Inter Terminals AOT ApS

Holtengårdsvej 25, 4230 Skælskør

CVR no. 31 08 02 07

Annual report 2018

Approved at the Company's annual general meeting on 8 March 2019

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Chairman

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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 90,000m³ 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 is certified according to ISO 14001, OHSAS 18001 and is AEO - Authorised economic operator. All tanks are approved for Customs Warehousing.

Management's review

The Company realised a loss after tax of EUR 3,224 thousand for the year with a realised revenue of EUR 4,793 thousand. The actual results of the Company for 2018 are not in line with Management's past year expectations due to market being in the state of backwardation during the year, which affected the results of Management's impairment analysis on goodwill.

2018 revenue was EUR 7,524 thousand lower than prior year mainly due to market being in a state of backwardation during the year, as well as two large tanks have been taken out of service for inspection. During 2018, the Company made investments of EUR 1,967 thousand in property, plant and equipment.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 2,668 thousand in the current year against goodwill with a carrying amount of EUR 46,324 thousand.

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 trade at a loss in a range of EUR 1,300 thousand - 1,600 thousand for the coming year due to continued market state of backwardation. The Company anticipates a turn in the market in 2020 when the International Maritime Organization ("IMO") regulation to reduce sulphur oxides emissions from ships comes into effect.

Events after the balance sheet date

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

Management's review

Financial highlights

EUR'000	2018	2017	2016	2015	2014
Key figures					
Revenue	4,793	12,317	13,121	9,550	11,036
Gross profit	2,721	9,982	10,992	7,308	9,124
Operating profit	-4,182	5,070	7,438	4,424	4,731
Net financials	-113	122	254	226	103
Profit/loss for the year	-3,224	4,049	6,064	3,624	3,740
Total equity	86,138	89,362	93,313	92,839	92,815
Balance sheet total	97,245	104,181	106,865	103,493	101,322
Cash flows from operating activities	1,939	12,786	9,340	6,609	4,108
Investments in property, plant and equipment	1,967	4,766	3,965	3,390	1,116
Ratios (%)					
Gross margin	57	81	84	77	83
EBIT margin	-87	41	57	47	43
Return on assets	-4	4	6	4	4
Equity ratio	89	86	87	90	92
Return on equity	-4	5	6	4	4

Management's review

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 Telephone	www.interterminals.com +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 Osvald Helmuths Vej 4 DK-2000 Frederiksberg

Financial statements 1 January – 31 December

Statement of comprehensive income

Note	EUR'000	2018	2017
3	Revenue	4,793	12,317
	Operating costs	-2,072	-2,335
	Gross profit	2,721	9,982
5	Staff costs	-886	-819
4,12	Depreciation of property, plant and equipment	-2,517	-2,214
12	Write-down of scrapped property, plant and equipment	-109	-783
10, 11	Impairment of intangible assets	-2,668	0
6	General and administrative costs	-723	-1,096
	Operating profit/loss	-4,182	5,070
7	Financial income	83	235
8	Financial expenses	-196	-113
	Profit/loss before tax	-4,295	5,192
9	Tax for the year	1,071	-1,143
	Profit/loss for the year	-3,224	4,049
	Other comprehensive income	-	-
	Total comprehensive income/loss	-3,224	4,049

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

Financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2018	2017
	ASSETS		
	Non-current assets		
10,11	Goodwill	43,656	46,324
	Intangible assets	43,656	46,324
12	Property, plant and equipment	52,781	53,723
	Total property, plant and equipment	52,781	53,723
	Total non-current assets	96,437	100,047
	Current assets		
14	Trade receivables	355	688
22	Receivables from group entities	0	2,230
15	Prepayments	164	179
	Other receivables	237	957
	Cash	52	80
16	**Total current assets**	808	4,134
	TOTAL ASSETS	97,245	104,181

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
18	Share capital	11	11
	Retained earnings	86,127	89,351
	Total equity	86,138	89,362
	Non-current liabilities		
20	Provisions	3,129	3,349
13	Deferred tax	5,951	7,256
	Total non-current liabilities	9,080	10,605
	Current liabilities		
	Trade payables	89	1,202
22	Payables to group entities	1,639	2,901
	Other payables	299	111
16	**Total current liabilities**	2,027	4,214
	Total liabilities	11,107	14,819
	TOTAL EQUITY AND LIABILITIES	97,245	104,181

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Statement of changes in equity

Note	EUR'000	Share capital	Retained earnings	Total
	Equity at 1 January 2017	11	93,302	93,313
	Profit for the year	0	4,049	4,049
	Other comprehensive income for the year	0	0	0
19	Dividend distributed	0	-8,000	-8,000
	Equity at 1 January 2018	11	89,351	89,362
	Loss for the year	0	-3,224	-3,224
	Other comprehensive income for the year	0	0	0
19	Dividend distributed	0	0	0
	Equity at 31 December 2018	11	86,127	86,138

Financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2018	2017
	Profit/loss before tax	-4,295	5,192
	Cash flow changes:		
4	Depreciation of property, plant and equipment	2,517	2,214
7	Financial income	-83	-235
8	Financial expenses	130	56
8	Unwinding of discounting on decommissioning obligation	66	57
	Write down of scrapped assets	109	784
11	Goodwill impairment	2,668	0
	Cash generated from operations before changes in working capital	1,112	8,068
	Changes in working capital		
	Changes in receivables	1,068	211
	Changes in receivables/payables from/to group entities	968	4,114
	Changes in other current liabilities	-1,163	214
	Cash flows from operating activities before net financial	1,985	12,607
	Interest received	83	235
	Interest paid	-129	-56
	Cash flows from operating activities	1,939	12,786
12	Purchase of property, plant and equipment	-1,967	-4,766
	Cash flows from investing activities	-1,967	-4,766
19	Dividend distributed	0	-8,000
	Cash flows from financing activities	0	-8,000
	Net cash flows	-28	20
	Cash and cash equivalents, beginning of year	80	60
	Cash and cash equivalents, year-end	52	80

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1 Accounting policies

Corporate information

The financial statements of Inter Terminals AOT ApS for the year ended 31 December 2018 were authorised for issue in accordance with the resolution of the Board of Directors on 8 March 2019. 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 22.

Basis for preparation

The annual report of Inter Terminals AOT ApS for 2018 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 that follow have been consistently applied to all years presented except as described in the section ***New and amended standards and bases for conclusion***.

New and amended standards and bases for conclusion

Standards effective in 2018

The Company has adopted the following new and revised standards, along with the consequential amendments, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. IFRS 15 has only impacted the Company's revenue streams regarding excess throughputs and other services. The adoption of IFRS 15 did not materially affect the timing or amount of revenue previously recognised; therefore, prior periods presented have not been restated.

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1 Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. IFRS 9 requires all financial assets to be classified and measured at amortised cost or fair value, based on how the Company manages its financial instruments and their contractual cash flow characteristics. Requirements for the classification and measurement of financial liabilities are largely unchanged from IAS 39. IFRS 9 also establishes a forward-looking expected credit loss impairment model to be applied to certain financial assets.

The retrospective adoption of IFRS 9 did not affect the Company's financial statements on the date of initial adoption or comparative periods. All financial assets and liabilities recorded at 1 January 2018 continue to be classified and measured at amortised cost, consistent with previous measurement under IAS 39.

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.

Future accounting pronouncements

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016, and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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1 Accounting policies (continued)

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. In the event that the Company has leases of certain office equipment (i.e., copy machines, coffee machines and other small machines) with a value below USD 5 thousand, they are considered of low value.

During 2018, the Company has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Due to the adoption of IFRS 16, the Company's operating profit will improve, while its finance expenses will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. Impact on the statement of financial position (increase/(decrease)) at 1 January 2019:

EUR'000	
Assets	
Right-of-use asset	390
Total assets	390
Liabilities	
Lease liability	(390)
Total liabilities	(390)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply the interpretation from its effective date.

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1 Accounting policies (continued)

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.

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 leases including minimum guaranteed throughputs are recognised on a straight-line basis over the term of the contract. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset, and the arrangement conveys a right to use an asset. Based on that assessment, all lease contracts with customers are classified as operating leases.

Revenue from excess throughputs and other services is recognised once the performance obligation 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.

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1 Accounting policies (continued)

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.

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.

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1 Accounting policies (continued)

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.

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	20-50 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.

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1 Accounting policies (continued)

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.

Financial assets

Cash and cash equivalents, trade receivables, receivables from group entities, prepaid expenses and other receivables are classified as financial assets 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.

Financial assets are carried at amortised cost and are assessed by the Company at each reporting date to determine expected credit losses on a forward-looking basis. For trade receivables and receivables from group entities, the Company applies the simplified approach and recognises lifetime expected credit losses upon initial recognition of the receivables. Historical customer default rates, age of balances outstanding, and forward-looking information are used to determine the expected credit losses. When an expected credit loss is required to be recognised, the carrying amount of the asset is reduced by the assessed amount with a corresponding entry to profit for the year.

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

Cash in the statement of financial position comprises 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.

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1 Accounting policies (continued)

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 2018 and 2017, the Company has not recognised any provisions for uncertain tax positions.

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.

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1 Accounting policies (continued)

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.

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	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit for the year x 100}}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity x 100}}{\text{Total asset}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Total equity}}$

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.

Financial statements 1 January – 31 December

Notes

2 Significant accounting estimates and judgments (continued)

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 2018, 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.

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 2018. 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.

Financial statements 1 January – 31 December

Notes

2 Significant accounting estimates and judgments (continued)

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 2018 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 that continued throughout 2018.

An average annual revenue inflation rate of 1.5% and an average utilisation rate of 56% in 2019 and 89% thereafter 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.

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 11, are applied.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 2,668 thousand in the current year against goodwill with a carrying amount of EUR 46,324 thousand.

Financial statements 1 January – 31 December

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2 Significant accounting estimates and judgments (continued)

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 and 2018, 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 2018.

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.

3 Revenue

Revenue is represented by the following categories that describe the types of services it originates from:

EUR'000	2018	2017
Fixed and variable tank leases	3,694	11,088
Throughput revenue	499	468
Harbour fees	395	430
Other fees	205	331
Total	4,793	12,317

The Company has entered into operating leases on its property, plant and equipment portfolio consisting of tanks for oil storage. These leases have terms of between 3 months and 1 year. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Financial statements 1 January – 31 December

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3 Revenue (continued)

Future minimum rentals receivable under non-cancellable operating leases at 31 December are as follows:

EUR'000	2018	2017
Within one year	1,809	1,824
After one year but not more than five years	0	1,584
More than 5 years	0	0
Total	1,809	3,408

4 Depreciation

EUR'000	2018	2017
Analysis of depreciation in the year:		
Land and buildings	35	24
Plant and machinery	2,457	2,181
Fixtures, fittings, tools and equipment, etc.	25	9
Total	2,517	2,214

5 Staff costs

EUR'000	2018	2017
Analysis of staff costs, etc.		
Wages and salaries	793	736
Defined contribution	93	83
Total	886	819
The average number of employees during the year	9	8
Number of employees at 31 December	9	8

The aggregate remuneration paid to members of the Executive Board and the Board of Directors, including amounts paid by other group entities, was EUR 81 thousand (2017: EUR 82 thousand), excluding pension costs. Defined contribution totalled EUR 5 thousand (2017: EUR 5 thousand).

6 Audit fees

EUR'000	2018	2017
Ernst & Young		
Fee for statutory audit	23	21
Other assurance engagements	5	4
Tax consultancy	0	0
	28	25

Financial statements 1 January – 31 December

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7 Financial income

Financial income originates from receivables due from group entities, advances and other financial assets, measured at amortised cost, and may be analysed as follows:

EUR'000	2018	2017
Interest income from group entities	83	235
	83	235

8 Financial expenses

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

EUR'000	2018	2017
Interest expense to group entities	129	52
Interest expense, bank	1	4
Discounting of decommissioning obligation (note 20)	66	57
	196	113

9 Income taxes

EUR'000	2018	2017
Income tax (income)/expense recognised in the statement of comprehensive income:		
Income tax charge	0	0
Compensation for use of current year tax losses	234	-236
Compensation for prior year tax losses	0	0
Change in deferred tax	-1,179	1,378
Adjustment to prior year	-126	1
	-1,071	1,143

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

EUR'000	2018	2017
Profit/loss before tax for the period	-4,295	5,192
Estimated tax charge based on the Danish income tax rate of 22% (2017: 22%)	-945	1,142
Adjustment in respect of current income tax rate of previous years' deferred tax	-126	1
Adjustment in respect of current income tax of previous years	0	0
Income tax (income)/expense at the effective income tax rate of 22% (2017: 22%)	-1,071	1,143

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10 Intangible assets

EUR'000	Goodwill
Cost at 1/1-2017	46,324
Cost at 31/12-2017	46,324
Carrying amount at 31/12-2017	46,324
Cost at 1/1-2018	46,324
Cost at 31/12-2018	46,324
Impairment at 1/1-2018	0
Impairment during the year	-2,668
Impairment at 31/12-2018	-2,668
Carrying amount at 31/12 2018	43,656

11 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:

	Asnæs oil terminal	
EUR'000	2018	2017
Goodwill	43,656	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 revenue growth rate of 1.5%.

The key assumptions used in the 2018 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

As a result of Management's impairment analysis, Management has recognized an impairment charge of EUR 2,668 thousand in the current year against goodwill with a carrying amount of EUR 46,324 thousand.

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12 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures, fittings, plant and equipment	Assets under construc-tion	Total
Cost at 1 January 2017	3,899	50,859	2,414	1,262	58,434
Reclassification of decommissioning obligation[1]	121	2,292	-2,413	0	0
Additions	0	3,178	92	1,496	4,766
Transfers	0	1,262	0	-1,262	0
Adjustment of decommissioning obligation	23	428	0	0	451
Write down of scrapped assets	-30	-998	0	0	-1,028
Cost at 31 December 2017	4,013	57,021	93	1,496	62,623
Depreciation 1 January 2017	68	6,422	441	0	6,931
Reclassification of decommissioning obligation[1]	22	419	-441	0	0
Depreciation in the year	24	2,181	9	0	2,214
Reversed depreciation on scrapped assets	-5	-240	0	0	-245
Depreciation 31 December 2017	109	8,782	9	0	8,900
Carrying amount at 31 December 2017	3,904	48,239	84	1,496	53,723
Cost at 1 January 2018	4,013	57,021	93	1,496	62,623
Additions	0	1,904	45	18	1,967
Write down of scrapped assets	0	-121	-7	0	-128
Transfers	0	1,451	45	-1,496	0
Adjustment of decommissioning obligation	-14	-272	0	0	-286
Adjustment of historical cost[2]	0	-636	80	0	-556
Cost at 31 December 2018	3,999	59,347	256	18	63,620
Depreciation 1 January 2018	109	8,782	9	0	8,900
Depreciation in the year	35	2,454	25	0	2,514
Adjustment of historical accumulated depreciation[2]	0	-636	80	0	-556
Reversed depreciation on scrapped assets	0	-12	-7	0	-19
Depreciation 31 December 2018	144	10,588	107	0	10,839
Carrying amount at 31 December 2018	3,855	48,759	149	18	52,781

[1] 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.

[2] Adjustment of historical cost and accumulated depreciation for 2018 represent write-down of assets written off in full in previous periods.

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13 Deferred tax

Deferred tax relates to the following:

EUR'000	Statement of financial position 2018	Statement of financial position 2017	Statement of comprehensive income 2018	Statement of comprehensive income 2017
Goodwill	7,215	7,776	-561	1,144
Property, plant and equipment	-575	217	-792	346
Provisions	-689	-737	48	-112
Adjustment to prior years	0	0	126	0
Deferred tax (income)/expense			-1,179	1,378
Deferred tax, net	5,951	7,256		

Recognised in the statement of financial position as follows:

EUR'000	2018	2017
Deferred tax assets	0	0
Deferred tax liabilities	5,951	7,256
Deferred tax, net	5,951	7,256
Reconciliation of deferred tax, net:		
At 1 January	7,256	5,877
Tax (income)/expense recognised in the statement of comprehensive income for the year	-1,179	1,378
Adjustment to prior years	-126	1
At 31 December	5,951	7,256

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 31 December 2018.

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.

14 Trade receivables

Trade receivables at 31 December 2018 include receivables at a nominal value of EUR 355 thousand (2017: EUR 688 thousand). No write-downs were made in respect of trade receivables in 2018 (2017: EUR nil).

Analysis of trade receivables that were past due, but not written down, at 31 December 2018:

EUR'000	2018	2017
Maturities		
Until 30 days	0	0
Post due, but not written down	0	0
	0	0
Neither past due nor written down	355	688
Total	355	688

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15 Prepayments

EUR'000	2018	2017
Prepaid insurance premiums	164	179
Total	164	179

16 Financial assets and liabilities

Note	EUR'000	Carrying amount 2018	Carrying amount 2017
	Financial assets measured at amortised cost		
14	Trade receivables	355	688
22	Receivables from group entities	0	2,230
15	Prepayments	164	179
	Other receivables	237	957
	Total financial assets measured at amortised cost	756	4,054
	Financial liabilities measured at amortised cost		
	Trade payables	89	1,202
22	Payables to group entities	1,639	2,901
	Other payables	299	111
	Total financial liabilities measured at amortised cost	2,027	4,214

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

16.1 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.

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17 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 risk

Credit exposure on financial instruments arises from counterparty's inability or unwillingness to fulfil its 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any collateral held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customer exposures. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

At 31 December 2018, the Company considered that the risk of non-performance of its customers was 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.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

EUR'000	Current	<30 days	31 days and above	Total
2018				
Expected credit loss rate	0.08%	0.23%	0.92%	
Estimated total gross carrying amount	355	0	0	355
Expected credit loss	0	0	0	0
2017				
Expected credit loss rate	0.08%	0.23%	0.92%	
Estimated total gross carrying amount	688	0	0	688
Expected credit loss	1	0	0	1

Liquidity risk

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.

Financial statements 1 January – 31 December

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17 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
2018					
Payables to group entities	1,639	0	0	1,639	1,639
Trade and other payables	387	0	0	387	387
	2,026	0	0	2,026	2,026
2017					
Payables to group entities	2,901	0	0	2,901	2,901
Trade and other payables	1,313	0	0	1,313	1,313
	4,214	-	-	4,214	4,214

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
Currency	165	-176	-11
2018			
DKK			
GBP	-	-	-
2017			
DKK	97	-244	-147
GBP			

Sensitivity analysis at 31 December

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.

		31 December2018		31 December2017	
EUR'000	Possible change	Profit/loss before tax	Equity	Profit/loss before tax	Equity
DKK	+/- 0.5% (2017: +/- 0%)	-9	-17	0	0
USD	+/- 10% (2017: +/- 15%)	0	0	0	0
GBP	+/- 5% (2017: +/- 10%)	-7	-7	7	7

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

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17 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 2018 and 2017.

18 Share capital

Ordinary shares issued and fully paid-in:

	No. of shares	EUR'000
At 1 January 2018	80,001	11
At 31 December 2018	80,001	11

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.

19 Dividend

No dividends were paid to the parent company during the year ending 31 December 2018. No further dividend for 2018 is proposed at the annual general meeting.

20 Provisions

EUR'000	Decom-missioning obligations
1 January 2017	2,842
Discounting of decommissioning obligation	57
Change in value during the year due to inflation rate	450
31 December 2017	3,349
1 January 2018	3,349
Discounting of decommissioning obligation	66
Change in value during the year due to inflation rate	-286
31 December 2018	3,129

Financial statements 1 January – 31 December

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20 Provisions (continued)

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

	Decom-missioning obligations
Current 2018	0
Non-current 2018	3,129
	0
Current 2017	0
Non-current 2017	3,349
	3,349

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 1.3% (2017: 1.6%) 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% (2017: 2.0%) 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 and 2018, Management carried out a desktop review of decommissioning costs. According to Management's analysis, results of assessment made in 2016 are valid for 2018.

21 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 2018 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 (2017: EUR 0 thousand).

Security for loans

No security for loans has been provided.

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22 Related-party transactions

Information about related parties with a controlling interest:

Related party	Domicile	Basis for control
Inter Pipeline Ltd.	3200, 215 - 2nd 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 5.

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

EUR'000	Inter Pipeline Ltd	Inter Terminals Denmark Group
2018		
Amounts payable to related parties	-	-1,639
Amounts receivable from related parties	-	0
Interest expenses on loans from related parties	-	-129
Interest income on loans to related parties	-	83
Dividends to parent company	-	0
Management charge expenses	-	-671
Purchase of goods and other services from related parties	-	-227
Sale of goods and other services to related parties	-	0
2017		
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	-	-

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 - 2nd Street SW, Calgary, Alberta, T2P 1M4, Canada, and at the Group's web-site http://www.interpipeline.com.

23 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 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 2018.

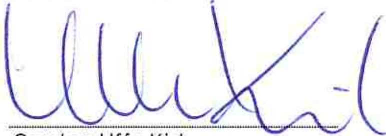
The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2018, results of its operations and cash flows 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.

Copenhagen, 8 March 2019
Executive Board:



Carsten Uffe Kirk
~~CEO~~ MD

Board of Directors:

Michael Holmstrøm Alexandersen Chairman	Hans Peder Krogh Mortensen	Carsten Uffe Kirk

Independent auditor's report

To the shareholders of Inter Terminals AOT ApS

Opinion

We have audited the financial statements of Inter Terminals AOT ApS for the financial year 1 January - 31 December 2018, 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 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018 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 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.

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.

Independent auditor's report (continued)

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.

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 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 in-adequate, 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.

Independent auditor's report (continued)

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, 8 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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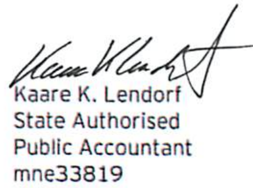

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