses in the form of consulting costs and expense which are capitalized and recorded on the Company's balance sheet. Amortization on the gross value of USD 696 thousand commenced 1 January 2017 following the completion of the software development project once the asset was placed into service. There have been no additions to software development costs in 2017 or 2018.

### 7 Property, plant and equipment

| ($ '000) | Office Equipment |
|---|---|
| **Cost at 1 January 2018** | **736** |
| Additions | - |
| Transferred/disposal | (4) |
| **Cost at 31 December 2018** | **732** |
| **Depreciation and impairment losses at 1 January 2018** | **(696)** |
| Depreciation | (20) |
| Impairment losses | - |
| Transferred/disposal | (1) |
| **Depreciation and impairment losses at 31 December 2018** | **(717)** |
| **Carrying amount at 31 December 2018** | **15** |
| **Amortised over** | **5 years** |

## Financial statements 1 January – 31 December

### Notes

### 8 Financial assets

| ($ '000) | Investment in associates |
|---|---|
| **Cost at 1 January 2018** | - |
| Share purchase | 16 |
| Cash infusion | 30 |
| **Cost at 31 December 2018** | **46** |

**Carrying amount at 31 December**

*($ '000)*

| Subsidiary | Registered office | Ownership % | Equity | Results |
|---|---|---|---|---|
| Laurin Maritime Philippines Inc.* | Philippines | 24.99% | 135 | 14 |

*In 2019, the subsidiary changed its name to Team Tankers Crewing, Inc.

In 2018, Rederiaktiebolaget Due ("Rederi") was the owner of 24.99 per cent of 874,998 shares in Laurin Maritime Philippines Inc. ("Laurin"), a company duly organised and existing under the laws of the Philippines. Team Tankers Management A/S purchased the Laurin shares from Rederi, transferring all rights, title, and interest in the shares for a total purchase price of Philippine Peso 874,998 (USD 16 thousand).

The Company also contributed capital of USD 30 thousand to Laurin in December 2018.

### 9 Contractual obligations

The Company is contractually obligated to pay office rent through the end of the lease term 30 June 2020. The remaining lease obligation as of 31 December 2018 is USD 559 thousand.

### 10 Share capital

The share capital USD 59,457 comprises 500 shares of DKK 1.000 nominal value each. All shares rank equally. The share capital has remained unchanged for the last 5 years.

### 11 Related party

*Parties exercising control*

| Related party | Domicile | Basis for control |
|---|---|---|
| Team Tankers Management AS | Norway | Parent company |

*Information about consolidated financial statements*

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Team Tankers International Ltd. | Bermuda | www.teamtankers.com |