

# Inter Terminals AOT ApS

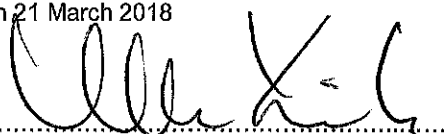
Holtengårdsvej 25, 4230 Skælskør

CVR No. 31 08 02 07

## Annual report for the financial year ended 31 December 2017

7th financial year

Adopted at the annual general meeting  
on 21 March 2018

A handwritten signature in black ink, appearing to be 'Ole Kih', written over a horizontal dotted line.

chairman

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## Company details

Name	Inter Terminals AOT ApS
Address	Holtengårdsvej 25 DK-4230 Skælskør
CVR no.	31 08 02 07
Financial year	1 January – 31 December
Website	<a href="http://www.interterminals.com">www.interterminals.com</a>
Telephone	+45 2466 4353
Board of Directors	Michael Holmstrøm Alexandersen, chairman Hans Peder Krogh Mortensen Carsten Uffe Kirk
Executive Board	Carsten Uffe Kirk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4 DK-2000 Frederiksberg

## Statement by the Board of Directors and the Executive Board on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Inter Terminals AOT ApS for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in 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 2017, results of its operations and cash flows for the financial year 1 January – 31 December 2017.

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.

Copenhagen, 21 March 2018

Executive Board:



Carsten Uffe Kirk

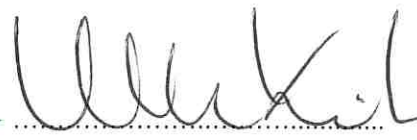
Board of Directors:



Michael Holmstrøm  
Alexandersen  
Chairman



Hans Peder Krogh Mortensen



Carsten Uffe Kirk

## **Independent auditor's report**

We have audited the financial statements of Inter Terminals AOT ApS for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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.

### **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 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 concluded 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 misstatements of the Management's review.

### **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 International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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.

## **Independent auditor's report - continued**

### **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 judgment and maintain professional skepticism 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 conclusion is 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.

Copenhagen, 21 March 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Christian Schwenn Johansen  
State Authorised Public Accountant  
MNE no.: mne33234

## Financial highlights

### Key figures

	2017 EUR'000	2016 EUR'000	2015 EUR'000	2014 EUR'000	2013 EUR'000
<b>Statement of comprehensive income</b>					
Revenue	12,317	13,121	9,550	11,036	11,601
Gross profit	9,982	10,992	7,308	9,124	9,469
Operating profit	5,070	7,438	4,424	4,731	4,174
Net financials	122	254	226	103	(5)
Profit for the year	4,049	6,064	3,624	3,740	4,050
<b>Statement of financial position</b>					
Total equity	89,362	93,313	92,839	92,815	94,574
Balance sheet total	104,181	106,865	103,493	101,322	102,264
Cash flows from operating activities	12,786	9,340	6,609	4,108	3,982
Investment in property, plant and equipment	4,766	3,965	3,390	1,116	1,373
<b>Ratios</b>					
Gross margin (%)	81	84	77	83	82
EBIT-margin (%)	41	57	47	43	36
Return on assets (%)	4	6	4	4	4
Equity ratio (%)	86	87	90	92	92
Return on equity (%)	5	6	4	4	4

## **Management's review**

### **Principle activities of the Company**

The Company provides fuel oil and vacuum gas oil storage and trans-shipment services to a range of oil companies and oil trading companies using its storage terminals at Asnæs, Denmark. The terminal offers a range of tank capacities up to 90,000m<sup>3</sup> across 11 mild steel tanks.

The Company's ultimate parent is Inter Pipeline Limited; a major Canadian petroleum transportation, natural gas to liquids extraction and bulk liquids storage business based in Calgary, Alberta, Canada.

The Company realised a profit after tax of EUR 4,049 thousand for the year and revenue of EUR 12,317 thousand.

### **Management's review**

The company is certified according to ISO 14001, OHSAS 18001 and is AEO - Authorised economic operator. All tanks are approved for Customs Warehousing.

2017 revenue was EUR 804 thousand lower than prior year mainly due to market being in a state of backwardation most part of the year and respective lower rental activity and tanks have been taken out for inspection. During 2017, the Company made investments of EUR 4,766 thousand in property, plant and equipment.

### **Risk management**

The Company's approach to risk management is detailed further in the notes to the accompanying financial statements.

### **Capital management**

The Company raises capital through its principle activities as well as through external financing, where required. Inter Terminals AOT ApS' Management assesses on a regular basis that the Company's capital structure is consistent with its goals. The overall objective is to secure that the Company has a capital structure which supports economic growth, while maximising returns. The Company's overall strategy remains unchanged from last year.

### **Environmental matters**

The Company has a responsibility to restore the site at Asnæs to its original nature by way of decommissioning tanks e.g. provisions are made in order to fulfil this responsibility.

### **Outlook**

The Company's strategy is to continue to provide its customers with safe, reliable, market responsive and innovative services and solutions. Management expects the Company to realise a profit for the coming year.

### **Events after the balance sheet date**

No events have occurred after the financial year-end, which could significantly affect the Company's financial position.



**Statement of comprehensive income  
for the year ended 31 December**

	Notes	2017 EUR'000	2016 EUR'000
Revenue		12,317	13,121
Operating costs		<u>(2,335)</u>	<u>(2,129)</u>
<b>Gross profit</b>		<b>9,982</b>	<b>10,992</b>
Staff costs	4	(819)	(645)
Depreciation of property, plant and equipment	3, 11	(2,214)	(1,892)
Write down of scrapped property, plant and equipment	11	(783)	(10)
General and administrative costs	5	<u>(1,096)</u>	<u>(1,007)</u>
<b>Operating profit</b>		<b>5,070</b>	<b>7,438</b>
Financial income	6	235	430
Financial expenses	7	<u>(113)</u>	<u>(176)</u>
<b>Pre-tax profit</b>		<b>5,192</b>	<b>7,692</b>
Tax for the year	8	<u>(1,143)</u>	<u>(1,628)</u>
<b>Profit for the year</b>		<b><u>4,049</u></b>	<b><u>6,064</u></b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<b><u>4,049</u></b>	<b><u>6,064</u></b>

No dividend was declared by the Company at the date of the report.

**Statement of financial position  
at 31 December**

	Notes	2017 EUR'000	2016 EUR'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	9,10	<u>46,324</u>	<u>46,324</u>
<b>Intangible assets</b>		<b><u>46,324</u></b>	<b><u>46,324</u></b>
Property, plant and equipment	11	<u>53,723</u>	<u>51,503</u>
<b>Total property, plant and equipment</b>		<b><u>53,723</u></b>	<b><u>51,503</u></b>
<b>Total non-current assets</b>		<b><u>100,047</u></b>	<b><u>97,827</u></b>
<b>Current assets</b>			
Trade receivables	13	688	1,576
Receivables from group entities	21	2,230	6,943
Prepayments	14	179	178
Other receivables		957	281
Cash		<u>80</u>	<u>60</u>
<b>Total current assets</b>	15	<b><u>4,134</u></b>	<b><u>9,038</u></b>
<b>Total assets</b>		<b><u>104,181</u></b>	<b><u>106,865</u></b>

## Statement of financial position at 31 December

	Notes	2017 EUR'000	2016 EUR'000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	11	11
Retained earnings		<u>89,351</u>	<u>93,302</u>
<b>Total equity</b>		<u><b>89,362</b></u>	<u><b>93,313</b></u>
<b>Liabilities</b>			
Provisions	19	3,349	2,929
Deferred tax	12	<u>7,256</u>	<u>5,877</u>
<b>Non-current liabilities</b>		<u><b>10,605</b></u>	<u><b>8,806</b></u>
Trade payables		1,202	405
Payables to group entities	21	2,901	3,611
Other payables		<u>111</u>	<u>729</u>
<b>Current liabilities</b>	15	<u><b>4,214</b></u>	<u><b>4,745</b></u>
<b>Total liabilities</b>		<u><b>14,819</b></u>	<u><b>13,552</b></u>
<b>Total equity and liabilities</b>		<u><b>104,181</b></u>	<u><b>106,865</b></u>
<b>Financial assets and liabilities</b>	15		
<b>Financial risks</b>	16		
<b>Contingent liabilities, security for loans and other financial obligations</b>	20		
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## Statement of changes in equity

EUR'000	<u>Share capital (Note 17)</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Equity at 1/1 2016</b>	<b><u>11</u></b>	<b><u>92,828</u></b>	<b><u>92,839</u></b>
Profit for the year	-	6,064	6,064
Other comprehensive income for the year	-	-	-
Dividend distributed (Note 18)	<u>-</u>	<u>(5,590)</u>	<u>(5,590)</u>
<b>Equity at 31/12 2016</b>	<b><u>11</u></b>	<b><u>93,302</u></b>	<b><u>93,313</u></b>
<b>Equity at 1/1 2017</b>	<b><u>11</u></b>	<b><u>93,302</u></b>	<b><u>93,313</u></b>
Profit for the year	-	4,049	4,049
Other comprehensive income for the year	-	-	-
Dividend distributed (Note 18)	<u>-</u>	<u>(8,000)</u>	<u>(8,000)</u>
<b>Equity at 31/12 2017</b>	<b><u>11</u></b>	<b><u>89,351</u></b>	<b><u>89,362</u></b>

## Cash flow statement

	Notes	2017 EUR'000	2016 EUR'000
<b>Pre-tax profit</b>		<b>5,192</b>	<b>7,692</b>
<b>Cash flow changes:</b>			
Depreciation of property, plant and equipment	3	2,214	1,892
Financial income	6	(235)	(430)
Financial expenses	7	56	110
Unwinding of discounting on decommissioning obligation	7	57	66
Loss on disposal of fixed assets		784	10
<b>Changes in working capital:</b>			
Changes in receivables		211	(536)
Changes in receivables from group entities		4,114	(852)
Changes in other current liabilities		<u>214</u>	<u>1,067</u>
		<b><u>12,607</u></b>	<b><u>9,019</u></b>
Interest received		235	430
Interest paid		<u>(56)</u>	<u>(109)</u>
<b>Cash flows from operating activities</b>		<b><u>12,786</u></b>	<b><u>9,340</u></b>
Purchase of property, plant and equipment	11	<u>(4,766)</u>	<u>(3,965)</u>
<b>Cash flows from investing activities</b>		<b><u>(4,766)</u></b>	<b><u>(3,965)</u></b>
Dividend distributed	18	<u>(8,000)</u>	<u>(5,590)</u>
<b>Cash flows from financing activities</b>		<b><u>(8,000)</u></b>	<b><u>(5,590)</u></b>
<b>Net cash flow for the year</b>		<b><u>20</u></b>	<b><u>(215)</u></b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at 1/1		60	275
Net cash flow for the year		<u>20</u>	<u>(215)</u>
<b>Cash and cash equivalents at 31/12</b>		<b><u>80</u></b>	<b><u>60</u></b>

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## **Notes**

### **Note 1. Accounting policies**

#### **Corporate information**

The financial statements of Inter Terminals AOT ApS for the year ended 31 December 2017 were authorised for issue in accordance with the resolution of the Board of Directors on 21 March 2018. Inter Terminals AOT ApS is a private limited company incorporated and domiciled in Denmark. The registered office is located at Asnæsvej 16C, Kalundborg.

The Company is principally engaged in the provision of fuel oil and vacuum gas oil storage and trans-shipment services. The Company's ultimate parent is Inter Pipeline Limited based in Calgary, Alberta. Information on other related-party relationships of the Company is provided in Note 21.

#### **Basis for preparation**

The annual report of Inter Terminals AOT ApS for 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The annual report is presented in EUR (thousands), which is the Company's functional currency.

The annual report has been prepared on a historical cost basis, except for environmental provisions and decommissioning obligations that have been measured at fair value.

The accounting policies are unchanged from last year.

#### **New and amended standards and bases for conclusion**

##### **Standards effective in 2017**

A number of new standards and amendments to standards and interpretations were issued by the IASB that became effective during 2017. The Company applied for the first time the amendments to IAS 7, which are effective for annual periods beginning on or after 1 January 2017. No other new or amended standards had an effect on the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Historically, the Company has adopted standards relevant to the Company, when they become effective.

**Amendments to IAS 7 Statement of Cash Flows:** The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 15.1.

##### **Future accounting pronouncements**

Certain new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory for accounting periods beginning on or after 1 January 2018 or later periods with early adoption permitted. The standards impacted are as follows:

**IFRS 15 Revenue from Contracts with Customers (IFRS 15):** IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations and shall be applied to annual periods beginning on or after 1 January 2018, with early adoption permitted. IFRS 15 establishes a control based revenue recognition model under which revenue is recognised when control of the underlying goods or services for the particular performance obligation is transferred to the customer.

## Notes

### Note 1. Accounting policies - continued

IFRS 15 will primarily affect the timing of recognition under multiple element arrangements. Under multiple element arrangements, although the total revenue recognised during the term of the contract will be largely unaffected, the allocation of the transaction price to the delivered goods or services may result in revenue being deferred or accelerated from its associated cash flows. For short-term commodity-based arrangements, no significant changes are expected at adoption of IFRS 15.

IFRS 15 is required to be applied retrospectively to all revenue contracts using either: (i) a full retrospective approach with restatement of all prior periods presented; or (ii) a modified retrospective approach where the cumulative effect of initially applying the new standard is recognised as an adjustment to opening retained earnings in the period of adoption. The Company will adopt the standard using the modified retrospective approach.

The Company has completed its assessment and the adoption of IFRS 15 will not have a materially effect on the timing or amount of revenue recognised.

**IFRS 9 Financial Instruments (IFRS 9):** IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and shall be applied to annual periods beginning on or after 1 January 2018 with early adoption permitted. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 addresses the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. During 2017, the Company has performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity.

**IFRS 16 Leases** replaces IAS 17 Leases and shall be applied to annual periods beginning on or after 1 January 2019, with early adoption permitted. IFRS 16 establishes a single, on-balance sheet accounting model for lessees which will result in the recognition of a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. During 2017, the Company has performed an impact assessment of IFRS 16. Overall, the Company expects no significant impact on its financial statements.

### Foreign currency translation

A functional currency is determined for the Company. The functional currency is the currency of the primary economic environment in which the Company operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the profit for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the profit for the year as financial income or expenses.



## **Notes**

### **Note 1. Accounting policies - continued**

#### **Statement of comprehensive income**

##### **Revenue recognition**

Revenue is recognised in the statement of comprehensive income when it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognised in the statement of comprehensive income as services are rendered. Fixed and variable tank rentals including minimum guaranteed throughputs are recognised on a straight-line basis over the term of the contract. Revenue from excess throughputs and other services is recognised once the provision of the services occurs. If the revenue cannot be reliably measured, only the income up to the level of the expenses incurred will be recognised.

##### **Operating costs**

Operating costs comprise repair and maintenance costs, fuel and power costs and other operating expenses primarily related to the nature of Company's activities.

##### **General and administrative costs**

General and administrative costs comprise items secondary in nature to the Company's activities, including gains and losses on ongoing disposals and replacement of property, plant and equipment.

Gains on the sale of assets are deemed realised when the benefits and the risks of the sale are entirely borne by the buyer and there is no uncertainty as to whether the agreed payment has been received.

Losses on the sale of assets are recognised as soon as they are foreseen.

##### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, capital gains and losses relating to receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme. Interest is recognised under the accrual basis of accounting.

Over time, the discounted decommissioning obligation is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance expense.

##### **Tax for the year**

All Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

The income tax expense for the year, which consists of current tax, joint taxation contributions for the year and changes in deferred tax, is recognised in the profit for the year as regards the portion that is attributable to the profit for the year, and directly in other comprehensive income as regards the portion that relates to entries directly in other comprehensive income.

## Notes

### Note 1. Accounting policies - continued

#### Statement of financial position

##### Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;
- Or, cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or, there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

##### Intangible assets

On initial recognition, goodwill is measured in the statement of financial position at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment at each year-end. Goodwill is not amortised. The carrying amount of goodwill is allocated to the Company's cash-generating units at the acquisition date. The determination of cash-generating units follows organisational and internal reporting structure.

##### Property, plant and equipment

Property, plant and equipment comprise land, piers, buildings, tank storage terminals and machinery and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers and labour. Specific and general borrowing costs attributable to a construction period are recognised in the cost of the asset being constructed.

The cost is increased by the present value of the estimated obligations for dismantling and removing the asset and restoring the site to the extent that they are recognised as a provision. Where individual components of an asset have different useful lives, they are accounted for as separate items, which are depreciated separately.

## Notes

### Note 1. Accounting policies - continued

Subsequent expenses, for example, in connection with the replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Company from the expenses incurred. Replaced parts are derecognised from the statement of financial position, and their carrying amount is taken to the profit for the year. All other repair and maintenance expenses are recognised in the profit for the year as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. The useful life of the main assets is as follows:

Buildings	20-60 years
Piers	20-40 years
Tank storage equipment	20-70 years
Plant and machinery	3-50 years

Land is not depreciated.

The basis of depreciation is determined on the basis of the asset's residual value less any impairment losses. The residual value is determined at the acquisition date and reassessed annually. Depreciation ceases if the residual value exceeds the carrying amount of the individual components.

If the depreciation period or the residual value changes then the effect on depreciation is recognised prospectively as a change in accounting estimates.

### Impairment of non-current assets

Goodwill is tested for impairment annually, initially before the end of the year of acquisition.

The carrying amount of goodwill is tested for impairment, along with the carrying amounts of the other non-current assets of the cash-generating unit to which the goodwill has been allocated and written down to the recoverable amount via profit for the year if the carrying amount exceeds the recoverable amount.

The carrying amounts of property, plant and equipment are tested annually to determine if any indication of impairment exists. If any such indication exists, the recoverable amount of the asset is determined.

The recoverable amount is the higher of fair value, less expected selling expenses, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current interest rate and the risks specifically related to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to property, plant and equipment are reversed to the extent that the assumptions or estimates that led to the impairment have changed. Impairment losses are only reversed to the extent that the new carrying amount of the asset does not exceed the value of the asset after depreciation had no impairment losses been charged.

### Loans and receivables

Trade receivables, receivables from related parties and other receivables are classified as "loans and receivables" and recognised as current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

## Notes

### Note 1. Accounting policies - continued

Loans and receivables are initially recognised at fair value. Subsequent to initial recognition, loans and receivables are measured at amortised cost less any impairment losses.

If there is any objective evidence of impairment of an individual receivable, the receivable is written down individually.

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

### Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

### Cash

Cash in the statement of financial position comprise cash at banks and in hand.

### Equity

Dividend proposed for the year is disclosed in the notes to the financial statements and is therefore not recognised as a liability at 31 December.

### Income tax and deferred tax

Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for taxes paid on account. Deferred tax is measured using the balance sheet liability method, providing for all temporary differences between the carrying amounts and the tax base of assets and liabilities. However, temporary differences are not provided for in respect of goodwill not deductible for tax purposes, office properties and other items - apart from business combinations - where temporary differences have arisen at the acquisition date without having any effect on either profit or taxable income.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets and current tax liabilities or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is measured in accordance with the tax rules and tax rates that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit for the year.

The Company has established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as interpretations of tax regulations, etc. The actual obligation may deviate and be dependent on the outcome of litigations and settlements with the relevant tax authorities. At 31 December 2017 and 2016, the Company has not recognised any provisions for uncertain tax positions.

## **Notes**

### **Note 1. Accounting policies - continued**

#### **Provisions**

Provisions are recognised when, as a result of an event occurring before or at the balance sheet date, the Company has a legal or constructive obligation, the settlement of which is expected to result in an outflow from the Company of resources embodying economic benefits.

In measuring provisions, the costs required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. A pre-tax discount rate is used that reflects the general interest-rate level in the market. The change in present values for the financial year is recognised under financial expenses.

If it is considered unlikely that an outflow of resources embodying economic benefits will be required to settle an obligation, or if the obligation cannot be measured reliably, the obligation is accounted for as a contingent liability that is not recognised in the statement of financial position. Information about material contingent liabilities is disclosed in the notes.

#### **Decommissioning obligations**

Decommissioning obligations are legal obligations that represent the present value of the expected cost to be incurred upon the termination of operations and closure of the storage facilities. The estimated costs for asset retirement obligations include such activities as dismantling, demolition and disposal for the facilities and equipment, as well as remediation and restoration of the plant sites, but not its temporary removal from service.

The fair value of a liability for a decommissioning obligation is recognised in the period in which it is incurred if the fair value can be reasonably estimated. The liability accretes to its full value over time through charges to financial expenses or until the Company settles the obligation. In addition, the asset retirement cost, equal to the estimated fair value of the decommissioning obligation, is capitalised as part of the cost of the related property, plant and equipment and depreciated over the estimated useful life of the asset.

#### **Financial liabilities**

Financial liabilities comprise trade and other payables to public authorities, etc.

Trade payables and other payables, including payables to group entities, are measured at amortised cost.

#### **Cash flow statement**

The cash flow statement shows how cash and cash equivalents at the Company have changed over the reporting period. In accordance with IAS 7, cash flows are divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise cash on hand and demand deposits with banks and other financial institutions.

Cash flows from operating activities are determined using the indirect method as profit (loss) before depreciation, amortisation and impairment losses adjusted for changes in provisions, change in net working capital, interest received and interest paid, and income tax paid. Trade payables relating to purchases of property, plant and equipment are not recognised in change in net working capital.

Cash flows from investing activities comprise payments in connection with the purchase and sale of property, plant and equipment and other non-current assets, as well as payments in connection with the divestment of entities and activities.

## Notes

### Note 1. Accounting policies - continued

Cash flows from financing activities comprise changes in the size or composition of the share capital, expenses associated with such changes and dividend payments to owners. Cash flows from financing activities also include the raising of loans and instalments on loans.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

### Financial highlights

#### **Gross margin:**

Gross profit / Revenue \* 100

#### **EBIT margin**

Operating profit (EBIT) / Revenue \* 100

#### **Return on assets**

Profit for the year / Total assets \* 100

#### **Equity ratio**

Equity / Total assets \* 100

#### **Return on equity**

Profit for the year / Total equity \* 100

### Note 2. Significant accounting estimates and judgments

In connection with the preparation of the financial statements, Management makes a number of judgments and estimates, which form the basis of the recognition and measurement of income, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **Judgments related to the application of accounting policies**

In the process of applying the Company's accounting policies, Management exercises judgments which may have a significant effect on the amounts recognised in the financial statements.

#### **Estimation uncertainty**

Recognition and measurement of certain assets and liabilities at the balance sheet date require that Management makes assumptions and estimates of future events. If these assumptions and estimates are not realised as expected, it may result in corrections of the carrying amounts of the affected assets and liabilities in the subsequent financial year. In 2017, Management made assumptions and estimates in connection with the recognition and measurement of the following items:

#### **Property, plant and equipment**

Calculation of the net carrying amount of property, plant and equipment required estimates of the useful life of the assets, residual value at the end of the asset's useful life, method of depreciation and whether impairment in value has occurred. A change in any of the estimates would result in a change in the amount of depreciation and a change to net income recorded in a period in which the change occurs, with a similar change in the carrying amount of the asset in the statement of financial position.

## Notes

### Note 2. Significant accounting estimates and judgments – continued

The useful life of property, plant and equipment is partly estimated based on their useful productive lives, experiences related to such assets, the maintenance history and the period during which economic benefits from utilisation of the asset accrued to the Company. Periodic reviews show whether changes have occurred in estimations and assumptions as a result of which the useful life and/or residual value need to be adjusted. Such adjustments will be made prospectively. There have not been any changes to Management's estimates in respect of useful lives of assets or scrap values in 2017. See note 1 for useful lives for the main assets.

#### *Impairment testing of goodwill and other assets*

The Company tests goodwill impairment annually at 30 September or more frequently if there is an indication that they may be impaired. This also applies to other assets if there are indications that they may be impaired. Impairment indicators include, but are not limited to, a significant decline in an asset's market value, significant adverse changes in the technologic, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant change in the planned use of the asset, or ongoing underperformance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Goodwill impairment testing is performed on an aggregated group of cash-generating units constituting the entity as a whole.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of an asset. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Estimating the value in use requires the Company to make estimates of the expected future cash flows. Those cash flows do not include significant future investments that will enhance the asset's performance of the cash-generating unit being tested. In the case of intangible assets, the period used is based on the economic life of the asset. Estimation of the value in use of the overall business and other intangible assets also requires the use of a suitable discount rate in order to calculate the present value of those cash flows and the growth rate used for extrapolation purposes.

For the purpose of Company's goodwill impairment testing, fair value is estimated using a discounted cash flow methodology. This method estimates fair value less costs of disposal using a discounted ten-year forecasted cash flow with a terminal value, based on the Management's assessment of the long-term outlook of each business. Cash flows are estimated from several sources including internal budgets and long-term contractual agreements with customers. Observable market data are used to develop a discount rate which approximates the discount rate from a market participant's perspective. The fair value measurement is classified within level 3 of the fair value hierarchy.

The calculation of fair value less costs of disposal is most sensitive to assumptions about discount rate and revenue and the key assumptions used in the 2017 calculating fair value are as follows:

#### *Revenues*

Revenues are based on Management's best estimates, taking into consideration existing contracts, timing of contract renewals, as well as relevant market factors. The market in which Inter Terminals operates was impacted by backwardation during the second half of 2017.

An average annual revenue inflation rate of 1.5% and an average utilisation rate of 92% have been incorporated into the 10-year cash flow forecasts of the cash-generating unit. The average utilisation rate for the cash-generating unit incorporates both periods of contango and backwardation based on historical trends.

## Notes

### Note 2. Significant accounting estimates and judgments – continued

#### *Discount rates*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow forecasts. The discount rate or weighted average cost of capital (WACC) is based on the specific circumstances of each CGU.

The WACC calculation takes into account appropriate debt and equity weightings. The cost of equity is derived from the expected risk-free rate of return plus an appropriate equity risk premium and the after-tax cost of debt is based on expected borrowing rates for each CGU. Company-specific risks are also considered and are evaluated annually based on publicly available market data.

Goodwill has been assessed applying an after-tax discount rate of 6.8% to after-tax cash flows of the cash-generating unit.

The principles explained under 'Impairment test', note 10, are applied.

#### *Environmental provisions and decommissioning obligations*

In accordance with the policies stated under environmental and assets retirement provisions in note 1, these provisions are based on applicable Danish law and the best estimate of future expenses. Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company accesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. Provisions for decommissioning obligations may require revision, where changes to the reserve estimates affect expectations about when such activities will occur and the associated costs of these activities. The valuation of the obligation is subject to fluctuations in the risk-free rate and inflation rate. See also note 20. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case by case basis, taking into account factors such as the expected gross cost or timing of abandonment, and is approved by the Company's Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The provision at reporting date represents Management's best estimate of the present value of the future decommissioning costs required.

In 2016, Management engaged an external engineer firm to reassess the expected decommissioning costs. The reassessment led to increase in undiscounted decommissioning costs that was mainly due to an increase regarding the expected demolition costs of the harbour structure. In 2017, Management carried out a desktop review based on the fact that there have not been made any significant changes to the sites and that the decommissioning costs are not volatile. According to Management's analysis, results of assessment made in 2016 are valid for 2017.

Undiscounted liabilities for loss contingencies, including environmental remediation costs arising from claims, assessments, litigation, fines and penalties and other sources, are recognised when it is probable that a liability has been incurred and the amount of the assessment and/or remediation cost can be reasonably estimated. Amounts recovered from third parties, which are likely to be realised are recognised separately and are not offset against the related environmental liability.



## Notes

	2017 EUR'000	2016 EUR'000
<b>Note 3. Depreciation</b>		
Analysis of depreciation in the year:		
Land and buildings	24	18
Plant and machinery	2,181	1,784
Fixtures, fittings, tools and equipment, etc.	9	90
	<u>2,214</u>	<u>1,892</u>

Classification of Asset Retirement Obligation assets has been changed in 2017. Asset Retirement Obligation assets have been removed from asset category "Fixtures, fittings, tools and equipment, etc." to a split between asset groups "Land and buildings" and "Plant and machinery", based on the assessment that this would be a more correct presentation. The assessment is based on determination of the asset category the decommissioning cost relates to. Change in classification did neither impact depreciation method, nor useful lifetime applied for the said assets.

### Note 4. Staff costs

Analysis of staff costs, etc.:

	2017 EUR'000	2016 EUR'000
Wages and salaries	736	583
Pension costs	83	62
	<u>819</u>	<u>645</u>
Average number of employees during the year	6	6
Number of employees at 31 December	8	7

The aggregate remuneration paid to members of the Executive Board and the Board of Directors, including amounts paid by other group entities, was EUR 82 thousand (2016: EUR 84 thousand), excluding pension costs. Pension contributions totaled EUR 5 thousand (2016: EUR 5 thousand).

### Note 5. Audit fees

	2017 EUR'000	2016 EUR'000
<b>Ernst &amp; Young</b>		
Fee for statutory audit	21	21
Other assurance engagements	4	8
Tax consultancy	-	-
	<u>25</u>	<u>29</u>

## Notes

### Note 6. Financial income

Financial income originates from loans, advances and other amounts due, measured at amortised cost, and may be analysed as follows:

	2017 EUR'000	2016 EUR'000
Interest income from group entities	<u>235</u>	<u>430</u>
	<u><b>235</b></u>	<u><b>430</b></u>

### Note 7. Financial expenses

Financial expenses originate from financial liabilities measured at amortised cost and may be analysed as follows:

	2017 EUR'000	2016 EUR'000
Interest expense to group entities	52	106
Interest expense, bank	4	4
Discounting of decommissioning obligation	<u>57</u>	<u>66</u>
	<u><b>113</b></u>	<u><b>176</b></u>

### Note 8. Income taxes

Income tax expense recognised in the statement of comprehensive income:

Income tax charge	-	-
Compensation for use of current year tax losses	(236)	263
Compensation for prior year tax losses	-	(528)
Change in deferred tax	1,378	1,893
Adjustment to prior year	<u>1</u>	<u>-</u>
	<u><b>1,143</b></u>	<u><b>1,628</b></u>

Reconciliation between tax expense and the product of accounting profit multiplied by Denmark's domestic tax rate for the year ended 31 December:

	2017 EUR'000	2016 EUR'000
<b>Pre-tax profit for the period</b>	<b>5,192</b>	<b>7,692</b>
Estimated tax charge based on the Danish income tax rate of 22% (2016: 22%)	1,142	1,692
Adjustment in respect of current income tax rate of previous years deferred tax	1	(24)
Adjustment in respect of current income tax of previous years	-	(40)
Effect on deferred tax on reduction of Danish income tax rate from 22% to 22%	<u>-</u>	<u>-</u>
Income tax expense at the effective income tax rate of 22% (2016: 22%)	<u><b>1,143</b></u>	<u><b>1,628</b></u>

## Notes

### Note 9. Intangible assets

Goodwill derives from the purchase of the terminal businesses at Asnæs.

EUR'000	<u>Goodwill</u>
Cost at 1/1 2016	<u>46,324</u>
Cost at 31/12 2016	<u>46,324</u>
Carrying amount at 31/12 2016	<u><u>46,324</u></u>
Cost at 1/1 2017	<u>46,324</u>
Cost at 31/12 2017	<u>46,324</u>
Carrying amount at 31/12 2017	<u><u>46,324</u></u>

### Note 10. Impairment test, intangible assets

For impairment testing purposes, goodwill acquired through business combinations has been allocated as follows:

Carrying amount of goodwill at 31 December:

	<u>Asnæs oil terminal</u>	
	2017	2016
	<u>EUR'000</u>	<u>EUR'000</u>
Goodwill	46,324	46,324

Inter Terminals AOT ApS has goodwill in its Asnæs oil terminal CGU, representing the excess of consideration transferred over the fair value of net identifiable assets of operations acquired. The Company assesses the recoverable value of the goodwill amount for impairment on a fair value less cost to sell basis by discounting projected future cash flows generated by these assets at a weighted average cost of capital that reflects the relative risk of the asset.

The recoverable value is based on cash flow projections that incorporate best estimates of revenue, operating and maintenance expenditures, administrative expenses and capital expenditures over 10 years. The assessment is that projection period is consistent with that which would be used by a market participant in evaluating these CGUs. The cash flow projections are then aggregated with a terminal value, representing the value of cash flows beyond the tenth year incorporating an annual growth rate of 1.5%.

The key assumptions used in the 2017 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

Based on the analysis performed, it was determined that there is no impairment of goodwill in 2017.

The recoverable value of the goodwill has been derived by applying the key assumptions discussed in note 2 and the recoverable value exceeds the carrying value of goodwill by EUR 2,336 thousand.

Leaving all other variables constant, a 0.4% decrease (to 1.1%) in the annual revenue inflation rate incorporated into the 10-year cash flow forecasts would result in an impairment for the CGU.

Leaving all other variables constant, the WACC would need to increase by 0.4% (to 7.2%) to result in an impairment for the CGU.

## Notes

### Note 11. Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Other fixtures, fittings, tools and equipment	Assets under construction	Total
<b>Cost at 1/1 2016</b>	<b>3,899</b>	<b>48,269</b>	<b>2,277</b>	<b>182</b>	<b>54,627</b>
Additions	-	2,778	-	1,187	3,965
Transfers	-	107	-	(107)	-
Adjustment of decommissioning obligation	-	-	137	-	137
Write down of scrapped assets	-	(295)	-	-	(295)
<b>Cost at 31/12 2016</b>	<b>3,899</b>	<b>50,859</b>	<b>2,414</b>	<b>1262</b>	<b>58,434</b>
<b>Depreciation at 1/1 2016</b>	<b>49</b>	<b>4,923</b>	<b>352</b>	<b>-</b>	<b>5,324</b>
Depreciation in the year	19	1,784	89	-	1,892
Reversed depreciation on scrapped assets	-	(285)	-	-	(285)
<b>Depreciation at 31/12 2016</b>	<b>68</b>	<b>6,422</b>	<b>441</b>	<b>-</b>	<b>6,931</b>
<b>Carrying amount at 31/12 2016</b>	<b>3,831</b>	<b>44,437</b>	<b>1,973</b>	<b>1262</b>	<b>51,503</b>
<b>Cost at 1/1 2017</b>	<b>3,899</b>	<b>50,859</b>	<b>2,414</b>	<b>1,262</b>	<b>58,434</b>
Reclassification of decommissioning obligation <sup>1</sup>	121	2,292	(2,413)	-	-
Additions	-	3,178	92	1,496	4,766
Transfers	-	1,262	-	(1,262)	-
Adjustment of decommissioning obligation	23	428	-	-	451
Write down of scrapped assets	(30)	(998)	-	-	(1,028)
<b>Cost at 31/12 2017</b>	<b>4,013</b>	<b>57,021</b>	<b>93</b>	<b>1,496</b>	<b>62,623</b>
<b>Depreciation at 1/1 2017</b>	<b>68</b>	<b>6,422</b>	<b>441</b>	<b>-</b>	<b>6,931</b>
Reclassification of decommissioning obligation <sup>1</sup>	22	419	(441)	-	-
Depreciation in the year	24	2,181	9	-	2,214
Reversed depreciation on scrapped assets	(5)	(240)	-	-	(245)
<b>Depreciation at 31/12 2017</b>	<b>109</b>	<b>8,782</b>	<b>9</b>	<b>-</b>	<b>8,900</b>
<b>Carrying amount at 31/12 2017</b>	<b>3,904</b>	<b>48,239</b>	<b>84</b>	<b>1,496</b>	<b>53,723</b>

<sup>1</sup> Classification of Asset Retirement Obligation assets has been changed in 2017. Asset Retirement Obligation assets have been removed from asset category "Fixtures, fittings, tools and equipment, etc." to a split between asset groups "Land and buildings" and "Plant and machinery", based on the assessment that this would be a more correct presentation. The assessment is based on determination of asset category the decommissioning cost relates to.

## Notes

### Note 12. Deferred tax

Deferred tax relates to the following:

EUR'000	Statement of Financial position		Statement of comprehensive income	
	2017	2016	2017	2016
Goodwill	7,776	6,632	1,144	1,144
Property, plant and equipment	217	(130)	346	324
Provisions	(737)	(625)	(112)	(44)
Tax losses carried forward	-	-	-	469
Adjustment to prior years	-	-	-	-
<b>Deferred tax (expense/income)</b>			<b>1,378</b>	<b>1,893</b>
<b>Deferred tax, net</b>	<b>7,256</b>	<b>5,877</b>		

Recognised in the statement of financial position as follows:

	2017 EUR'000	2016 EUR'000
Deferred tax assets	-	-
Deferred tax liabilities	7,256	5,877
<b>Deferred tax, net</b>	<b>7,256</b>	<b>5,877</b>

Reconciliation of deferred tax, net:

	2017	2016
At 1 January	5,877	3,984
Tax expense recognised in the statement of comprehensive income for the year	1,378	1,893
Adjustment to prior years	1	-
<b>At 31 December</b>	<b>7,256</b>	<b>5,877</b>

Analysis of valuation and recoverability shows that all deferred tax assets and liabilities will be realised within a reasonable time. Consequently all deferred tax assets and liabilities have been recognised at December 31, 2017.

Companies in Inter Terminals Denmark Group offset tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## Notes

### Note 13. Trade receivables

Trade receivables at 31 December 2017 include receivables at a nominal value of EUR 688 thousand (2016: EUR 1,576 thousand). No write-downs were made in respect of trade receivables in 2017 (2016: EUR nil).

Analysis of trade receivables that were past due, but not written down, at 31 December 2016:

	2017 EUR'000	2016 EUR'000
<b>Maturities</b>		
Until 30 days	-	12
Past due, but not written down	-	-
	<u>-</u>	<u>12</u>
Neither past due nor written down	688	1,564
<b>Total</b>	<b><u>688</u></b>	<b><u>1,576</u></b>

All trade receivables are invoiced and settled in EUR.

### Note 14. Prepayments

Prepaid insurance premiums	<u>179</u>	<u>178</u>
<b>Total</b>	<b><u>179</u></b>	<b><u>178</u></b>

### Note 15. Financial assets and liabilities

	Note	2017 EUR'000 Carrying amount	2016 EUR'000 Carrying amount
<b>Loans and receivables measured at amortised cost</b>			
Trade receivables	13	688	1,576
Receivables from group entities	21	2,230	6,943
Prepayments	14	179	178
Other receivables		<u>957</u>	<u>281</u>
<b>Total loans and receivables measured at amortised cost</b>		<b><u>4,054</u></b>	<b><u>8,978</u></b>

### Financial liabilities measured at amortised cost

Trade payable		1,202	405
Payables to group entities	21	2,901	3,611
Other payables		<u>111</u>	<u>729</u>
<b>Total financial liabilities measured at amortised cost</b>		<b><u>4,214</u></b>	<b><u>4,745</u></b>

The carrying amount reflects the fair value of financial assets and liabilities.

## **Notes**

### **Note 15.1. Changes in liabilities arising from financing activities**

In 2017, the Company adopted the amendments to IAS 7 that were issued as a part of the IASB's Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values
- Other changes

The Company has not had any of the above changes in liabilities arising from financing activities.

### **Note 16. Financial risks**

At the balance sheet date, the Company identified credit risks, liquidity risks and foreign currency risks as factors of relevance to the business.

#### **Credit risks**

Credit exposure on financial instruments arises from counterparties' inability or unwillingness to fulfil their obligations to the Company. The Company's credit risk exposure relates primarily to customers (accounts receivable) and financial counterparties holding cash. Company's exposure to credit risk arises from default of a customer or counterparty's obligations, with a maximum exposure equal to the carrying amount of these instruments. Credit risk is managed through credit approval and monitoring procedures.

With respect to credit risk on cash and deposits, the Company considers the risks of non-performance of counterparties minimal as cash and deposits are predominantly held with major financial institutions.

At 31 December 2017, the Company considers the risk of non-performance of its customers minimal based on the Company's credit approval, ongoing monitoring procedures and historical experience. The creditworthiness assessment takes into account available qualitative and quantitative information about the counterparty including, but not limited to, financial status and external credit rating.

#### **Liquidity risks**

Liquidity risk is the risk that suitable sources are not available to fund business operations, commercial strategies or meet financial obligations. The Company manages its liquidity risks through regular monitoring of funding and cash generation and utilisation.

## Notes

### Note 16. Financial risks - continued

The table below summarises the contractual maturity profile of the Company's financial liabilities at 31 December on an undiscounted basis:

EUR'000	Falling due within 1 year	Falling due between 1 and 5 years	Falling due after more than 5 years	Total	Carrying amount
<b>2017</b>					
Trade and other payables	4,214			4,214	4,214
	<u>4,214</u>			<u>4,214</u>	<u>4,214</u>
<b>2016</b>					
Trade and other payables	4,745	-	-	4,745	4,745
	<u>4,745</u>	<u>-</u>	<u>-</u>	<u>4,745</u>	<u>4,745</u>

### Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has transactional currency exposures that arise from sales or purchases of services and goods in currencies other than respective functional currency. The Company manages its foreign currency risks through regular monitoring of its foreign currency exposures. Transactional foreign currency risk exposures have not been significant historically, therefore are not hedged.

Analysis of the Company's currency exposure at 31 December:

EUR'000	Assets	Liabilities	Net
<b>2017</b>			
<b>Currency</b>			
DKK	97	(244)	(147)
USD	-	-	-
<b>2016</b>			
<b>Currency</b>			
DKK	141	(385)	(244)
USD	-	-	-

### Sensitivity analysis at December 31

The impact in thousands of euros on the results of operations and changes in equity resulting from a change of the Company's primary foreign currencies are shown below. The changes in exchange rates are based on the year's actual foreign exchange rate movements.

	Possible Change	December 31, 2017		December 31, 2016	
		Profit/loss before tax	Equity	Profit/loss before tax	Equity
USD	+/- 15% (2016: +/- 10%)	-	-	-	-
GBP	+/- 10% (2016: +/- 10%)	(7)	(7)	-	-

Danish Kroner is significantly linked to the Euro, therefore significant fluctuations are not expected.



## Notes

### Note 16. Financial risks - continued

#### Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

### Note 17. Share capital

	<u>No. of shares</u>	<u>EUR'000</u>
Ordinary shares issued and fully paid-in:		
At 1 January 2017	80,001	11
<b>At 31 December 2017</b>	<b><u>80,001</u></b>	<b><u>11</u></b>

The shares do not carry any special rights.

In 2012, the share capital was reduced by nominally 45,000 shares of DKK 1 each and increased by nominally 1 share of DKK 1 each to nominally 80,001 shares.

### Note 18. Dividend

Dividend paid to parent company during the year ending 31 December 2017 amounted to EUR 8,000 thousand, representing EUR 100 per share (2016: EUR 5,590 thousand). No further dividend for 2017 is proposed at the annual general meeting.

## Notes

### Note 19. Provisions

EUR'000	Decommissioning obligations
1 January 2016	2,639
Discounting of decommissioning obligation	66
Additions in the year	137
<b>31 December 2016</b>	<b><u>2,842</u></b>
1 January 2017	2,842
Discounting of decommissioning obligation	57
Additions in the year	450
<b>31 December 2017</b>	<b><u>3,349</u></b>

Provisions are recognised in the statement of financial position as follows:

Current 2017	-
Non-current 2017	3,349
	<b><u>3,349</u></b>
Current 2016	-
Non-current 2016	2,929
	<b><u>2,929</u></b>

#### Decommissioning obligations

Decommissioning obligations represent legal obligations associated with the retirement of tangible long-lived assets that derive from the acquisition, construction or development and/or the normal operations of long-lived assets. The retirement of a long-lived asset includes its sale, abandonment, recycling or disposal but not its temporary removal from service.

The Company has used an inflation rate of 1.6% (2016: 1.7%) to calculate the undiscounted amount of estimated expenditures expected to be incurred on decommissioning of the storage facilities. A long-term risk-free rate of 2.0% (2016: 2.5%) was used to discount the future cash flows for decommissioning obligations, which have a maturity of 40 years.

In 2016, Management engaged an external engineer firm to reassess the expected decommissioning costs. The reassessment led to increase in undiscounted decommissioning costs that was mainly due to an increase regarding the expected demolition costs of the harbour structure. In 2017, Management carried out a desktop review of decommissioning costs. According to Management's analysis, results of assessment made in 2016 are valid for 2017.

## Notes

### Note 20. Contingent liabilities, security for loans and other financial obligations

#### Contingent liabilities

The Company is jointly taxed with its immediate parent, Inter Terminals Denmark A/S, which acts as administration company, and is jointly and severally with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Lease obligations (operating leases) falling due within 5 years total EUR nil (2016: EUR 18 thousand).

#### Security for loans

No security for loans has been provided.

### Note 21. Related-party transactions

Information about related parties with a controlling interest:

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Inter Pipeline Ltd.	3200, 215 – 2 <sup>nd</sup> Street SW Calgary, Alberta, T2P 1W4, Canada	Ultimate parent
Inter Terminals Denmark A/S	Holtengårdsvej 25 4230 Skælskør, Denmark	Parent company

Remuneration and salaries to the Board of Directors and the Executive Board are reflected in note 4.

## Notes

### Note 21. Related-party transactions - continued

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

EUR'000	<u>Inter Pipeline Ltd.</u>	<u>Inter Terminals Denmark Group</u>
<b>2017</b>		
Amounts payable to related parties	-	(2,901)
Amounts receivable from related parties	-	2,230
Interest expenses on loans from related parties	-	(52)
Interest income on loans to related parties	-	235
Dividends to parent company	-	(8,000)
Management charge expenses	-	(1,023)
Purchase of goods and other services from related parties	-	(249)
Sale of goods and other services to related parties	-	-
<b>2016</b>		
Amounts payable to related parties	-	(3,611)
Amounts receivable from related parties	-	6,943
Interest expenses on loans from related parties	-	(105)
Interest income on loans to related parties	-	430
Dividends to parent company	-	(5,590)
Management charge expenses	-	(940)
Purchase of goods and other services from related parties	-	(253)
Sale of goods and other services to related parties	-	4

The Company is included in the Group Annual Report of the ultimate parent company Inter Pipeline Ltd. The Group Annual Report of Inter Pipeline Ltd. (ultimate parent) may be obtained at the following address: 3200, 215 – 2<sup>nd</sup> Street SW, Calgary, Alberta, T2P 1M4, Canada, and at the Group's web-site <http://www.interpipeline.com>.

### Note 22. Events after the balance sheet date

No events have occurred after the financial year-end, which could significantly affect the Company's financial position.

