Terntank Rederi A/S

Vestre Strandvej 10, DK-9990 Skagen

Annual Report for 1 September 2017 - 31 August 2018

CVR No 34 58 43 62

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/11 2018

Thomas Wilkens Andersen
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Terntank Rederi A/S for the financial year 1 September 2017 - 31 August 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 August 2018 of the Company and of the results of the Company operations for 2017/18.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Skagen, 23 November 2018

Executive Board

Jens Pedersen Buchhave

Board of Directors

Thomas Wilkens Andersen Chairman	Arne Tryggve Möller Deputy Chairman	Rigmor Yvonne Möller
Annika Marita Kristensson	Sigurd Peder Viseth	

Independent Auditor's Report

To the Shareholder of Terntank Rederi A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2018 and of the results of the Company's operations for the financial year 1 September 2017 - 31 August 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Terntank Rederi A/S for the financial year 1 September 2017 - 31 August 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 misstate-

ment, 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 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are 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

Independent Auditor's Report

in a manner that gives a true and fair view.

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

Hellerup, 23 November 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mark Philip Beer
statsautoriseret revisor
mne29472

Company Information

The Company	Terntank Rederi A/S Vestre Strandvej 10 DK-9990 Skagen CVR No: 34 58 43 62 Financial period: 1 September - 31 August Financial year: 7th financial year Municipality of reg. office: Frederikshavn
Board of Directors	Thomas Wilkens Andersen, Chairman Arne Tryggve Möller Rigmor Yvonne Möller Annika Marita Kristensson Sigurd Peder Viseth
Executive Board	Jens Pedersen Buchhave
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Lawyers	Focus Advokater Englandsgade 25 5100 Odense C
Bankers	Danske Bank Algade 53 9000 Alborg Swedbank AB Södra Hamngatan 27 SE-404 22 Göteborg, Sweden Nordea AB Östra Hamngatan 16, SE-405 09 Göteborg, Sweden

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017/18	2016/17	2015/16	2014/15	2013/14
	kUSD	kUSD	kUSD	kUSD	kUSD
Key figures					
Profit/loss					
Revenue	65.706	55.788	46.793	52.211	37.465
Gross profit/loss	20.958	17.261	24.375	19.610	8.054
Operating profit/loss	12.721	9.945	12.526	12.565	1.679
Profit/loss before financial income and expenses	11.824	10.334	16.976	12.661	1.800
Net financials	-2.450	-55	-876	-1.412	-1.149
Net profit/loss for the year	9.198	10.170	16.151	11.220	644
Balance sheet					
Balance sheet total	147.409	172.640	159.891	125.752	110.740
Equity	71.173	75.975	81.805	65.654	54.434
Investment in property, plant and equipment	-2.263	-27.258	-20.952	23.580	54.177
Number of employees	11	10	8	7	7
Ratios					
Return on assets	8,0%	6,0%	10,6%	10,1%	1,6%
Solvency ratio	48,3%	44,0%	51,2%	52,2%	49,2%
Return on equity	12,5%	12,9%	21,9%	18,7%	1,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The object of the Company is to carry on shipping operations, ship management, crewing and other related shipping activities as determined by the Board of Directors as well as purchase, sale and holding of securities and related activities.

Market overview

The Company operates within the Oil and Chemical tanker segment performing transportation services for the North European oil refineries/oil trading companies primarily in the Scandinavian and Baltic region.

The total fleet og ice classsed 10.000 to 20.000 DWT tanker vessels consist of approximately 251 units of which 189 vessels are 15 years or younger and 14 new buildings are on order.

Approximately 24,7% of the fleet is older than 15 years and will leave the marker within the next 5 years (20 year commercial life time in the ECA area).

The Company do not foresee a significant decline in the need for oil transportation in the ECA area in the years to come.

A minor decline should be anticipated as modern consumers (vehicles) becoming more fuel efficient and/or using batteries, LNG or similar modern energy efficiency optimization as well as industry becoming more energy efficient in their production.

Development in the year

The income statement of the Company for 2017/18 shows a profit of USD 9,198,025, and at 31 August 2018 the balance sheet of the Company shows equity of USD 71,172,765.

The past year and follow-up on development expectations from last year

During the year the vessel M/T Tarndal was sold and delivered to new owners on 21 June 2018 and the remaining fleet consists of 11 vessels. M/T Tarnfors is expected too be sold within the calender year 2018 at book value.

All vessels was employed either in Time Charter or in Contract of Affreightment (COA) during the year and similar coverage is expected for the coming year.

Capital resources

The Company works very close with our banks and the normal sours for financing vessel are equity and bank loan.

Management's Review

Operating and financial risks

The Company focus on eliminating any operational risks by way of regular training of all employees through online tests/training and through seminars.

The Company is part of Shell´s Maritime Partners in Safety programme and have also arranged a training course via third-party, Blaa Mediamentor

The Company works with financial risk management.

The financial risk management policy ensure that:

- Management considers all aspects of the financial and bunker risks.

- The staff responsible for the management of financial risks understanding our objectives and risk appetite in managing financial risks as well as the limits of their authority, and

- That the financial risk management activities are undertaken in a controlled manner.

Market risks

The market risk in relation to increasing competition, relative pricing structures, change in demand, and specifically the change in oil prices affect the entity.

The Company focus on reducing the market risks by way of having all vessels employed primarily by way of Time Charter contracts and COA contracts and less in the spot market.

Foreign exchange risks

The Company denominates substantially all of its charter and other revenue generating contractual arrangements in USD. Furthermore, thebank financing arrangements are primarily denominated in USD and the principal assets are typically valued and traded in USD on world markets.

However, the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Swedish Krona (SEK); Danish Krona (DKK), Norwegian Krona (NOK) and Euro (EUR).

The vessels are primarily operating in Scandinavian seas and thus the Group´s main exposure to fluctuations in foreign exchange rates relate to operating expenses and staff costs incurred in currencies other than USD as well as from cash and bank balances denominated in foreign currencies (non-USD accounts).

If management decides to hedge FX risk, it is required to hedge the FX exposure with one of the bank fulfilling the minimum credit requirement stated in paragraph "Credit risks".

Interest rate risks

The Group´s interest rate risk arises to long-term borrowings.

The Group has financed its vessels with bank borrowings. In addition, the Group has entered into bank overdraft facilities. Both borrowings and overdraft facilities are arranged at floating rates with reset rates of less than 6 months.

Management may decide to hedge the floating rate risk using interest rate swaps.

Credit risks

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the chartering activity of the Group, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The credit risk (for lacking of payment) is assumed by the group, and by the Company itself.

Strategy

The company´s main focus is to own and operate tanker vessels and to provide safe and environmentally friendly tanker transport service in the Baltic and North-Western European market.

Targets and expectations for the year ahead

The company expect an increased competition in the coming year as several new vessels will enter into the market. The company will focus on operating the fleet primarily on time charter contracts and Contract of Affreightment whereas no greater impact from increased competition is expected.

Statement of corporate social responsibility

The Company fully subscribes to the goal of minimizing environmental damage and will strive to comply with not all relevant legislation, but also exceeding statutory requirements wherever possible.

We aim to continuously reduce fuel consumption and resulting air emissions. Target is to achieve a continuous reduction of fuel consumption on comparable operation measured related to cargo transported in the long run.

The above overall ambition shall be reached by structured energy efficiency management using the

Management's Review

SEEMP as main tool for operation improvement resulting in reduced fuel consumption and air emissions.

The SEEMP is part of the Company´s energy efficiency regime corresponding to OCIMF document "Energy Efficiency and Fuel Management" built on the standard TMSA set up that, according to OCIMF.

The Company´s quality policy in this respect is to operate the ships with as little impact upon the environment around us as possible.

We work for a better, safer and cleaner environment and each one of us has an important part to play in achieving this.

The Company is committed to environmental training and awareness including energy conservation.

By having clearly defined procedures and guidance, along with good quality crews, we can do our best to eliminate, at source, some of the causes of marine pollution such as collisions, groundings and operational spills.

The Company is looking for ways to reduce the total amount of chemicals used on board and also find replacements for some of the chemicals to more friendly types both for human and for the environment.

The Company follows the IMO rules and the Hong Kong Convention for the safe and environmentally sound recycling of ships.

The Company continued its environmental focus and installed SCR (Selective Catalyst Reduction) on M/T Ternvind and M/T Tarnbris as well as introduced Just In Time in order to save emissions and bunker consumption.

Statement on gender composition

The board of directors consist of 3 men and 2 women, and the Company has thereby achieved equal representation in the supreme management body.

The Company has less than 50 employees, and is therefore not required to define and report upon a policy to increase gender diversity within other management levels than the Board of Directors.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 September - 31 August

	Note	2017/18 USD	2016/17 USD
Revenue	1	**65.706.233**	**55.787.515**
Other operating income		400.652	389.485
Expenses for raw materials and consumables		-44.008.236	-37.841.554
Other external expenses		-1.141.117	-1.074.322
Gross profit/loss		**20.957.532**	**17.261.124**
Staff expenses	2	-1.599.218	-1.261.813
Depreciation, amortisation and impairment of property, plant and equipment	3	-6.236.322	-5.664.869
Other operating expenses		-1.298.292	0
Profit/loss before financial income and expenses		**11.823.700**	**10.334.442**
Financial income	4	334.871	2.468.889
Financial expenses	5	-2.784.530	-2.523.703
Profit/loss before tax		**9.374.041**	**10.279.628**
Tax on profit/loss for the year	6	-176.016	-109.594
Net profit/loss for the year		**9.198.025**	**10.170.034**

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	0	16.000.000
Proposed dividend for the year	3.000.000	14.000.000
Retained earnings	6.198.025	-19.829.966
	9.198.025	**10.170.034**

Balance Sheet 31 August

Assets

	Note	2017/18	2016/17
		USD	USD
Other fixtures and fittings, tools and equipment		4.175	138
Vessels		98.060.698	107.157.298
Property, plant and equipment	7	**98.064.873**	**107.157.436**
Investments in subsidiaries	8	1.496.695	1.496.695
Receivables from group enterprises	9	21.950.831	42.175.924
Other receivables	9	0	750.000
Fixed asset investments		**23.447.526**	**44.422.619**
Fixed assets		**121.512.399**	**151.580.055**
Bunker	10	**928.296**	**702.690**
Trade receivables		1.132.477	1.080.271
Receivables from group enterprises		1.247.287	2.687.009
Other receivables		1.562.910	5.080.411
Deferred tax asset	11	1.169.682	1.230.974
Prepayments	12	50.134	431.412
Receivables		**5.162.490**	**10.510.077**
Cash at bank and in hand		**19.806.080**	**9.846.836**
Currents assets		**25.896.866**	**21.059.603**
Assets		**147.409.265**	**172.639.658**

Balance Sheet 31 August

Liabilities and equity

	Note	2017/18	2016/17
		USD	USD
Share capital		676.061	676.061
Retained earnings		67.496.704	61.298.679
Proposed dividend for the year		3.000.000	14.000.000
Equity	13	**71.172.765**	**75.974.740**
Other provisions	14	895.141	385.141
Provisions		**895.141**	**385.141**
Credit institutions		51.933.281	65.792.359
Deferred income		5.021.364	5.300.844
Long-term debt	15	**56.954.645**	**71.093.203**
Credit institutions	15	11.164.714	14.112.856
Trade payables		759.332	2.949.505
Payables to group enterprises		2.568.342	2.812.645
Corporation tax		82.881	1.359.963
Other payables		3.335.039	3.325.376
Deferred income	15,16	476.406	626.229
Short-term debt		**18.386.714**	**25.186.574**
Debt		**75.341.359**	**96.279.777**
Liabilities and equity		**147.409.265**	**172.639.658**
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Accounting Policies	19		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD
Equity at 1 September	676.061	61.298.679	14.000.000	75.974.740
Ordinary dividend paid	0	0	-14.000.000	-14.000.000
Net profit/loss for the year	0	6.198.025	3.000.000	9.198.025
Equity at 31 August	**676.061**	**67.496.704**	**3.000.000**	**71.172.765**

Notes to the Financial Statements

	2017/18	2016/17
	USD	USD

1 Revenue

Geographical segments

Revenue Baltic and North-Western Europe	65.706.233	55.787.515
	65.706.233	**55.787.515**

2 Staff expenses

Wages and salaries	1.124.504	864.430
Pensions	161.589	120.016
Other social security expenses	313.125	277.367
	1.599.218	**1.261.813**
Including remuneration to the Executive Board and Board of Directors of:		
Wages and salaries	267.139	232.539
	267.139	**232.539**
Average number of employees	**11**	**10**

3 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	5.536.322	5.664.869
Impairment of property, plant and equipment	700.000	0
	6.236.322	**5.664.869**

4 Financial income

Interest received from group enterprises	253.636	879.910
Other financial income	81.235	70.421
Exchange adjustments	0	1.518.558
	334.871	**2.468.889**

Notes to the Financial Statements

5 Financial expenses

	2017/18 USD	2016/17 USD
Interest paid to group enterprises	148.471	0
Other financial expenses	2.596.878	2.523.703
Exchange adjustments, expenses	39.181	0
	2.784.530	**2.523.703**

6 Tax on profit/loss for the year

Current tax for the year	52.603	1.340.568
Deferred tax for the year	61.291	-1.230.974
Adjustment of tax concerning previous years	62.122	0
	176.016	**109.594**

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment USD	Vessels USD
Cost at 1 September	4.943	175.816.530
Additions for the year	4.640	2.258.194
Disposals for the year	0	-8.137.672
Cost at 31 August	9.583	169.937.052
Impairment losses and depreciation at 1 September	4.806	68.659.232
Impairment losses for the year	0	700.000
Depreciation for the year	602	5.535.720
Reversal of impairment and depreciation of sold assets	0	-3.018.598
Impairment losses and depreciation at 31 August	5.408	71.876.354
Carrying amount at 31 August	**4.175**	**98.060.698**

Notes to the Financial Statements

8 Investments in subsidiaries

	2017/18	2016/17
	USD	USD
Cost at 1 September	1.496.695	1.496.695
Carrying amount at 31 August	**1.496.695**	**1.496.695**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tärntank Ship Management AB	Donsö, Sverige	SEK 1.000.000	100%
Tarn Energy AB	Donsö, Sverige	SEK 1.000.000	100%
Tern Skagen Management A/S	Skagen, Danmark	DKK 500.000	100%

9 Other fixed asset investments

	Receivables from group enterprises	Other receiv-ables
	USD	USD
Cost at 1 September	42.175.924	750.000
Disposals for the year	-20.225.093	-750.000
Cost at 31 August	21.950.831	0
Carrying amount at 31 August	**21.950.831**	**0**

Notes to the Financial Statements

	2017/18	2016/17
	USD	USD

10 Bunker

Bunker	928.296	702.690
	928.296	**702.690**

11 Deferred tax asset

Deferred tax asset at 1 September	1.230.974	0
Amounts recognised in the income statement for the year	-61.292	1.230.974
Deferred tax asset at 31 August	**1.169.682**	**1.230.974**

12 Prepayments

Prepayments consist of prepaid expenses and insurance premiums.

13 Equity

The share capital has developed as follows:

	2017/18	2016/17	2015/16	2014/15	2013/14
	USD	USD	USD	USD	USD
Share capital at 1 September	676.061	676.061	676.061	676.061	658.341
Capital increase	0	0	0	0	17.720
Capital decrease	0	0	0	0	0
Share capital at 31 August	**676.061**	**676.061**	**676.061**	**676.061**	**676.061**

Notes to the Financial Statements

	2017/18	2016/17
	USD	USD

14 Other provisions

Provisions include provisions for docking for vessels on bareboat charter. Provision for docking are made on an ongoing basis with an amount corresponding to the proportionate share of the estimated costs for the individual vessels next docking. Provision for docking costs for vessels on bareboat are recognised in the income statement under the item "Expenses for raw materials and consumables".

Provision for docking	895.141	385.141
	895.141	**385.141**

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2017/18	2016/17
	USD	USD
Credit institutions		
After 5 years	1.015.000	2.600.000
Between 1 and 5 years	50.918.281	63.192.359
Long-term part	51.933.281	65.792.359
Within 1 year	11.164.714	14.112.856
	63.097.995	**79.905.215**
Deferred income		
After 5 years	3.839.866	4.122.880
Between 1 and 5 years	1.181.498	1.177.964
Long-term part	5.021.364	5.300.844
Short-term part	476.406	626.229
	5.497.770	**5.927.073**

16 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	2017/18	2016/17
	USD	USD

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

A floating charge of DKK 6 million has been provided as security. Vessels have been provided as security for USD 131.7 million. (2016/17 USD 140.9 million)	132.700.000	141.900.000

Contingent liabilities

The company has entered into bareboat agreements with the parent company. The agreements has been concluded for a 12 years (48 quarters) period, unless terminated earlier by mutual agreement between the parties. Bareboat charter commitment:	82.365.760	95.620.923
The company has provided guarantee for debt in the parent company of USD 48.3 mill. (2016/17 USD 49.6 mill).	48.330.000	49.600.000

Notes to the Financial Statements

18 Related parties

	Basis
Controlling interest	
Terntank Limited, Cypern	Owner
Other related parties	
Thomas Wilkens Andersen	Board of Directors, Chairman
Arne Tryggve Möller	Board of Directors, Deputy Chairman
Rigmor Yvonne Möller	Board of Directors
Annika Marita Kristensson	Board of Directors
Sigurd Peder Viseth	Board of Directors

Consolidated Financial Statements

The Company is included in the Group Annual Report of Terntank Limited, Cypern, The Group Annual Report of Terntank Limited, Cypern may be obtained at the following address

Name	Place of registered office
Terntank Rederi A/S, Vestre Strandvej 10, 9990 Skagen	

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Terntank Rederi A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2017/18 are presented in USD. Average exchange rate during the year has been calculated to 6,2447. (2016/17: 6,7784)

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Terntank Limited, Cypern, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

19 Accounting Policies (continued)

Translation policies

USD is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement.

Income Statement

Revenue

Revenue comprises the gross freight income, that is recognised in the income statement when the income is recognised as earned.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, office expenses, etc.

Notes to the Financial Statements

19 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses as well as realised and unrealised exchange adjustments.

Tax on profit/loss for the year

Corporation tax on the Company´s shipping operations is calculated on the basis of the rules of the Danish Tonnage Tax Act.

The Company is jointly taxed with wholly owned Danish subsidiary. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Vessels	20	years
Other tools and equipment	5	years

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equip ment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of trade receivables that are due after 1 year.

Bunker

Bunker are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

19 Accounting Policies (continued)

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include provisions for docking for vessels on bareboat charter.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$