

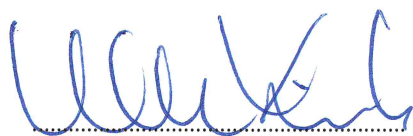
Inter Terminals SGOT ApS

Holtengårdsvej 25, 4230 Skælskør

CVR no. 31 08 02 58

Annual report 2019

Approved at the Company's annual general meeting on 2 June 2020



Chairman:





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Management's review

Principle activities of the Company

The Company provides facilities for fuel oil and vacuum gas oil storage through terminal at Stignæs, as well as storage and handling of jet fuel, gas oil and diesel products through terminal at Gulfhavn to a range of oil companies and oil trading companies. Terminal at Stignæs offers seven mild steel tanks with a combined storage capacity of 406,000m³ and the terminals at Gulfhavn offer 33 tanks with a combined storage capacity of 630,000 m³.

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 - Authorized economic operator. All tanks are approved for Customs Warehousing.

Management's review

The Company realised a loss after tax of EUR 19,863 thousand for the year and revenue of EUR 14,554 thousand. The actual results of the Company for 2019 are not in line with Management's past year expectations due to market being in the state of backwardation during the first half of the year, which effected the results of Management's impairment analysis on goodwill and property, plant and equipment. Due to the International Maritime Organization regulation 2020 ("IMO") and other market factors the market strengthen during 2nd half of 2019.

2019 revenue was EUR 1,109 thousand higher than prior year which is mainly due to the improved rental and product handling activity that was on a historically low level in the prior year. During 2019, the Company made investments of EUR 3,609 thousand in property, plant and equipment.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 4,937 thousand in the current year for the full carrying amount of goodwill and a charge of EUR 23,103 thousand against balance of 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 Denmark SGOT 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 Stignæs and Gulfhavn to its original nature by way of decommissioning tanks, e.g. provisions are made in order to fulfil this responsibility.

Management's review

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 profit in a range of EUR 4,000 thousand – 5,500 thousand for the coming year due to a forecast of predominating contango market during the year. The Company also anticipates positive impact on the profitability from the IMO to reduce sulphur oxides emissions from ships coming into effect in 2020.

Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the Company has experienced improved activity levels. Management considers COVID-19 to constitute a non-adjusting event and has not adjusted any figures in the financial statements 2019. No other events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Financial highlights

EUR'000	2019	2018	2017	2016	2015
Key figures					
Revenue	14,554	13,446	24,804	29,269	25,899
Gross profit	10,203	9,659	20,152	23,182	21,016
Operating profit	-26,624	125	10,599	12,787	12,590
Net financials	1,157	1,041	589	507	12
Profit/loss for the year	-19,863	-1,792	8,726	10,132	9,811
Balance sheet					
Total equity	140,484	160,348	162,140	162,414	165,682
Balance sheet total	168,043	191,220	192,404	187,362	183,948
Cash flows from operating activities	3,704	1,403	16,420	15,454	12,452
Investments in property, plant and equipment	3,609	2,289	6,514	3,353	1,748
Ratios (%)					
Gross margin	70	72	81	79	81
EBIT margin	-183	1	43	44	49
Return on assets	-12	-1	5	5	5
Equity ratio	84	84	84	87	90
Return on equity	-14	-1.1	5	6	6



Management's review

Company details

Name	Inter Terminals SGOT ApS
Address	Holtengårdsvej 25, DK-4230 Skælskør
CVR no.	31 08 02 58
Financial year	1 January – 31 December
Website	www.interterminals.com
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 Dirch Passers Allé 36, DK-2000 Frederiksberg

Financial statements 1 January – 31 December

Statement of comprehensive income

Note	EUR'000	2019	2018
3	Revenue	14,554	13,446
	Operating costs	-4,351	-3,787
	Gross profit	10,203	9,659
5	Staff costs	-1,375	-1,396
4, 12	Depreciation of property, plant and equipment	-5,676	-5,844
12	Write down of scrapped property, plant and equipment	-138	-30
11	Impairment of goodwill and property, plant and equipment	-28,040	0
6	General and administrative costs	-1,598	-2,264
	Operating profit	-26,624	125
7	Financial income	1,364	1,307
8	Financial expenses	-206	-266
	Profit/loss before tax	-25,466	1,166
9	Tax for the year	5,603	-2,958
	Profit for the year	-19,863	-1,792
		-	-
	Other comprehensive income	-19,863	-1,792

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

Financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2019	2018
	ASSETS		
	Non-current assets		
10,11	Goodwill	0	4,937
	Total intangible assets	0	4,937
12	Property, plant and equipment	140,880	164,647
	Total property, plant and equipment	140,880	164,647
13	Investments in associates	82	82
	Total investments	82	82
	Total non-current assets	140,962	169,666
	Current assets		
15	Trade receivables	1,528	1,183
23	Receivables from group entities	24,101	18,517
16	Prepayments	383	487
	Other receivables	930	1,316
	Cash	139	51
	Total current assets	27,081	21,554
	TOTAL ASSETS	168,043	191,220

Financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
19	Share capital	17	17
	Retained earnings	140,467	160,331
	Total equity	<u>140,484</u>	<u>160,348</u>
	Liabilities		
	Non-current liabilities		
21	Provision	13,801	12,068
14	Deferred tax	3,370	10,115
		<u>17,171</u>	<u>22,183</u>
	Current liabilities		
	Trade payables	1,104	1,461
23	Payables to group entities	8,003	6,503
	Other payables	598	19
	Deferred income	683	706
	Total current liabilities	<u>10,388</u>	<u>8,689</u>
	Total liabilities	<u>27,559</u>	<u>30,872</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>168,043</u></u>	<u><u>191,220</u></u>

17 Financial assets and liabilities

18 Financial risks

22 Contingent liabilities, security for loans and other financial obligations

23 Related-party transactions

24 Events after the balance sheet date

Financial statements 1 January – 31 December

Statement of changes in equity

Note	EUR'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	17	162,123	162,140
	Profit for the year	0	-1,792	-1,792
	Other comprehensive income for the year	0	0	0
20	Dividend distributed	0	0	0
	Equity at 1 January 2019	17	160,331	160,348
	Profit for the year	0	-19,863	-19,863
	Other comprehensive income for the year	0	0	0
20	Dividend distributed	0	0	0
	Equity at 31 December 2019	17	140,467	140,484

Financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2019	2018
	Pre-tax profit	-25,466	1,166
	Cash flow changes:		
4	Depreciation of property, plant and equipment	5,676	5,844
7	Financial income	-1,364	-1,307
8	Financial expenses	6	6
8	Unwinding of discounting on decommissioning obligation	200	260
11,12	Impairment of goodwill and property, plant and equipment	28,040	0
	Write down of scrapped property, plant and equipment	138	30
	Cash generated from operations before changes in working capital	7,230	5,999
	Changes in working capital		
	Changes in receivables	144	789
	Changes in receivables/payables from/to group entities	-4,083	-5,744
	Changes in other current liabilities	-944	-942
	Cash flows from operating activities before net financial	2,347	102
	Interest received	1,364	1,307
	Interest paid	-6	-6
	Cash flows from operating activities	3,704	1,403
12	Purchase of property, plant and equipment	-3,609	-2,289
	Cash flows from investing activities	-3,609	-2,289
20	Dividend distributed	0	0
12	Principal payments on lease liabilities	-7	0
	Cash flows from financing activities	-7	0
	Net cash flow for the year	88	-886
	Cash and cash equivalents		
	Cash and cash equivalents at 1 January	51	937
	Net cash flow for the year	88	-886
	Cash and cash equivalents at 31 December	139	51

Financial statements 1 January – 31 December

Notes overview

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1 Accounting policies

Corporate information

The financial statements of Inter Terminals SGOT ApS for the year ended 31 December 2019 were authorised for issue in accordance with the resolution of the Board of Directors on 2 June 2020. Inter Terminals SGOT ApS is a private limited company incorporated and domiciled in Denmark. The registered office is located at Holtengaardsvej 25, Skælskør.

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 23.

Applying materiality

When preparing the annual report, management seeks to improve the value of the information in the report by focusing on information that will help the understanding of the Company's performance in the reporting period and the financial position at year-end. The focus is on presenting information that is considered of material importance for our stakeholders, rather than generic descriptions.

Disclosures that are required by IFRS are included in the annual report, unless the information is considered of immaterial importance to users of the annual report. Materiality is not applied for items where disclosures are required for control purposes.

Basis for preparation

The annual report of Inter Terminals SGOT ApS for 2019 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 basis for conclusion*.

New and amended standards and basis for conclusion

Standards effective in 2019

The Company has adopted the following new and revised standards, along with the consequential amendments, effective 1 January 2019. These changes were made in accordance with the applicable transitional provisions.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Company's financial statements.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

IFRS 16 Leases

The Company adopted IFRS 16 on January 1, 2019. IFRS 16 replaces IAS 17 Leases and related interpretations, and establishes a single, on-balance sheet accounting model for lessees which results 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. Lessors continue with a dual lease classification model. Classification as a finance or operating lease determines how and when a lessor will recognise lease revenue, and the type of assets to be recorded. The Company has identified in its lease contracts with customers it is a lessor in accordance with IFRS 16.

The Company adopted IFRS 16 using the modified retrospective method of adoption and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative financial effect of the adoption was recognised as an adjustment to opening balances at January 1, 2019, with the standard applied prospectively. There was no impact recorded in regard to equity at 1 January, 2019. The Company utilizes the practical expedient of relying on the December 31, 2019 onerous lease assessment as an alternative to performing an impairment review of right-of-use of assets at 1 January, 2019.

The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, 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 EUR 5 thousand, they are considered of low value.

The effect of adopting IFRS 16 is, as follows:

The impact on operating profit was insignificant. Impact on the statement of financial position (increase/(decrease)) at 1 January 2019:

EUR'000	1 January 2019
Assets	
Right-of-use asset	112
Total assets	<u>112</u>
Liabilities	
Lease liability	-112
Total liabilities	<u>-112</u>

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 has applied the interpretation from its effective date. The application did not have impact on the Company's 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.

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.

Upfront payments that are attributable to subsequent render of contractual services are recognised as deferred revenue and will subsequently be recognised as revenue over the term when respective services are rendered.

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Notes

1 Accounting policies (continued)

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.

Financial statements 1 January – 31 December

Notes

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 balance sheet, 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.

Leases

Lessee Accounting

The Company has lease agreements for buildings and plant and equipment. The Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Qualifying leases are recorded as a right-of-use (ROU) asset for the right to use the underlying asset, and a lease liability for the obligation to make lease payments in the consolidated balances sheets of the Company. Lease payments associated with low value leases and leases with a term of under 12 months are expensed.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of the initial lease liabilities, initial direct costs, lease payments made at or before the commencement date less any lease incentives received, and estimates of costs for dismantling and restoration. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset. ROU assets are remeasured when a modification to the underlying lease results in a remeasurement of the corresponding lease liability.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses either the interest rate implicit in the lease or its incremental borrowing rate if the implicit rate is not readily determinable. Discounted future lease payments are comprised of fixed payments less any incentives received, variable payments based on an index or rate, and penalties for terminating a lease (where the expectation of termination is reasonably certain).

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Any modification to an existing lease agreement triggers reassessment of the lease contract. If the lease modification is not accounted for as a separate lease, the lease liability is remeasured at the effective date of the modification by discounting the revised lease payments using a revised discount rate. A remeasurement of the lease liability will result in a corresponding adjustment to the ROU asset.

Lease liabilities are recognised and included under 'Other payables' for the current portion of the lease liabilities and under 'Provisions' for the non-current portion of the lease liabilities.

Lessor Accounting

Lease Revenues

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The Company holds operating lease agreements for the lease of oil storage assets to third parties. Initial direct costs are included in the carrying value of the underlying assets and depreciate over the term of the lease. The depreciation policy for these underlying assets is consistent with the depreciation policy for similar assets. Rental income from operating leases is generally recognised on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Variable lease payments that do not depend on a rate or index are recognised when they are earned.

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1 Accounting policies (continued)

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. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then on a pro-rata basis to reduce the carrying amount of other assets in the CGU with an offset to net income.

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.

Investment in associates

Investments in associates are measured at costs. An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

Financial assets

Cash and cash equivalents, trade receivables, receivables from related parties, 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 related parties, 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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for 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 2019 and 2018, 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 balance sheet. Information about material contingent liabilities is disclosed in the notes.

Decommissioning obligation

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.

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1 Accounting policies (continued)

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.

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.

Events after the reporting date

If the Company receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, the Company will assess if the information affects the amounts that it recognizes in the Company's financial statements. The Company will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable



Financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

EBIT margin

$$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$$

Return on assets

$$\frac{\text{Profit for the year} \times 100}{\text{Total assets}}$$

Equity ratio

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

Return on equity

$$\frac{\text{Profit for the year} \times 100}{\text{Total equity}}$$

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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 2019, 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 2019. 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to goodwill cannot be reversed in future periods.

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Notes

2 Significant accounting estimates and judgments (continued)

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, value in use is estimated using a discounted cash flow methodology. This method estimates value in use applying a discounted ten-year forecasted cash flow with a terminal value, based on the Management's assessment of the long-term outlook of the 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 discount rate, which approximates the discount rate from a market participant's perspective.

The calculation of value in use is most sensitive to assumptions about discount rate and revenue and the key assumptions used in the 2019 calculating the recoverable 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. The market in which Inter Terminals operates was impacted by backwardation during the first half of 2019. Due to IMO 2020 and other market factors the market strengthen during 2nd half of 2019.

Average annual revenue inflation rates of 1.5% and an average utilisation rate of 80% in 2020 and 82% thereafter were 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. These cash flow projections were then aggregated with a terminal value incorporating an annual growth rate of 1.5% and a WACC of 6.40% that reflects the relative risks of assets.

Following the COVID-19 virus outbreak, the market turned into a contango state which positively impacted the activity levels in the Company. Company's Management therefore has concluded that there is no additional impact in regards to the impairment testing results.

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 based on the observable market participant data. 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 rates of 6.40% (2018: 6.80%) to after-tax cash flows of the cash-generating unit.

The principles explained under 'Impairment test', note 11, are applied.

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2 Significant accounting estimates and judgments (continued)

As a result of declines in the revenue forecasts, which decreased cash flow projections, Management has recognised an impairment charge of EUR 28,040 thousand within separate line in the statement of profit or loss, *Impairment of goodwill and property, plant and equipment*, as the carrying amount of the CGU exceeded the value in use recoverable amount of EUR 137,921 thousand. For the purpose of impairment assessment, Management amended its long-term forecast view to reflect the increased effect of backwardation on Company's results. Impairment charge was recognised for the full carrying amount of goodwill, of EUR 4,937 thousand, and a charge of EUR 23,103 thousand against balance of property, plant and equipment with a carrying amount of EUR 163,200 thousand.

Environmental provisions and decommissioning obligations

In accordance with the policies stated under environmental and assets retirement provisions in note 1, these provisions are made 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 21. 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 2018 and 2019, 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 2019.

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.

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3 Revenue

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

EUR'000	2019	2018
Fixed and variable tank leases	11,688	10,671
Throughput revenue	1,801	1,509
Harbour fees	915	918
Other fees	150	348
Total	14,554	13,446

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 4 months and 2 years 8 months. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

EUR'000	2019	2018
Within one year	11,279	5,263
After one year but not more than five years	9,285	1,819
More than 5 years	0	0
Total	20,563	7,082

4 Depreciation

EUR'000	2019	2018
Land and buildings	61	55
Plant and machinery	5,604	5,780
Fixtures, fittings, tools and equipment, etc.	12	9
	5,676	5,844

5 Staff costs

EUR'000	2019	2018
Wages and salaries	1,242	1,246
Defined contribution	133	150
	1,375	1,396
Average number of employees during the year	15	18
Number of employees at 31 December	17	17

The aggregate remuneration paid to members of the Executive Board and the Board of Directors for 2019, including amounts paid by other group entities, was EUR 127 thousand (2018: EUR 115 thousand), excluding pension costs. Defined contribution totalled EUR 8 thousand (2018: EUR 7 thousand).

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6 Audit fees

EUR'000	2019	2018
Ernst & Young		
Fee for statutory audit	24	23
Other assurance engagements	5	5
Tax consultancy	0	0
	<u>29</u>	<u>28</u>

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	2019	2018
Interest income from group entities	1,364	1,104
Other financial income	0	203
	<u>1,364</u>	<u>1,307</u>

8 Financial expenses

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

EUR'000	2019	2018
Interest expense to group entities	0	0
Interest expense, bank	7	6
Discounting of decommissioning obligation (note 21)	199	260
	<u>206</u>	<u>266</u>

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9 Income taxes

Income tax expense recognised in the statement of comprehensive income:

Compensation for use of current year tax losses	256	219
Change in deferred tax	-5,858	37
Adjustment to prior year	0	2,702
	<u>-5,603</u>	<u>2,958</u>

In 2018, the Danish Tax Administration initiated a tax audit of the corporate income tax returns for the periods 2012, 2013 and 2014. As a result of the tax audit, an adjustment to prior year income taxes of EUR 2,702 thousand has been recognised in 2018.

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

EUR'000	2019	2018
Profit/loss before tax for the period	-25,466	1,166
Calculated tax based on the Danish income tax rate of 22% (2018: 22%)	-5,603	256
Adjustment in respect of current income taxes of previous years	0	2,702
Income tax expense at an effective income tax rate of 22% (2018: 22%)	<u>5,603</u>	<u>2,958</u>

10 Intangible assets

Goodwill derives from the purchase of the terminal businesses at Stignæs and Gulfhavn.

EUR'000	Goodwill
Cost at 1 January 2018	<u>4,937</u>
Cost at 31 December 2018	<u>4,937</u>
Carrying amount at 31 December 2018	<u>4,937</u>
Cost at 1 January 2019	<u>4,937</u>
Impairment	<u>-4,937</u>
Cost at 31 December 2019	<u>0</u>
Carrying amount at 31 December 2019	<u>0</u>

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11 Impairment test, intangible assets

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

EUR'000	Stignæs/Guldhavn oil terminals	
	2019	2018
Goodwill	0	4,937

Inter Terminals SGOT ApS has goodwill in its Stignæs/Guldhavn oil terminal CGUs, 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 value in use 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 2019 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

As a result of declines in the revenue forecasts, which decreased cash flow projections, management has recognised an impairment charge of EUR 28,040 thousand within separate line in the statement of profit or loss, *Impairment of goodwill and property, plant and equipment*, as the carrying amount of the CGU exceeded the value in use recoverable amount of EUR 137,921 thousand. For the purpose of impairment assessment, Management amended its long-term forecast view to reflect the increased effect of backwardation on Company's results. Impairment charge was recognised for the full carrying amount of goodwill, of EUR 4,937 thousand, and a charge of EUR 23,103 thousand against balance of property, plant and equipment with a carrying amount of EUR 163,200 thousand (Note 12).

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12 Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Other fixtures, fittings, tools and equipment	Assets under construction	Total
Cost at 1 January 2018	31,375	166,941	33	4,201	202,550
Additions	0	1,914	0	375	2,289
Disposals	0	-36	0	0	-36
Transfers	0	3,685	463	-4,148	0
Adjustment of historical cost ²	0	-1,372	0	0	-1,372
Adjustment of decommissioning obligation	-64	-1,213	0	0	-1,277
Write down of scrapped assets	0	0	0	0	0
Cost at 31 December 2018	31,311	169,919	496	428	202,154
Depreciation 1 January 2018	306	32,722	13	0	33,041
Depreciation in the year	55	5,780	9	0	5,844
Transfers	0	-435	435	0	0
Adjustment of historical accumulated depreciation ¹	0	-1,373	0	0	-1,373
Reversed depreciation on scrapped assets	0	-5	0	0	-5
Depreciation at 31 December 2018	361	36,689	457	0	37,507
Carrying amount at 31 December 2018	30,950	133,230	39	428	164,647
Cost at 1 January 2019	31,311	169,919	496	428	202,154
Adjustment on transition to IFRS 16, right-of-use assets	112	0	0	0	112
Additions	0	1,439	145	2,026	3,609
Disposals	0	-771	-42	0	-813
Transfers	0	62	0	-62	0
Adjustment of decommissioning obligation	71	1,358	0	0	1,429
Write down of scrapped assets	0	0	0	0	0
Cost at 31 December 2019	31,494	172,007	599	2,391	206,491
Depreciation and accumulated impairment 1 January 2019	361	36,689	457	0	37,507
Depreciation in the year	61	5,604	12	0	5,676
Transfers	0	0	0	0	0
Loss from impairment (note 11)	0	23,103	0	0	23,103
Reversed depreciation on scrapped assets	0	-634	-42	0	-676
Depreciation and accumulated impairment at 31 December 2019	422	64,762	427	0	65,611
Carrying amount at 31 December 2019	31,073	107,244	173	2,391	140,881

¹ 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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Included in the above line items are right-of-use assets over the following:

EUR'000	Land and Buildings	Total
As at 1 January 2019	112	112
Additions	0	0
Depreciation	-5	-5
As at 31 December 2019	107	107

Set out below are the carrying amounts of lease liabilities and the movements during the period:

EUR'000	2019
As 1 January 2019	112
Additions	0
Accretion of interest	3
Payments	-7
As at 31 December 2019	108
Current	4
Non-current (Note 21)	104

The following are the amounts recognised in profit or loss:

EUR'000	2019
Depreciation expense of right-of-use assets	-5
Interest expense on lease liabilities	-3
Expense relating to short-term leases or low-value assets	0
Variable lease payments	7
Total amount recognised in profit or loss	-1

13 Investments in associates

Analysis of investments made in the year and value adjustments of investments which are financial assets:

EUR'000	2019	2018
Cost at 1 January	82	82
Carrying amount at 31 December	82	82

Investments in associates include:

Company name and legal form	Domicile	Currency	Ownership (%)	Equity	Profit/loss
Stignæs Vandindvinding I/S	Denmark	DKK	6.45%	13,718,137	0

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14 Deferred tax

Deferred tax relates to the following:

EUR'000	Statement of financial position		Statement of comprehensive income	
	2019	2018	2019	2018
Goodwill	-6,328	-5,488	-840	4,103
Property, plant and equipment	12,712	18,258	-5,546	-1,588
Provisions	-3,013	-2,655	-358	224
Adjustment to prior years	0	0	886	-2,702
Deferred tax (expense/income)			-5,858	37
Deferred tax, net	3,371	10,115		

Recognised in the statement of financial position as follows:

EUR'000	2019	2018
Deferred tax assets	0	0
Deferred tax liabilities	4,256	10,115
Deferred tax, net	4,256	10,115
<i>Reconciliation of deferred tax, net:</i>		
At 1 January	10,115	7,376
Tax expense recognised in the statement of comprehensive income for the year	-5,858	37
Adjustment to prior years	-886	2,702
At 31 December	3,371	10,115

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, 2019.

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.

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15 Trade receivables

Trade receivables at December 31, 2019 include receivables at a nominal value of EUR 1,528 thousand (2018: EUR 1,183 thousand). No provision for doubtful debts has been recognised. No write-downs were made in respect of trade receivables in 2019 (2018: EUR nil).

Analysis of trade receivables that were past due, but not written down, at 31 December 2019:

EUR'000	2019	2018
Maturities		
Until 30 days	78	885
Post due, but not written down	0	0
	78	885
Neither past due nor written down	1,450	298
Total	1,528	1,183

16 Prepayments

EUR'000	2019	2018
Prepaid insurance premiums	383	401
Other prepaid expenses	0	86
Total	383	487

17 Financial assets and liabilities

Note	EUR'000	Carrying amount	
		2019	2018
	Financial assets measured at amortised cost		
15	Trade receivables	1,528	1,183
23	Receivables from group entities	24,101	18,517
16	Prepayments	383	487
	Other receivables	930	1,316
	Total financial assets measured at amortised cost	26,942	21,503
	Financial liabilities measured at amortised cost		
	Trade payables	1,104	1,461
23	Payables to group entities	8,003	6,503
	Deferred income	598	706
	Other payables	683	19
	Total financial liabilities measured at amortised cost	10,388	8,689

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

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Notes

17 Financial assets and liabilities (continued)

17.1 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, apart from changes from financing cash flows as presented within the cash flow statement.

18 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 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 2019, the Company assessed that there is no risk of non-performance on its receivables from group entities.

At 31 December 2019, 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.

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18 Financial risks (continued)

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
2019				
Expected credit loss rate	0.20%	0.61%	2.45%	
Estimated total gross carrying amount	1,450	78	0	1,528
Expected credit loss	3	0	0	3
2018				
Expected credit loss rate	0.08%	0.23%	0.92%	
Estimated total gross carrying amount	298	885	0	1,183
Expected credit loss	0	2	0	2

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.

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
2019					
Payables to group entities	8,003	-	-	8,003	8,003
Trade and other payables	1,702	-	-	1,702	1,702
Deferred income	683	-	-	683	683
	<u>10,388</u>	<u>-</u>	<u>-</u>	<u>10,388</u>	<u>10,388</u>
2018					
Payables to group entities	6,503	-	-	6,503	6,503
Trade and other payables	1,480	-	-	1,480	1,480
Deferred income	706	-	-	706	706
	<u>8,689</u>	<u>-</u>	<u>-</u>	<u>8,689</u>	<u>8,689</u>

Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in market interest rates. The Company manages its interest rate risks through regular monitoring of its funding facilities. At 31 December 2019, the Company considers the exposure to interest rate risk minimal, as no debt obligations with floating interest rates were withdrawn by the Company.

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18 Financial risks (continued)

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			
2019			
DKK	583	-1,051	-468
USD	-	-	-
2018			
DKK	552	-1,640	-1,088
USD	-	-	-

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.

	Possible change	31 December 2019		31 December 2018	
		Profit/loss before tax	Equity	Profit/loss before tax	Equity
DKK	+/- 5% (2018: +/- 5%)	-11	-35	-26	-31
USD	+/- 15% (2018: +/- 15%)	0	0	408	408
GBP	+/- 10% (2018: +/- 10%)	-8	-8	-4	-4

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

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 December 31, 2019 and 2018.

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19 Share capital

Ordinary shares issued and fully paid-in:

	No. of shares	EUR'000
At 1 January 2019	125,000	17
Movements in the year	-	-
At 31 December 2019	125,000	17

The share capital consists of shares of DKK 1 each = EUR 17 thousand. The shares do not carry any special rights. There have been no changes in the share capital since the establishment in 2007.

20 Dividend

No dividends were paid to the parent company during the year ending 31 December 2019. No further dividend for 2019 is proposed at the annual general meeting.

21 Provisions

EUR'000	2019	2018
Decommissioning obligation	13,697	12,068
Long-term lease liability (Note 12)	104	0
Total	13,801	12,068

EUR'000	Decommissioning obligations
1 January 2018	13,084
Discounting of decommissioning obligation	260
Change in value during the year due to inflation rate	-1,276
31 December 2018	12,068
1 January 2019	12,068
Discounting of decommissioning obligation	200
Change in value during the year due to discount rate	1,429
31 December 2019	13,697

Provisions are recognised in the balance sheet as follows:

Current 2019	0
Non-current 2019	13,801
	13,801
Current 2018	0
Non-current 2018	12,068
	12,068

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21 Provisions (continued)

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% (2018: 1.3%) 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 1,7% (2018: 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 2018 and 2019, Management carried out a desktop review of decommissioning costs. According to Management's analysis, results of assessment made in 2016 are valid for 2019.

22 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 2019 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 (2018: EUR Nil).

Security for loans

No security for loans has been provided.

23 Related-party transactions

Information about related parties with a controlling interest:

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

Financial statements 1 January – 31 December

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23 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	Inter Terminals Denmark Group
2019	
Amounts payable to related parties	-8,003
Amounts receivable from related parties	24,101
Interest expenses on loans from related parties	0
Interest income on loans to related parties	1,364
Dividends to parent company	0
Management charge expenses	-1,557
Purchase of goods and other services from related parties	-510
Sale of goods and other services to related parties	25
2018	
Amounts payable to related parties	-6,503
Amounts receivable from related parties	18,517
Interest expenses on loans from related parties	0
Interest income on loans to related parties	1,104
Dividends to parent company	0
Management charge expenses	-1,881
Purchase of goods and other services from related parties	-527
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>.

24 Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the Company has experienced improved activity levels. No other 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 SGOT ApS for the financial year 1 January – 31 December 2019.

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.

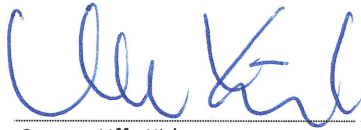
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2019, results of its operations and cash flows for the financial year 1 January – 31 December 2019.

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

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

Copenhagen, 2 June 2020

Executive Board:

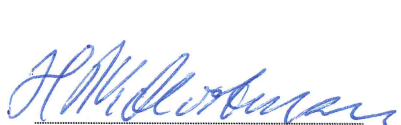


Carsten Uffe Kirk

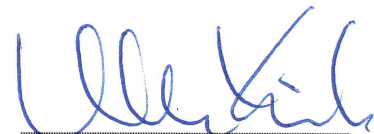
Board of Directors:



Michael Holmstrøm
Alexandersen
Chairman



Hans Peder Krogh Mortensen



Carsten Uffe Kirk

Independent auditor's report

To the shareholders of Inter Terminals SGOT ApS

We have audited the financial statements of Inter Terminals SGOT ApS for the financial year 1 January – 31 December 2019, 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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.

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 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.

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, 2 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab



Christian Schwenn Johansen
State Authorised
Public Accountant
mne33234



Kaare K. Lendorf
State Authorised
Public Accountant
mne33819