Inter Terminals Denmark Partnership I/S

Holtengårdsvej 25, 4230 Skælskør

CVR no. 33 75 70 93

Annual report 2019

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

Chairman:

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Management's review

Principle activities of the Partnership

The Partnership's core activity is to render management services to its subsidiaries and activities as a holding entity.

Financial review

The income statement for 2019 shows a loss of EUR 55,374 thousand and a loss of EUR 16,220 thousand last year. The actual results of the Partnership for 2019 are not in line with Management's past year expectations due to oil market being in the state of backwardation during the first half of the year, which effected the results of Management's impairment analysis on investments in subsidiary. Due to the International Maritime Organization regulation 2020 ("IMO") and other market factors the market strengthen during the 2nd half of 2019.

Operating review

In 2019, the Partnership did not receive any dividends from its wholly-owned subsidiary, Inter Terminals Denmark A/S, and no dividends were received from Inter Terminals Denmark A/S in 2018. No withdrawals from the partners' capital account were made by the partners in the partnership, Inter Pipeline Europe Ltd and Inter Terminals Ltd, in 2019 and 2018.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 55,429 thousand in the current year against the investment in Inter Terminals Denmark A/S. The impairment analysis for 2018 resulted in an impairment charge of EUR 16,352 thousand against the investment in Inter Terminals Denmark A/S.

Risk management

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

Capital management

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

Environmental matters

The subsidiaries have a responsibility to restore the site of the oil terminals to its original nature by way of decommissioning tanks e.g. provisions are made in the subsidiaries' financial statements in order to fulfil this responsibility.

Outlook

The Partnership's strategy is to continue to provide its ultimate customers with safe, reliable, market responsive and innovative services and solutions. Management expects the Partnership to realise a profit for the coming year. Management believes there is a degree of uncertainty in regards to the result for the coming year, but expects a result of EUR 0 thousand to EUR 15,000 thousand.

Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the oil terminal subsidiaries of Inter Terminals Denmark A/S 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 Partnership's financial position.

Management's review

Financial highlights

EUR'000	2019	2018	2017	2016	2015
Key figures					
Revenue	1,926	4,173	4,486	4,911	4,113
Gross profit	-55,371	1,870	1,952	2,047	1,698
Impairment of investments in subsidiaries	-55,429	-16,352	-5,051	-	-
Dividends from investments in subsidiaries	-	-	5,000	14,250	18,750
Net financials	-3	-2	-2	15	28
Profit/loss for the year	-55,374	-16,220	98	14,447	18,919
Total equity	115,478	170,852	187,072	192,154	192,707
Balance sheet total	116,802	171,815	188,123	193,573	193,542
Investments in property, plant and equipment	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-
Ratios (%)					
EBIT margin	-1351.6	-392.0	2.2	293.9	459.3
Return on assets	-47.4	-9.5	0.1	7.5	9.8
Equity ratio	98.9	99.4	99.4	99.3	99.6
Return on equity	-38.7	-9.4	0.1	7.5	9.8

Management's review

Partnership details

Name	Inter Terminals Denmark Partnership I/S
Address	Holtengårdsvej 25 DK-4230 Skælskør
CVR no.	33 75 70 93
Financial year	1 January – 31 December
Website Telephone	www.interterminals.com +45 2466 4353
Executive Board	Martyn Joseph Augustine Lyons Hans Peder Krogh Mortensen Carsten Uffe Kirk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

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Statement of comprehensive income

Note	EUR'000	2019	2018
	Revenue	4,097	4,173
	Other external costs	-2,171	-2,303
	Gross profit	1,926	1,870
3	Staff costs	-1,785	-1,674
	Depreciation of property, plant and equipment	-82	-62
7	Impairment of investments in subsidiaries	-55,429	-16,352
	Operating profit/loss	-55,371	-16,218
11	Dividends received from investments in subsidiaries	0	0
5	Financial income	0	0
6	Financial expenses	-4	-2
	Profit/loss for the year	-55,374	-16,220
	Other comprehensive income	0	0
	Total comprehensive income/loss	-55,374	-16,220

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

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Balance sheet

Note	EUR'000	2019	2018
	ASSETS		
	Non-current assets		
	Property, plant and equipment	60	75
	Total property, plant and equipment	60	75
7	Investments in subsidiaries	114,334	169,764
	Receivables from the parent entity	113	0
	Total other non-current assets	114,447	169,764
	Total non-current assets	114,507	169,839
	Current assets		
8,14	Other receivables from group entities	2,139	1,895
	Prepayments	15	6
	Other receivables	-	6
	Cash	140	69
	Total current assets	2,295	1,976
	TOTAL ASSETS	116,802	171,815

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Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Capital accounts	115,478	170,852
10,11	**Total equity**	115,478	170,852
	Non-current liabilities		
	Provisions	28	0
	Total non-current liabilities	28	0
	Current liabilities		
	Trade payables	111	34
14	Other payables to subsidiaries	253	233
	Other payables	932	696
8	**Total current liabilities**	1,296	963
	Total liabilities	1,324	963
	TOTAL EQUITY AND LIABILITIES	116,802	171,815

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Statement of changes in equity

Note	EUR'000	Inter Terminals Limited (99.9% ownership) Capital account	Inter Terminals Denmark Ltd. (0.1% ownership) Capital account	Total
	Equity at 1 January 2018	186,930	142	187,072
10	Loss for the year	-16,204	-16	-16,220
	Other comprehensive income for the year	-	-	
	Transaction with owners:			
11	Capital account withdrawal	-	-	-
	Equity at 1 January 2019	170,726	126	170,852
10	Loss for the year	-55,319	-55	-55,374
	Other comprehensive income for the year	-	-	-
	Transaction with owners:			
11	Capital account withdrawal	-	-	-
	Equity at 31 December 2019	115,407	71	115,478

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Cash flow statement

Note	EUR'000	2019	2018
	Profit/loss	-55,374	-16,220
	Cash flow changes:		
	Depreciation	82	62
7	Impairment on investments in subsidiaries	55,429	16,352
	Financial income	0	0
	Financial expenses	3	2
	Cash generated from operations before changes in working capital	140	196
	Changes in working capital		
	Changes in receivables/payables	-225	-570
	Changes in other current liabilities	179	-12
	Cash flows from operating activities before net financial	94	-386
	Interest received	0	0
	Interest paid	-3	-2
	Cash flows from operating activities	91	-388
	Additions of property, plant and equipment	0	0
	Cash flows from investing activities	0	0
11	Capital account withdrawal	0	0
	Principal payments on lease liabilities	-21	0
	Cash flows from financing activities	-21	0
	Net cash flows	70	-388
	Cash and cash equivalents, beginning of year	69	457
	Cash and cash equivalents, year-end	139	69

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1 Accounting policies

Corporate information

The financial statements of Inter Terminals Denmark Partnership I/S for the year ended 31 December 2019 were authorised for issue in accordance with the resolution of the Executive Board on 2 June 2020. Inter Terminals Denmark Partnership I/S (further: "the Partnership") is a general partnership incorporated and domiciled in Denmark. The registered office is located at Holtengårdsvej 25, Skælskør.

The Partnership's core activity is to render management services to subsidiaries and activities as a holding entity. The Partnership's ultimate parent is Inter Pipeline Limited based in Calgary, Alberta. Information on other related party relationships of the Partnership is provided in Note 14.

Basis for preparation

The annual report of Inter Terminals Denmark Partnership I/S for 2019 has been prepared in accordance with International Financial Reporting Standards 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 Partnership's functional currency.

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.*

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 Partnership'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.

Consolidated financial statements

No consolidated financial statements have been prepared, in accordance with IFRS 10 *Consolidated Financial Statements*, as the Partnership's ultimate parent prepares consolidated financial statements under IFRS, which may be obtained from: http://www.interpipeline.com.

New and amended standards and basis for conclusion

Standards effective in 2019

The Partnership 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 Partnership's financial statements.

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1 Accounting policies (continued)

IFRS 16 Leases

The Partnership adopted FRS 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 Partnership has identified in its lease contracts with customers it is a lessor in accordance with IFRS 16.

The ***Partnership*** 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 1 January, 2019, with the standard applied prospectively. There was no impact recorded in regard to equity at 1 January, 2019. The Partnership utilizes the practical expedient of relying on the 31 December, 2019 onerous lease assessment as an alternative to performing an impairment review of right-of-use of assets at 1 January, 2019.

The Partnership elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the ***Partnership*** 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 Partnership 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 ***Partnership*** 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 impact on operating profit was insignificant. Impact on the statement of financial position (increase/(decrease)) at 1 January 2019:

EUR'000	**2019**
Assets	
Right-of-use asset	68
Total assets	68
Liabilities	
Lease liability	-68
Total liabilities	-68

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1 Accounting policies (continued)

Foreign currency translation

A functional currency has been determined for the Partnership. The functional currency is the currency of the primary economic environment in which the Partnership 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

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

Income from the supply of services to subsidiaries is recognised as revenue. Revenue is recognised in the statement of comprehensive income as the performance obligation occurs.

Other operating expenses

Other operating expenses include legal, consulting, recruitment and other operating expenses.

Staff costs

Staff costs represent costs relating to the employee employed during the year.

Amortisation/depreciation and impairment losses

The item includes amortisation/depreciation and impairment of property, plant and equipment. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the below assessments of the useful life and residual value of the assets.

IT equipment 4 years

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.

Interest is recognised under the accrual basis of accounting.

Borrowing costs relating to general borrowing or loans directly attributable to the acquisition, construction or development of qualifying assets form part of the cost of such assets.

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1 Accounting policies (continued)

Income from investments

Dividends from investments are recognised in the statement of comprehensive income once declared. Net valuation adjustment to investment in subsidiaries are recognised when they occur.

Income tax expense

Tax is charged to the partners, Inter Terminals Ltd. and Inter Terminals Denmark Ltd., and is settled by the partners. On this basis, taxes are not recognised in the financial statements.

Statement of financial position

Current versus non-current classification

The Partnership 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 Partnership classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment comprise computer equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

If there is objective evidence of impairment of an individual receivable, the receivable is written down individually. Alternatively, an assessment is made on a portfolio basis.

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

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1 Accounting policies (continued)

Leases

Lessee Accounting

The Partnership has lease agreements for equipment and cars. The Partnership 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 Partnership. Lease payments associated with low value leases and leases with a term of under 12 months are expensed.

Right-of-use assets

The Partnership 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 Partnership 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 Partnership 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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Impairment testing is carried out as described in connection with impairment of non-current assets if there is any indication of impairment. It constitutes an indicator of impairment if dividends exceed profit in subsidiaries, or the cost price exceeds the carrying amount of assets in subsidiaries. Cost is written down to the recoverable amount whenever the cost exceeds the recoverable amount. If the impairment need is no more present the impairment write down is reversed.

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1 Accounting policies (continued)

Financial assets

Cash and cash equivalents, receivables from subsidiaries 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 Partnership at each reporting date to determine expected credit losses on a forward-looking basis.

For receivables from subsidiaries and other receivables, the Partnership 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.

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

Equity

Equity consists of the partners' capital accounts at the beginning of the financial year plus the year's transactions with owners and the profit/loss for the year.

Financial liabilities

Financial liabilities comprise payables to subsidiaries and are recognised on borrowing at the proceeds received net of transaction costs. On subsequent recognition, financial liabilities are measured at amortised cost using the effective interest-rate method so that the difference between the proceeds and the nominal value is recognised in the profit or loss for the year under financial expenses over the term of the loan.

Other payables are measured at net realisable value.

Share-based payments

Cash-settled transactions

The fair value basis of accounting is used for share-based payments plans whereby changes in the liability are recorded in each period based on the number of awards outstanding and the current market price of Inter Pipeline Limited's shares plus an amount equivalent to cash dividends declared to date (RSU plan).

The expense is recognised over the vesting periods of the respective awards. The market-based value of the award approximates the intrinsic value as the awards have no exercise price.

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1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows how cash and cash equivalents at the Partnership 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 intangible assets and 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 enterprises 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 highlights

EBIT margin $$\frac{\text{Operating profit/loss + Income from investments in subsidiaries x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit for the year x 100}}{\text{Total assets}}$$

Equity ratio $$\frac{\text{Total equity x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity $$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$$

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Notes

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 Partnership'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

Impairment testing of investment

The Partnership tests investments for 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 an 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.

The impairment testing of investments in subsidiaries 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 CGU exceeds its recoverable amount, which is the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Estimating the value in use requires the Partnership to make estimates of the expected future cash flows in the subsidiaries. Those cash flows do not include significant future investments that will enhance the asset's performance of the CGU being tested. 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 the Partnership's impairment testing of investments in subsidiaries, fair value is estimated using a discounted cash flow methodology. This method estimates value in use 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 principles explained under 'Investments in subsidiaries', note 7, are applied.

The calculation of value in use is most sensitive to assumptions about revenue and discount rate and the key assumptions used in the 2019 calculating the recoverable value are as follows:

Notes

2 Significant accounting estimates and judgments (continued)

Revenues

Revenues are based on Management's best estimates, taking into consideration existing contracts, timing of contract renewals, as well as relevant market factors. The market in which Inter Terminals operates was impacted by backwardation during the first half of 2019. Due to IMO 2020 and other market factors the market strengthen during 2nd half of 2019.

An average annual revenue inflation rate of 1.5% and an average utilisation rate of 100% in 2020 and 84% thereafter for Inter Terminals Denmark AOT ApS, 100% in 2020 and 100% thereafter for Inter Terminals Denmark EOT ApS, 80% in 2020 and 82% thereafter for Inter Terminals Denmark SGOT ApS have been incorporated into the 10-year cash flow forecasts of each of the cash-generating units. The assessment is that projection period is consistent with that which would be used by a market participant in evaluating these CGUs. The average utilisation rate for the cash-generating units incorporates both periods of contango and backwardation based on historical trends. Financial statements 1 January – 31 December

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. Partnership-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 6.40% (2018: 6.80%) to after-tax cash flows of the cash-generating unit.

The principles explained under 'Investments in subsidiaries', note 7, are applied.

As a result of declines in the revenue forecasts, which decreased cash flow projections, Management has recognised an impairment charge of EUR 55,429 thousand in the current year against the investment in Inter Terminals Denmark A/S with a carrying amount of EUR 169,764 thousand. The impairment charges are recorded within impairment of investments in subsidiaries in the statement of profit or loss.

3 Staff costs

EUR'000	2019	2018
Analysis of staff costs, etc.		
Wages and salaries	1,676	1,570
Expense/(income) related to Restricted Share Units	-18	-27
Defined contribution	127	131
Total	1,785	1,674
The average number of employees during the year	14	15

The aggregate remuneration for the directors, including amounts paid by other group entities, was EUR 111 thousand (2018: EUR 103 thousand), excluding pension costs. Defined contribution totalled EUR 25 thousand (2018: EUR 25 thousand).

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Notes

4 Audit fees

EUR'000	2019	2018
Fee for statutory audit	4	4
Other assurance engagements	5	15
Tax consultancy	22	49
	31	68

5 Financial income

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

EUR'000	2019	2018
Interest received from group entities	0	0
	0	0

6 Financial expenses

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

EUR'000	2019	2018
Interest expense, bank	3	2
	3	2

7 Investments in subsidiaries

EUR'000	Total Group entities
Cost	
Balance at 1/1 2019	191,167
Cost at 31/12 2019	191,167
Write-downs	
Balance at 1/1 2019	21,403
Write-downs in the year	55,429
Write-downs at 31/12 2019	76,832
Carrying amount at 31/12 2019	114,335

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7 Investments in subsidiaries (continued)

Analysis of the Partnership's results of operations and equity, according to the most recent financial statements:

EUR'000	Domicile	Currency	Nominal capital	Ownership (%)	Equity	Profit/loss
Subsidiaries						
Inter Terminals Denmark A/S	Denmark	EUR	67	100	114,066	-55,698

The Partnership assesses the value of the investments in subsidiary for impairment on a value in use basis by discounting projected future cash flows generated by the subsidiary's assets at a weighted average cost of capital that reflects the relative risk of the asset.

Valuation is based on cash flow projections for the CGU 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 this CGU. 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 an impairment charge of EUR 55,429 thousand in the current year against the investment in Inter Terminals Denmark A/S with a carrying amount of EUR 169,764 thousand. Management amended its long-term forecast view on the Group oil terminal companies' results. The impairment charge is recorded within impairment of investments in subsidiaries in the statement of profit or loss.

8 Financial assets and liabilities

Note	EUR'000	Carrying amount 2019	Carrying amount 2018
	Loans and receivables measured at amortised cost		
14	Other receivables from group entities	2,139	1,895
	Prepayments	15	6
	Other receivables	0	6
	Total loans and receivables measured at amortised cost	2,155	1,907
	Financial liabilities measured at amortised cost		
	Trade payables	111	34
14	Other payables to subsidiaries	253	233
	Other payables	933	696
	Total financial liabilities measured at amortised cost	1,296	963

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

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8.1. Changes in liabilities arising from financing activities

In 2017, the Partnership 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 Partnership 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.

9 Financial risks

At the balance sheet date, the Partnership 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 counterparties' inability or unwillingness to fulfil their obligations to the Partnership. The Partnership's credit risk exposure relates primarily to financial counterparties holding cash. Partnership'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 regular monitoring procedures.

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

At 31 December 2019, the Partnership assessed that there is no risk of non-performance on its receivables from group entities.

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

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9 Financial risks (continued)

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 Partnership's primary foreign currencies are shown below. The changes in exchange rates are based on the year's actual foreign exchange rate movements.

		31 December2019		31 December2018	
EUR'000	**Possible change**	**Profit/loss before tax**	**Equity**	**Profit/loss before tax**	**Equity**
DKK	+/- 0.5% (2018: 0%)	-11	-11	-13	-13
USD	+/- 10% (2018: +/- 15%)	0	0	-1	-1
GBP	+/- 5% (2018: +/- 10%)	-44	-44	-20	-20

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

Capital management

For the purpose of the Partnership's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Partnership's capital management is to maximise the shareholder value. The Partnership manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Partnership 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 2019.

10 Share capital

The Partnership capital was DKK 500 thousand (EUR 60 thousand) at the time of incorporation. The profit/loss attributable to the partners was a loss of EUR 55,374 thousand during the year (2018: EUR 16,220 thousand). The Partnership's interest is split as follows: 99.9% to Inter Terminals Limited and 0.1% to Inter Terminals Denmark Ltd.

11 Capital account withdrawal and dividend

No capital withdrawal was paid during 2019 (2018: EUR Nil). No further dividend for 2019 is proposed at the annual general meeting.

12 Contingent liabilities, security for loans and other financial obligations

Lease obligations (operating leases) falling due within 5 years total EUR nil thousand (2018: EUR 0 thousand).

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13 Restricted Share Units (RSU) plan

Effective 1 January 2014, the Partnership implemented a shadow Restricted Share Unit Plan (RSU Plan) that defines how awards made to the senior executives will be determined and administered. A Restricted Share Unit (RSU) is granted under the RSU Plan. It is valued based on Inter Pipeline Limited's share unit price plus credit for cash distributions paid to unit holders during the period the RSUs are held. Unless otherwise provided in an individual grant agreement, the RSU will vest one-third on each of the successive anniversary dates from the date of the grant. The life of RSUs granted is three years. Upon exercise of a RSU, the amount owing will be paid out in cash, net of the appropriate payroll taxes.

At 31 December 2019, the current portion of the liability included in other payables was EUR 164 thousand (2018: EUR 146 thousand), comprising EUR 104 thousand on RSU units vested but not yet exercised and EUR 60 thousand automatically exercised from 2017 RSU plan units, including net income of EUR 18 thousand recorded at 31 December, 2019. At 31 December 2019, 3,090 RSUs are vested from the 2017 RSU plan, 3,255 RSUs from the 2018 plan and 3,082 RSUs from the 2019 plan. Inter Pipeline Limited's five-day simple average closing price at 31 December 2019 was CAD 19.18 (2018: CAD 25.76).

For the year ended 31 December 2019, staff costs included income of EUR 18 thousand related to RSUs (2018: EUR 27 thousand).

The following table illustrates the status of the Partnership's RSUs at 31 December 2019:

EUR'000	Number of RSUs
Balance, 1 January 2019	6,752
Granted during the year	5,043
Exercised during the year	(3,090)
Forfeited during the year	0
Balance, 31 December 2019	8,705

14 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 Limited	Priory House, Station Road 60 Redhill, RH1 1PE Surrey United Kingdom	Partner (99.9% owner)
Inter Terminals Denmark Ltd.	Priory House, Station Road 60 Redhill, RH1 1PE Surrey United Kingdom	Partner (0.1% owner)

On 10 January 2012, Inter Terminals Denmark Partnership I/S, as the immediate shareholder of Inter Terminals Denmark A/S, subscribed for DKK 1.00 equity at a rate of EUR 1,420,600 thousand per share of DKK 1.00 in the Partnership.

On 11 January 2012, Inter Terminals Denmark A/S completed the acquisition of the three oil terminal companies from DONG Energy Power A/S. The final purchase of all outstanding shares was EUR 388,700 thousand.

Remuneration and salaries to the Executive Board are reflected in note 3.

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14 Related-party transactions (continued)

The Partnership 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 website http://www.interpipeline.com.

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
2019		
Amounts payable to related parties	-	-253
Amounts receivable from related parties	-	2,139
Interest income on loans to related parties	-	-
Capital withdrawal by partners	-	-
Dividends from subsidiary	-	-
Management income	-	3,234
Management charge and personnel recharge expenses	-441	-
Purchase of goods and other services from related parties	-	-25
Sale of goods and other services to related parties	-	856
2018		
Amounts payable to related parties	-7	-226
Amounts receivable from related parties	-	1,895
Interest income on loans to related parties	-	-
Capital withdrawal by partners	-	-
Dividends from subsidiary	-	-
Management income	-	3,219
Management charge and personnel recharge expenses	-412	-
Purchase of goods and other services from related parties	-	-29
Sale of goods and other services to related parties	-	923

15 Events after the balance sheet date

Following the COVID-19 virus outbreak, starting March, 2020, the market turned into contango state and the oil terminal subsidiaries of Inter Terminals Denmark A/S 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 Partnership's financial position.

Statement by the Executive Board on the annual report

Today, the Executive Board have discussed and approved the annual report of Inter Terminals Denmark Partnership I/S for the financial year 1 January – 31 December 2019.

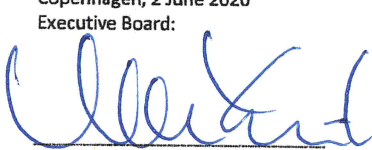
The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

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

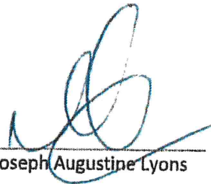
Further, in our opinion, the Management's review gives a fair review of the development in the Partnership's operations and financial matters and the results of the Partnership's operations and financial position.

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

Copenhagen, 2 June 2020
Executive Board:



Carsten Uffe Kirk
Managing Director



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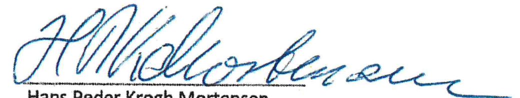

Hans Peder Krogh Mortensen

Independent auditor's report

To the shareholders of Inter Terminals Denmark Partnership I/S

Opinion

We have audited the financial statements of Inter Terminals Denmark Partnership I/S 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, including 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 Partnership at 31 December 2019 and of the results of the Partnership'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 Partnership 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 conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership'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 Partnership'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 Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, 2 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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State Authorised
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