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# ***Terntank Rederi A/S***

Vestre Strandvej 10, DK-9990 Skagen

## **Annual Report for 1 September 2015 - 31 August 2016**

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CVR No 34 58 43 62

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
22/11 2016

Thomas Wilkens Andersen  
Chairman



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## **Management's Statement**

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Terntank Rederi A/S for the financial year 1 September 2015 - 31 August 2016.

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 2016 of the Company and of the results of the Company operations for 2015/16.

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, 22 November 2016

### **Executive Board**

Jens Pedersen Buchhave

### **Supervisory Board**

Thomas Wilkens Andersen  
Chairman

Arne Tryggve Möller  
Vice Chairman

Rigmor Yvonne Möller

Annika Marita Kristensson

Sigurd Peder Viseth

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of Terntank Rederi A/S

## **Report on the Financial Statements**

We have audited the Financial Statements of Terntank Rederi A/S for the financial year 1 September 2015 - 31 August 2016, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2016 and of the results of the Company operations for the financial year 1 September 2015 - 31 August 2016 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 22 November 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Mark Phillip Beer

statsautoriseret revisor

## 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: 5th financial year  
Municipality of reg. office: Frederikshavn

### **Supervisory Board**

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**

Peter Ringsted  
Englandsgade 25  
5100 Odense C

### **Bankers**

Danske Bank  
Algade 53  
9000 Alborg

Swedbank AB  
Södra Hamngatan 27  
SE-404 22 Göteborg

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:

	2015/16	2014/15	2013/14	2012/13	2011/12
	kUSD	kUSD	kUSD	kUSD	kUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	46.793	52.211	37.465	33.869	41.503
Gross profit/loss	24.375	19.610	8.054	9.686	3.329
Operating profit/loss	12.526	12.565	1.679	-14.503	-8.523
Profit/loss before financial income and expenses	16.976	12.661	1.800	-14.024	-8.422
Net financials	-876	-1.412	-1.149	-825	-1.088
Net profit/loss for the year	16.151	11.220	644	-14.864	-9.544
<b>Balance sheet</b>					
Balance sheet total	159.891	125.752	110.740	59.298	78.945
Equity	81.805	65.654	54.434	30.810	45.675
Investment in property, plant and equipment	39.139	23.580	54.177	1.091	2.504
Number of employees	8	7	7	3	3
<b>Ratios</b>					
Return on assets	10,6%	10,1%	1,6%	-23,7%	-10,7%
Solvency ratio	51,2%	52,2%	49,2%	52,0%	57,9%
Return on equity	21,9%	18,7%	1,5%	-38,9%	-41,8%

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**

## **Main activity**

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.

## **Development in the year**

The income statement of the Company for 2015/16 shows a profit of USD 16,150,592, and at 31 August 2016 the balance sheet of the Company shows equity of USD 81,804,706.

## **Strategy**

In November 2013 the company ordered two of the next generation tanker ships and in April 2014 the order was extended to a total of four ships. The addition of these state-of-the-art ships reflects our most significant expansion ever. These new vessels are equipped with dual fuel engines, running either LNG or low sulfur diesel and they are specially designed for trading in the ECA area. With advanced technology the vessels will reduce emissions by: 99% for Sox, 97% for NOx, 40% for CO2 and 99% for particles.

## **Targets and expectations for the year ahead**

As a consequence of the above mentioned expansion and to ensure a more foreseeable cash-flow in the year(s) to come, the company have focused on operating the fleet primarily on time charter contracts and Contract of Affreightments and less in the spot market.

## **Uncertainty relating to recognition and measurement**

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

## **Unusual events**

The financial position at 31 August 2016 of the Company and the results of the activities of the Company for the financial year for 2015/16 have not been affected by any unusual events.

## **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	2015/16 USD	2014/15 USD
<b>Revenue</b>		<b>46.793.145</b>	<b>52.210.937</b>
Other operating income	1	4.450.487	96.000
Expenses for raw materials and consumables		-26.021.912	-31.805.895
Other external expenses		-846.764	-890.945
<b>Gross profit/loss</b>		<b>24.374.956</b>	<b>19.610.097</b>
Staff expenses	2	-998.492	-978.284
Depreciation, amortisation and impairment of property, plant and equipment	3	-6.400.197	-5.971.128
<b>Profit/loss before financial income and expenses</b>		<b>16.976.267</b>	<b>12.660.685</b>
Financial income	4	222.398	409
Financial expenses	5	-1.098.479	-1.412.170
<b>Profit/loss before tax</b>		<b>16.100.186</b>	<b>11.248.924</b>
Tax on profit/loss for the year	6	50.406	-29.000
<b>Net profit/loss for the year</b>		<b>16.150.592</b>	<b>11.219.924</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings	16.150.592	11.219.924
	<b>16.150.592</b>	<b>11.219.924</b>

# Balance Sheet 31 August

## Assets

	Note	2015/16 USD	2014/15 USD
Other fixtures and fittings, tools and equipment		1.786	3.433
Vessels		110.468.833	79.885.938
Vessels under construction		24.759.234	36.415.722
<b>Property, plant and equipment</b>	<b>7</b>	<b>135.229.853</b>	<b>116.305.093</b>
Investments in subsidiaries	8	1.496.695	1.496.695
Other receivables	9	2.750.000	0
<b>Fixed asset investments</b>		<b>4.246.695</b>	<b>1.496.695</b>
<b>Fixed assets</b>		<b>139.476.548</b>	<b>117.801.788</b>
<b>Inventories</b>	<b>10</b>	<b>450.667</b>	<b>522.533</b>
Trade receivables		1.197.036	2.009.435
Receivables from group enterprises		13.364.921	1.400.000
Other receivables		245.377	208.985
Prepayments		2.087.282	2.266.274
<b>Receivables</b>		<b>16.894.616</b>	<b>5.884.694</b>
<b>Cash at bank and in hand</b>		<b>3.069.140</b>	<b>1.543.158</b>
<b>Currents assets</b>		<b>20.414.423</b>	<b>7.950.385</b>
<b>Assets</b>		<b>159.890.971</b>	<b>125.752.173</b>

# Balance Sheet 31 August

## Liabilities and equity

	Note	2015/16 USD	2014/15 USD
Share capital		676.061	676.061
Retained earnings		81.128.645	64.978.053
<b>Equity</b>	<b>11</b>	<b>81.804.706</b>	<b>65.654.114</b>
Credit institutions		56.126.320	38.650.000
<b>Long-term debt</b>	<b>12</b>	<b>56.126.320</b>	<b>38.650.000</b>
Credit institutions	12	14.317.362	12.261.931
Trade payables		700.131	972.082
Payables to group enterprises		1.989.068	3.307.496
Corporation tax		36.171	91.033
Other payables		4.624.713	4.630.634
Deferred income		292.500	184.883
<b>Short-term debt</b>		<b>21.959.945</b>	<b>21.448.059</b>
<b>Debt</b>		<b>78.086.265</b>	<b>60.098.059</b>
<b>Liabilities and equity</b>		<b>159.890.971</b>	<b>125.752.173</b>
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		

## Statement of Changes in Equity

	Share capital USD	Retained earnings USD	Total USD
Equity at 1 September	676.061	64.978.053	65.654.114
Net profit/loss for the year	0	16.150.592	16.150.592
<b>Equity at 31 August</b>	<b>676.061</b>	<b>81.128.645</b>	<b>81.804.706</b>

# Notes to the Financial Statements

	2015/16 USD	2014/15 USD
<b>1 Other operating income</b>		
Profit on sale of fixed assets	4.372.687	0
Other income	77.800	96.000
	<b>4.450.487</b>	<b>96.000</b>
<b>2 Staff expenses</b>		
Wages and salaries	784.263	732.558
Pensions	97.267	92.578
Other social security expenses	116.962	153.148
	<b>998.492</b>	<b>978.284</b>
<b>Including remuneration to the Executive and Supervisory Boards</b>	<b>235.574</b>	<b>227.513</b>
<b>Average number of employees</b>	<b>8</b>	<b>7</b>
<b>3 Depreciation, amortisation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	6.400.197	5.971.128
	<b>6.400.197</b>	<b>5.971.128</b>
Which is specified as follows:		
Other fixtures and fittings, tools and equipment	1.648	1.511
Vessels	6.398.549	5.969.617
	<b>6.400.197</b>	<b>5.971.128</b>
<b>4 Financial income</b>		
Other financial income	42.931	409
Exchange adjustments	179.467	0
	<b>222.398</b>	<b>409</b>

## Notes to the Financial Statements

	2015/16	2014/15	
	USD	USD	
5 Financial expenses			
Other financial expenses	1.098.479	1.399.191	
Exchange adjustments, expenses	0	12.979	
	1.098.479	1.412.170	
6 Tax on profit/loss for the year			
Current tax for the year	40.000	29.000	
Adjustment of tax concerning previous years	-90.406	0	
	-50.406	29.000	
7 Property, plant and equipment			
	Other fixtures and fittings, tools and equipment	Vessels under construction	
	USD	USD	
Cost at 1 September	73.077	163.193.627	36.415.722
Additions for the year	0	37.930.910	38.053.515
Disposals for the year	0	-27.017.227	-49.710.003
Cost at 31 August	73.077	174.107.310	24.759.234
Impairment losses and depreciation at 1 September	69.644	83.307.689	0
Depreciation for the year	1.647	6.398.549	0
Impairment and depreciation of sold assets for the year	0	-26.067.761	0
Impairment losses and depreciation at 31 August	71.291	63.638.477	0
Carrying amount at 31 August	1.786	110.468.833	24.759.234

# Notes to the Financial Statements

	2015/16 USD	2014/15 USD
<b>8 Investments in subsidiaries</b>		
Cost at 1 September	1.496.695	1.671.231
Additions for the year	0	700.000
Disposals for the year	0	-874.536
<b>Carrying amount at 31 August</b>	<b>1.496.695</b>	<b>1.496.695</b>

Investments in subsidiaries are specified as follows:

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

## 9 Other fixed asset investments

	Other receiv- ables USD
Additions for the year	2.750.000
Cost at 31 August	2.750.000
<b>Carrying amount at 31 August</b>	<b>2.750.000</b>

	2015/16 USD	2014/15 USD
<b>10 Inventories</b>		
Inventories	450.667	522.533
	<b>450.667</b>	<b>522.533</b>

# Notes to the Financial Statements

## 11 Equity

The share capital consists of 3.400.000 shares of a nominal value of DKK 1. No shares carry any special rights, and 1 share of a nominal value of DKK 100.000.

The share capital has developed as follows:

	2015/16 USD	2014/15 USD	2013/14 USD	2012/13 USD	2011/12 USD
Share capital at 1 September	676.061	676.061	658.341	658.341	658.341
Capital increase	0	0	17.720	0	0
Capital decrease	0	0	0	0	0
<b>Share capital at 31 August</b>	<b>676.061</b>	<b>676.061</b>	<b>676.061</b>	<b>658.341</b>	<b>658.341</b>

## 12 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:

	2015/16 USD	2014/15 USD
<b>Credit institutions</b>		
After 5 years	5.314.167	7.200.000
Between 1 and 5 years	50.812.153	31.450.000
Long-term part	56.126.320	38.650.000
Within 1 year	10.638.039	9.800.000
Other short-term debt to credit institutions	3.679.323	2.461.931
Short-term part	14.317.362	12.261.931
	<b>70.443.682</b>	<b>50.911.931</b>



# Notes to the Financial Statements

	2015/16 USD	2014/15 USD
<b>13 Contingent assets, liabilities and other financial obligations</b>		
<b>Security</b>		
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 141 million.	141	90
The following assets have been placed as security with bankers:		
<b>Contractual obligations</b>		
The Company has entered into contracts for the construction of 3 vessels. At 31 August 2016, the Company's contract obligations amount to USD 73 million.	73	100

## 14 Related parties and ownership

	<b>Basis</b>
<b>Controlling interest</b>	
Thomas Wilkens Andersen	Board of Directors, Chairman
Arne Tryggve Möller	Board of Directors, Vice Chairman
Annika Marita Kristensson	Board of Directors
Sigurd Peder Viseth	Board of Directors
Rigmor Yvonne Möller	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 .

Terntank Rederi A/S, Vestre Strandvej 10, 9990 Skagen

# **Accounting Policies**

## **Basis of Preparation**

The Annual Report of Terntank Rederi A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015/16 are presented in USD. Average exchange rate during the year has been calculated to 6,589.

## **Consolidated financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of , 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.

US dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

## **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

## **Accounting Policies**

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 transaction date rates are recognised in financial income and expenses in the income statement.

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

### **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.

#### **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 core activities of the enterprise.

#### **Financial income and expenses**

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

# Accounting Policies

## 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 Danish 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	25 years
Other tools and equipment	5 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of property, plant and equipment 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, and 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 and associates

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

# Accounting Policies

## Other fixed asset investments

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

## Inventories

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

## Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

## Prepayments

Prepayments comprise prepaid expenses concerning insurance etc.

## Equity

### *Dividend*

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

## Financial debts

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.

# Financial Highlights

## Explanation of financial ratios

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