Inter Terminals Denmark A/S

Holtengårdsvej 25, 4230 Skælskør

CVR no. 33 75 79 05

Annual report 2020

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Management's review

Principle activities of the Company

The Company's core activity is to operate an oil terminal business, including rental of tank capacity, storage and loading and unloading of products, as well as other business activity connected with this.

Financial review

With the effective date of 1 January 2020 the Company carried out a vertical merger for Danish oil terminal businesses (Inter Terminals SGOT A/S, Inter Terminals AOT A/S and Inter Terminals EOT A/S), with the Company as the successor entity. For the presentation in the Company's financial statements, such merger is treated as applicable for both current and comparable financial periods, meaning that the comparison figures have been restated, showing the financial statements, as if the oil terminals had always been one entity. All intercompany transaction for the merged entities have been eliminated.

The income statement for 2020 shows a profit of EUR 8,560 thousand against a loss of EUR 26,727 thousand last year. The actual results of the Company for 2020 are in line with Management's past year expectations due to state of contango and further Covid-19 impact on oil storage facilities. World economic conditions took a significant hit in later part of Q1 2020 due to drop in oil prices, and as market conditions worsen as a result of measures taken by governments to stop the spread of COVID-19. These factors had positive impact on performance of the Company, as these increased the demand and utilization at the storage facilities.

Further, due to the International Maritime Organization regulation 2020 ("IMO") and other market factors, the market for the oil storage business strengthen since the 2nd half of 2019, and this trend continued in 2020.

Operating review

The Company's largest expense during the year is interest expenses on the loan from Inter Pipeline Luxembourg S.à r.l. In October 2020, the loan was converted into equity of the Company. Interest expense in 2020 is charged until the date of loan conversion.

All tanks are approved for Customs Warehousing.

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, intergroup financing, as well as external financing, where required. At 31 December, 2019 loan from Inter Pipeline Luxembourg S.à r.l. amounted to EUR 166,700 thousand. In October 2020, the Company performed conversion of the loan balance to equity.

Inter Terminals Denmark A/S' 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 of the oil terminals to its original nature by way of decommissioning tanks e.g. provisions are made in the Company's financial statements in order to fulfil this responsibility.

Management's review (continued)

Outlook

The Company's strategy is to continue to provide its ultimate 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 14,000 thousand – 16,000 thousand for the coming year.

Events after the balance sheet date

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

Financial highlights

Comparatives in the financial highlights have been updated, in respect to the merger.

EUR'000	2020	2019	2018	2017	2016
Key figures					
Revenue	46,934	29,326	22,321	40,795	51,216
Other operating income	0	0	3	5	2
Gross profit/loss	38,209	22,296	15,415	32,510	41,440
Operating profit/loss	20,780	-21,693	-6,210	-14,680	22,839
Net financials	-8,906	-11,253	-11,100	-11,217	-11,203
Profit/loss for the year	8,560	-26,727	-16,634	-9,526	31,701
Total equity	289,911	114,651	142,330	152,416	155,858
Balance sheet total	328,969	322,974	361,228	373,892	369,717
Cashflow from operating activities	19,138	4,814	-1,502	32,008	33,555
Investments in property, plant and equipment	-7,855	-4,397	-4,421	-13,565	-9,541
Ratios (%)					
Gross margin	81	76	69	80	81
EBIT margin	44	-74	-28	-36	45
Return on assets	3	-8	-5	-3	9
Equity ratio	88	35	39	41	42
Return on equity	3	-23	-12	-6	20

Management's review (continued)

Company details

Name	Inter Terminals Denmark A/S
Address	Holtengårdsvej 25 DK-4230 Skælskør
CVR no.	33 75 79 05
Financial year	1 January – 31 December
Website	www.interterminals.com
Telephone	+45 2466 4353
Board of Directors	Spilios Kousinioris, Chairperson Colin Drew Zarowny Per Anders Follin Carsten Uffe Kirk Michael Holmstrøm Alexandersen Hans Peder Krogh Mortensen
Executive Board	Carsten Uffe Kirk
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 DK-2000 Frederiksberg

Financial statements 1 January – 31 December

Statement of comprehensive income

Note	EUR'000	2020	2019
3	Revenue	46,934	29,326
	Operating costs	-8,725	-7,030
	Gross profit	38,209	22,296
5	Staff costs	-3,672	-2,978
4, 11	Depreciation of property, plant and equipment	-9,509	-9,739
11	Write down of scrapped property, plant and equipment	-1,312	-167
9, 10	Net impairment charges	0	-27,713
6	General and administrative costs	-2,936	-3,392
	Operating profit	20,780	-21,693
7	Financial expenses	-8,906	-11,253
	Profit/loss before tax	11,874	-32,946
8	Tax for the year	-3,314	6,219
	Profit for the year	8,560	-26,727
	Dividend	0	0
	Total comprehensive income	8,560	-26,727

The Company proposes at the annual general meeting to pay a dividend of EUR 9,000 thousand for 2020.

Financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2020	2019
	ASSETS		
	Non-current assets		
9,10	Goodwill	56,830	56,830
	Total intangible assets	56,830	56,830
11	Property, plant and equipment	261,743	260,503
	Total property, plant and equipment	261,743	260,503
13	Other investments	82	82
	Total investments	82	82
	Total non-current assets	318,655	317,415
	Current assets		
14	Trade receivables	5,323	4,584
15	Prepayments	898	646
	Other receivables	9	128
	Cash	4,084	201
	Total current assets	10,314	5,559
	TOTAL ASSETS	328,969	322,974

Financial statements 1 January – 31 December

Balance sheet

Note	EUR'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
18	Share capital	67	67
	Share premium	184,100	184,100
	Retained earnings	105,744	-69,516
	Total equity	289,911	114,651
	Non-current liabilities		
20	Provision	26,351	21,795
12	Deferred tax	9,779	6,480
	Total non-current liabilities	36,130	28,275
	Current liabilities		
16	Bank loans	0	7,400
16	Trade payables	1,021	1,740
23	Payables to group entities	0	169,507
16	Other payables	1,907	718
	Deferred income	0	683
	Total current liabilities	2,928	180,048
	Total liabilities	39,058	208,323
	TOTAL EQUITY AND LIABILITIES	328,969	322,974

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Statement of changes in equity

Note	EUR'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2019	67	184,100	-14,403	169,764
	Reduction regarding mergers	0	0	-28,386	-28,386
	Loss for the year	0	0	-26,727	-26,727
	Equity at 31 December 2019	67	184,100	-69,516	114,651
	Debt conversion	0	0	166,700	166,700
	Profit for the year	0	0	8,560	8,560
	Equity at 31 December 2020	67	184,100	105,744	289,911

The merger affected the Company's equity with EUR –28,386 thousand at 1 January 2019. The reduction was mainly due to Inter Terminals A/S recognising the investments in the merged entities at a higher amount, than the merged entities equity at 1 January 2019. The higher recoverable amount regarding investment in subsidiaries was due to surplus values form the impairment test.

Financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2020	2019
	Profit/loss before tax	11,874	-32,946
	Cash flow changes:		
11	Depreciation of property, plant and equipment	9,509	9,739
	Financial Income	0	0
7	Financial expenses	8,906	10,942
	Unwinding of discounting on decommissioning obligation	300	310
	Impairment of goodwill and property, plant and equipment	0	27,713
	Write-down of scrapped property, plant and equipment	1,312	167
	Cash generated from operations before changes in working capital	31,901	15,925
	Changes in working capital		
	Changes in receivables	-739	-1,216
	Changes in receivables/payables from/to group entities	-2,809	357
	Changes in other current asset	-95	183
	Changes in other current liabilities	-214	507
		28,044	15,756
	Interest received	0	0
7	Interest paid	-8,906	-10,942
	Cash flows from operating activities	19,138	4,814
	Purchase of property, plant and equipment	-7,855	-4,397
	Cash flows from investing activities	**-7,855**	**-4,397**
	Changes in bank loans	**-7,400**	**-504**
	Cash flow from financing activities	-7,400	-504
	Net cash flows	3,883	-87
	Cash and cash equivalents, beginning of year	201	288
	Cash and cash equivalents, year-end	4,084	201

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1 Accounting policies

Corporate information

The financial statements of Inter Terminals Denmark A/S for the year ended 31 December 2020 were authorised for issue in accordance with the resolution of the Board of Directors 29 March 2021. Inter Terminals Denmark A/S (further: "the Company") is a public limited company incorporated and domiciled in Denmark. The registered office is located at Holtengårdsvej 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 Denmark A/S for 2020 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 Company carried out a vertical merger for Danish oil terminal businesses, with the Company as the successor entity. For the presentation in the Company's financial statements, such merger is treated as applicable for both current and comparable financial periods, meaning that the comparison figures have been restated, showing the financial statements, as if the oil terminals had always been one entity. Except for the merger as described above, there has been no changes in application of accounting policies.

The annual report has been prepared according to the historical cost principle, 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 2020

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

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1 Accounting policies (continued)

The amendment to *IFRS 3 Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

Standards issued but not yet effective

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

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1 Accounting policies (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to *IFRS 3 Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

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1 Accounting policies (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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.

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1 Accounting policies (continued)

Statement of comprehensive income

Revenue recognition

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

Revenue is recognised in the statement of comprehensive income as services are rendered. Fixed and variable tank 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.

Other revenue mainly comprises throughput revenue, harbour fees and other services. 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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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.

Other operating income

Income from services rendered to group entities is recognised as revenue as the performance obligation occurs.

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 as well as legal, consulting and other operating expenses.

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.

Amortisation/depreciation

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.

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

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.

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1 Accounting policies (continued)

Statement of financial position

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Intangible assets

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

Property, plant and equipment

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

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

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

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1 Accounting policies (continued)

Subsequent expenses, for example, in connection with the replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Company from the expenses incurred. Replaced parts are derecognised from the 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.

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.

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1 **Accounting policies (continued)**

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.

Other investment

Other investments are measured at costs.

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, such as determination of CGUs. 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.

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1 Accounting policies (continued)

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.

The merger affected the Company's equity with EUR -28,386 thousand at 1 January 2019. The reduction was mainly due to Inter Terminals A/S recognising the investments in the merged entities at a higher amount, than the merged entities equity at 1 January 2019. The higher recoverable amount regarding investment in subsidiaries was due to surplus values form the impairment test.

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.

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/loss or taxable income.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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 a 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 them 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 the 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 2020 and 2019, 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.

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1 Accounting policies (continued)

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.

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.

Bank loans are recognized at the proceeds received net of transaction costs. On subsequent recognition, bank loans are measured at amortised cost using the effective interest-rate method so that the difference between the proceeds and the nominal value is recognized in the profit or loss for the year under financial expenses over the term of the loan.

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.

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1 Accounting policies (continued)

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

Gross margin	Gross profit x 100 / Revenue
EBIT margin	Operating profit (EBIT) x 100 / Revenue
EBIT margin	Operating profit/loss x 100 / Other income
Return on assets	Profit for the year x 100 / Total assets
Equity ratio	Equity x 100 / Total asset
Return on equity	Profit/loss for the year x 100 / 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.

Impairment testing of goodwill, and other assets

The Company tests goodwill 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 goodwill 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 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. 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.

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 the companies' impairment testing of goodwill, value in use 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 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 revenue and discount rate and the key assumptions used in the 2020 calculating the recoverable value are as follows:

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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 in contango state during 2020. Due to IMO 2020 and other market factors the market strengthen during 2nd half of 2019 and continued this trend.

An average annual revenue inflation rate of 1.5% and an average utilisation rate of 82% in periods of backwardation, and 98% in periods of contango for SOT, 42% and 92% for GOT, 62% and 96% for AOT, average 88% for EOT, 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.

Following the COVID-19 virus outbreak, the market turned into a contango state which positively impacted the activity levels in its oil terminal subsidiaries. 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 6.00% to after-tax cash flows of the cash-generating unit.

Based on the analysis performed in the current year, it was determined that there is no impairment of goodwill in 2020.

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 20. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

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2 Significant accounting estimates and judgments (continued)

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 the current year, 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 for the piers. According to the Company's internal policies, Management carries out a desktop review in the next three years subject to absence of significant changes to the sites and that the decommissioning costs are not volatile.

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.

Deferred tax recognition and valuation

Deferred tax assets are recognised for unused EBITDA rule restricted financial expenses carried forward to the extent that it is probable that taxable profit will be available against which the EBIT rule restricted expenses carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Deferred tax assets are recognised for unused EBITDA rule restricted financial expenses carried forward to the extent that it is probable that taxable profit will be available against which the EBIT rule restricted expenses carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company have analysed the utilisation of deferred tax asset. The EBITDA rule restricted financial expenses can be carried forward indefinitely (roll over principle). The analysis shows the projected utilisation of the EBITDA balance based on budgets for 2021-2029. After changes to the finance structure, with the debt conversion realised in 2020, the analysis shows that EBITDA restricted financial expenses will be utilized in 2024.

Consequently, all deferred tax assets and liabilities have been recognised at 31 December 2020.

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3 Revenue

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

EUR'000	2020	2019
Fixed and variable tank leases	39,264	23,643
Other revenue	7,670	5,683
Total	46,934	29,326

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 19 years. 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	2020	2019
Within one year	35,023	28,992
After one year but not more than five years	22,814	16,035
More than 5 years	9,374	0
Total	67,211	45,027

4 Depreciation

EUR'000	2020	2019
Analysis of depreciation in the year:		
Land and buildings	161	208
Plant and machinery	9,326	9,489
Fixtures, fittings, tools and equipment, etc.	22	42
	9,509	9,739

5 Staff costs

EUR'000	2020	2019
Wages and salaries	3,316	2,686
Defined contribution	356	292
	3,672	2,978
Average number of employees during the year	39	30
Number of employees at 31 December	50	33

The aggregate remuneration paid to members of the Executive Board and the Board of Directors for 2020, including amounts paid by other group entities, was EUR 520 thousand (2019: EUR 418 thousand), excluding pension costs. Defined contribution totalled EUR 31 thousand (2019: EUR 40 thousand).

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6 Audit fees

EUR'000	2020	2019
EY Godkendt Revisionspartnerselskab		
Fee for statutory audit	159	76
Other assurance engagements	14	20
Tax consultancy	0	3
	173	99

7 Financial expenses

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

EUR'000	2020	2019
Interest expense to group entities	8,526	10,835
Interest expense, bank	65	95
Financing charges	15	11
Discounting of decommissioning obligation (note 20)	300	312
	8,906	11,253

8 Income taxes

EUR'000	2020	2019
Income tax expense/(income) recognised in the statement of comprehensive income:		
Current income tax charge	0	0
Compensation for use of current year tax losses	0	0
Change in deferred tax	-3,299	6,175
Adjustment to prior year	-15	44
	-3,314	6,219

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	2020	2019
Profit/loss before tax for the period	11,874	-32,946
Calculated tax based on the Danish income tax rate of 22% (2019: 22%)	2,612	-7,248
Permanent differences related to interest	708	1,029
Adjustment in respect of current income taxes of previous years	-6	0
Income tax expense at an effective income tax rate of 22% (2019: 22%)	3,314	-6,219

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9 Intangible assets

Goodwill derives from the vertical merger of Danish oil terminal businesses with the Company as the successor entity. At the Danish oil terminal business units, goodwill arise from the acquisition of four oil storage terminals in Denmark located at Stigsnæs/Gulfhavn (SOT and GOT), Ensted (EOT) and Asnæs (AOT).

EUR'000	Goodwill
Cost at 1 January 2019	0
Additions from merger	84,543
Impairment	-27,713
Cost at 31 December 2019	56,830
Carrying amount at 31 December 2019	56,830
Cost at 1 January 2020	56,830
Impairment	0
Cost at 31 December 2020	56,830
Carrying amount at 31 December 2020	56,830

10 Impairment test, intangible assets

For impairment testing purposes, goodwill acquired through vertical merger has been allocated as follows:

	Oil terminals	
EUR'000	2020	2019
Goodwill	56,830	56,830

Inter Terminals Denmark A/S has goodwill in the Company CGU, representing the excess of consideration transferred over the fair value of net identifiable assets of operations acquired within oil terminals. 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 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 1.2% for SGOT and EOT and 0.6% for AOT.

The key assumptions used in the 2020 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

Based on the analysis performed in the current year, it was determined that there is no impairment of goodwill in 2020. The headroom by which CGU's recoverable amount exceeds its carrying value amounts to EUR 23,900 thousand. A sensitivity analysis shows that leaving all other variables constant, the discount rate post tax would need to increase from 6.0% to 6.4% to result in an impairment for CGU.

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11 Property, plant and equipment

EUR'000	Land and buildings	Plant and machinery	Other fixtures, fittings, tools and equipment	Assets under constructio n	Total
Cost at 1 January 2019	0	0	0	0	0
Additions from merger	42,225	282,164	957	2,760	328,106
Cost at 31 December 2019	42,225	282,164	957	2,760	328,106
Depreciation and accumulated impairment 1 January 2019	0	0	0	0	0
Additions from merger	1,380	65,620	603	0	67,603
Reversal of impairment	0	0	0	0	0
Reversed depreciation on scrapped assets	0	0	0	0	0
Depreciation and accumulated impairment at 31 December 2019	1,380	65,620	603	0	67,603
Carrying amount at 31 December 2019	40,845	216,544	354	2,760	260,503
Cost at 1 January 2020	42,225	282,164	957	2,760	328,106
Additions from mergers and acquisitions	0	68	623	0	691
Additions	0	5,363	91	2,401	7,855
Disposals	0	-1,832	-7	0	-1,839
Transfers		1,230	0	-1,230	0
Adjustment of decommissioning obligation (note 20)	213	4,049	0	0	4,262
Cost at 31 December 2020	42,438	291,042	1,664	3,931	339,075
Depreciation and accumulated impairment 1 January 2020	1,380	65,620	603	0	67,603
Depreciation from mergers and acquisitions	0	36	621	0	657
Depreciation in the year	215	9,226	68	0	9.509
Reversed depreciation on scrapped assets	0	-430	-7	0	-437
Depreciation and accumulated impairment at 31 December 2020	1.595	74,452	1,285	0	77,332
Carrying amount at 31 December 2020	40,843	216,590	379	3,931	261,743

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12 Deferred tax

Deferred tax relates to the following:

EUR'000	Statement of financial position 2020	Statement of financial position 2019	Statement of comprehensive income 2020	Statement of comprehensive income 2019
Goodwill	3,462	930	2,445	-5,002
Property, plant and equipment	20,018	19,726	902	185
Provisions	-5,700	-5,304	-918	-1,046
Tax losses carried forward	0	0	0	0
EBIT-limitation carried forward	-8,001	-8,872	870	-312
Deferred tax (expense/income)			3,299	-6,175
Deferred tax, net	9,779	6,480		

Reflected in the statement of financial position as follows:

EUR'000	2020	2019
Deferred tax assets	-13,701	-14,176
Deferred tax liabilities	23,480	20,656
Deferred tax, net	9,779	6,480
Reconciliation of deferred tax, net:		
At 1 January	6,480	305
Tax (income)/expense recognised in the statement of comprehensive income	3,299	6,175
At 31 December	9,779	6,480

Deferred tax assets are recognised for unused EBITDA rule restricted financial expenses carried forward to the extent that it is probable that taxable profit will be available against which the EBIT rule restricted expenses carried forward can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company have analysed the utilisation of deferred tax asset. The EBITDA rule restricted financial expenses can be carried forward indefinitely (roll over principle).

The analysis shows the projected utilisation of the EBITDA balance based on budgets for 2021-2029. After changes to the finance structure, with the debt conversion realised in 2020, the analysis shows that EBITDA restricted financial expenses will be utilized in 2024.

Consequently, all deferred tax assets and liabilities have been recognised at 31 December 2020.

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13 Other investments

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

EUR'000	2020	2019
Cost at 1 January	82	82
Carrying amount at 31 December	82	82

Other investments include:

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

14 Trade receivables

Trade receivables at 31 December 2020 include receivables at a nominal value of EUR 5,323 thousand (2019: EUR 4,584 thousand). No provision for doubtful debts has been recognised. No write-downs were made in respect of trade receivables in 2020 (2019: EUR nil).

Analysis of trade receivables that were past due, but not written down, at 31 December 2020:

EUR'000	2020	2019
Maturities		
Until 30 days	101	230
Post due, but not written down	0	0
	101	230
Neither past due nor written down	5,222	4,354
Total	5,323	4,584

15 Prepayments

EUR'000	2020	2019
Prepaid insurance premiums	898	646
Other prepaid expenses	9	128
Total	907	774

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16 Financial assets and liabilities

Note	EUR'000	Carrying amount 2020	Carrying amount 2019
	Financial assets measured at amortised cost		
14	Trade receivables	5,323	4,584
15	Prepayments	898	646
	Other receivables	9	128
	Total financial assets measured at amortised cost	6,230	5,358
	Financial liabilities measured at amortised cost		
	Bank Loans	0	7,400
	Trade payables	1,021	1,740
23	Payables to group entities	0	169,507
	Deferred income	0	683
	Other payables	1,906	718
	Total financial liabilities measured at amortised cost	2,927	180,048

The carrying amount reflects the fair value of financial assets and liabilities. Refer to the maturity analysis above for a comparison of the fair value and amortised cost of the loan.

16.1 Changes in liabilities arising from financing activities

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

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

The Company has not had any of the above changes in liabilities arising from financing activities, apart from changes from financing cash flows as presented within the cash flow statement.

17 Financial risks

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

Credit risk

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

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17 Financial risks (continued)

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 2020, the Company assessed that there is no risk of non-performance on its receivables from group entities.

At 31 December 2020, the Company considered that the risk of non-performance of its customers was minimal based on the Company's credit approval, ongoing monitoring procedures and historical experience. The creditworthiness assessment takes into account available qualitative and quantitative information about the counterparty including, but not limited to, financial status and external credit rating.

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

EUR'000	Current	31-60 days	Over 60 days	Total
2020				
Expected credit loss rate	0.08%	0.23%	0.92%	
Estimated total gross carrying amount	5,323	0	0	5,323
Expected credit loss	4	0	0	4
2019				
Expected credit loss rate	0.20%	0.61%	2.45%	
Estimated total gross carrying amount	4,584	0	0	4,584
Expected credit loss	9	0	0	9

Liquidity risk

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

The Company intend to finance the operations by intercompany financing.

Financial statements 1 January – 31 December

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17 Financial risks (continued)

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

EUR'000	Falling due within 1 year	Falling due between 1 and 5 years	Falling due after more than 5 years	Total	Carrying amount
2020					
Other payables	1,906	-	-	1,906	1,906
	1,906	-	-	1,906	1,906
2019					
Bank loans	7,400	-	-	7,400	7,400
Payables to group entities	12,723	166,967	-	179,690	169,507
Other payables	718	-	-	718	718
	20,841	166,967	-	187,808	177,625

In October 2020, the EUR 166,700 thousand loan from Inter Pipeline Luxembourg S.a.r.l. was converted into equity of the Company.

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. The long-term loan held with Inter Pipeline Luxembourg S.á.r.l. has a fixed interest rate. In 2020, the company converted loan into equity of the Company. At 31 December 2020, the Company considers the exposure to interest rate risk minimal, as no debt obligations with floating interest rates were withdrawn by the Company.

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 manages its foreign currency risks through regular monitoring of its foreign currency exposures. The Company's functional and presentation currency is Euro. Both the long-term loan and investments are denominated in Euro. Therefore, foreign currency risk exposure is accordingly accessed as minor.

Financial statements 1 January – 31 December

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17 Financial risks (continued)

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

EUR'000	Assets	Liabilities	Net
Currency			
2020			
DKK	2,680	-2,078	602
GBP	-	-	-
2019			
DKK	1,099	-1,875	-776
GBP	-	-	-

Sensitivity analysis at 31 December

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

		31 December 2020		31 December 2019	
	Possible change	Profit/loss before tax	Equity	Profit/loss before tax	Equity
DKK	+/- 5% (2019: +/- 5%)	-282	-860	-207	-529
GBP	+/- 10% (2019: +/- 10%)	-36	-36	-18	-18

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, 2020 and 2019.

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18 Share capital

Ordinary shares issued and fully paid-in:

	No. of shares	EUR'000
At 1 January 2020	500,001	67
Capital increase as part of debt conversion	1	-
At 31 December 2020	500,002	67

In connection with the debt conversion, the share capital was increased by the nominal amount of DKK 1.

No special rights are attached to the shares.

Analysis of changes in the share capital:

	2020	2019
At 1 January	67	67
Capital increase	-	-
At 31 December	67	67

19 Dividend

No dividends were paid to the parent company during the year ending 31 December 2020. The Company proposes at the annual general meeting to pay a dividend of EUR 9,000 thousand for 2020. This corresponds to EUR 18 per issued ordinary share.

20 Provisions

EUR'000	2020	2019
Decommissioning obligation	25,909	21,348
Long-term lease liability	442	447
Total	26,351	21,795

EUR'000	Decom-missioning obligations
1 January 2019	18,808
Discounting of decommissioning obligation	312
Change in value during the year due to inflation rate	2,248
31 December 2019	21,348
1 January 2020	21,348
Change in value due to change in cost	3,150
Discounting of decommissioning obligation	300
Change in value during the year due to discount rate	1,111
31 December 2020	25,909

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20 Provisions (continued)

Provisions are recognised in the balance sheet as follows:

EUR'000	
Current 2020	0
Non-current 2020	26,351
	26,351
Current 2019	0
Non-current 2019	21,795
	21,795

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 1.1% (2019: 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 1,1% (2019: 1.7%) was used to discount the future cash flows for decommissioning obligations, which have a maturity of 40 years.

In the current year, 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 piers and harbour structure.

21 Contingent liabilities, security for loans and other financial obligations

The Company has no future lease obligations (operating leases) falling due within 5 years.

Security for loans

No security for loans has been provided.

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22 Restricted Share Units (RSU) plan

Inter Terminals Partnership I/S, former immediate owner of the Company, 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.

In 2020, after the dissolution of the Partnership the RSU agreements with senior executives were transferred to the Company. At 31 December 2020, the current portion of the liability included in other payables was EUR 104 thousand, comprising EUR 65 thousand on RSU units vested but not yet exercised and EUR 39 thousand automatically exercised from 2017 RSU plan units, including net income of EUR 60 thousand recorded at 31 December, 2020. At 31 December 2020, 3,662 RSUs are vested from the 2018 RSU plan, 3,082 RSUs from the 2019 plan and 2,591 RSUs from the 2020 plan. Inter Pipeline Limited's five-day simple average closing price at 31 December 2020 was CAD 12.02 (2019: CAD 22.61).

For the year ended 31 December 2020, staff costs included income of EUR 60 thousand related to RSUs (2019: EUR 18 thousand).

The following table illustrates the status of the Company's RSUs at 31 December 2020:

	Number of RSUs
Balance, 1 January 2020	8,705
Granted during the year	4,240
Exercised during the year	(3,662)
Forfeited during the year	0
Balance, 31 December 2020	9,283

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23 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

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 Luxembour g S.á.r.l.	Inter Terminals Denmark Group
2020		
Debt conversion	166,700	0
Amounts payable to related parties	0	0
Amounts receivable from related parties	0	0
Interest expenses on loans from related parties	-8,526	0
Interest income on loans to related parties	0	0
Dividends to parent company	0	0
Management charge expenses	0	-2,162
Purchase of goods and other services from related parties	0	-233
Sale of goods and other services to related parties	0	50
2019		
Amounts payable to related parties	-169,507	0
Amounts receivable from related parties	0	0
Interest expenses on loans from related parties	-10,835	0
Interest income on loans to related parties	0	0
Dividends to parent company	0	0
Management charge expenses	0	-3,234
Purchase of goods and other services from related parties	0	-857
Sale of goods and other services to related parties	0	52

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

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

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

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Inter Terminals Denmark A/S for the financial year 1 January – 31 December 2020.

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 2020, results of its operations and cash flows for the financial year 1 January – 31 December 2020.

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, 29 March 2021
Executive Board:

Carsten Uffe Kirk
Managing Director

Board of Directors:

Spilios Kousinioris
Chair

Colin Drew Zarowny

Per Anders Follin

Carsten Uffe Kirk

Michael Holmstrøm Alexandersen

Hans Peder Krogh Mortensen

Independent auditor's report

To the shareholders of Inter Terminals Denmark A/S

Opinion

We have audited the financial statements of Inter Terminals Denmark A/S for the financial year 1 January – 31 December 2020, 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 financial position of the Company at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we concluded that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Independent auditor's report (continued)

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

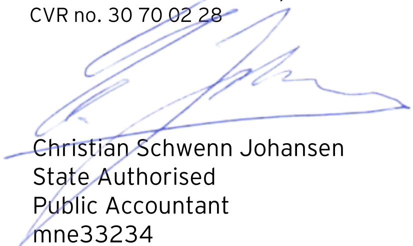
As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

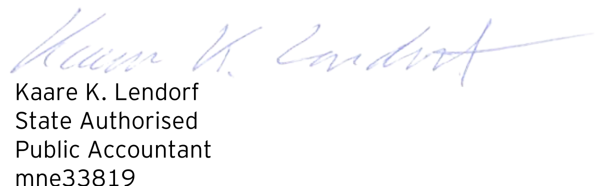
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 29 March 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28





Christian Schwenn Johansen
State Authorised
Public Accountant
mne33234

Kaare K. Lendorf
State Authorised
Public Accountant
mne33819