

---

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

Vestre Strandvej 10, DK-9990 Skagen

## **Annual Report for 1 September 2020 - 31 August 2021**

---

CVR No 34 58 43 62

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/11 2021

Thomas Wilkens Andersen  
Chairman of the General  
Meeting



**pwc**

# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 September - 31 August	16
Balance Sheet 31 August	17
Statement of Changes in Equity	19
Notes to the Financial Statements	20

# 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 2020 - 31 August 2021.

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 2021 of the Company and of the results of the Company operations for 2020/21.

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, 26 November 2021

## 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 2021 and of the results of the Company's operations for the financial year 1 September 2020 - 31 August 2021 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 2020 - 31 August 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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-

# Independent Auditor's Report

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

# Independent Auditor's Report

disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 26 November 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff

State Authorized Public Accountant

mne30221

## 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: 10th 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

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:

	2020/21	2019/20	2018/19	2017/18	2016/17
	kUSD	kUSD	kUSD	kUSD	kUSD
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	51,276	56,785	59,037	65,706	55,788
Gross profit/loss	20,589	24,966	16,645	20,958	17,261
Operating profit/loss	4,882	13,243	9,601	12,721	9,945
Profit/loss before financial income and expenses	3,305	13,729	9,555	11,824	10,334
Net financials	-4,567	-3,255	-3,105	-2,450	-55
Net profit/loss for the year	-1,358	10,467	6,344	9,198	10,170
<b>Balance sheet</b>					
Balance sheet total	211,097	217,182	142,275	147,409	172,640
Equity	112,762	115,120	74,517	71,173	75,975
Investment in property, plant and equipment	-10,855	-104,295	-1,387	-2,263	-27,258
Number of employees	11	11	11	11	10
<b>Ratios</b>					
Return on assets	1.6%	6.3%	6.7%	8.0%	6.0%
Solvency ratio	53.4%	53.0%	52.4%	48.3%	44.0%
Return on equity	-1.2%	11.0%	8.7%	12.5%	12.9%



# 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 of ice classed (1A or 1B) 3,000 to 19,999 DWT tanker vessels consist of approximately 390 units of which approximately 56% (196 units) are 15 years or older. 16 newbuildings are on order.

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

## Development in the year

The income statement of the Company for 2020/21 shows a loss of USD 1,358,364, and at 31 August 2021 the balance sheet of the Company shows equity of USD 112,762,060.

Result for the year are below the expectations in the Annual Report for 2019/20 primarily due to the effects of the Covid 19 pandemic resulting in reduced demand for refined oil products in the road transport and aviation sector.

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

During the year the Company has sold two vessels. M/T Ternvik, built 2001, was delivered in May 2021 and M/T Ternhav, built 2002, is expected to be delivered to Buyer in February 2022. Due to the effects of Covid 19 the two vessels were sold below book value resulting in a combined net loss and extraordinary depreciation of USD 4,951,725. The Company does not foresee further extraordinary write-down of the Company's fleet. The Company has two new buildings on order at shipyard China Merchants Jinling Shipyard (Yangzhou) Dingheng Co., Ltd in Yangzhou, China. The new buildings are planned to be delivered in December 2021 and January 2022 respectively.

The Company continued its environmental focus and by way of focusing on Just in Time recorded a saving of NOx: 5,583 kg, Sox: 90,0 kg and Co2: 309 tonnes and Particles: 36 kg on three of its vessels in COA trade.

The year continued to be challenged by the outbreak of the Covid19 pandemic and especially crew changes became difficult. With rigid crew change and travel procedures and high flexibility of staff onboard and ashore the company has been able to avoid any greater impact from the pandemic, due to

## Management's Review

crew changes.

### **Special risks - operating risks and financial risks**

#### ***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 training course via third-parties, eg. Seably and Swedish Club Academy.

The Company works with financial risk management. The financial risk management policy ensures 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***

Freight rates and tonnage value are normally a function of supply and demand fluctuations and Management continuously evaluate any whether to take measures against such fluctuations, e.g. through long term contracts, COA's or similar.

The Company has taken out insurance coverage covering environmental and pollution coverage, hull and machinery coverage, cargo coverage, liability coverage towards third parties, war risk insurance and cyber risk.

# Management's Review

## ***Foreign exchange risks***

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

However, the Company 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 Company's main exposure to fluctuations in foreign exchange rates relate to operation 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 risks, 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 Company's interest rate risk arises to long-term borrowings.

The Company has financed its vessels with bank borrowings. In addition, the Company 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 Company, 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 Company.

## **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.

# **Management's Review**

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

Management expects stable earnings from the owned fleet and continuously being able to manage the exposure to market risks. The Company expects positive earnings for the financial year 2021/22.

## **Research and development**

The Company is not involved in research and development activities.

## **Intellectual capital resources**

Through retention and recruitment of new competences, as well as through cooperation, alliances and education, the intellectual capital resources, which are major parameters in the development and optimization of new services, increase.

The Company has defined goals, positions and strategies that systematically strengthen the value creation and form the basis of the Company's innovative skills, just as it is important to the future success of the Company to attract and retain well-educated employees who identify with the stated core values. Investments have been made to continuously improve the qualifications of both the land-based and offshore staff of the Company.

Annual performance reviews are held with all employees. During the reviews, the employees' goals, plans for the future and career opportunities are discussed and planned.

# Management's Review

## Statement on CSR in compliance with section 99 (a) of the Danish Financial Statements Act

The Company is under the Danish Financial Statements Act required to report on Corporate Social Responsibility (CSR). The Company's values and approach to do business is based on responsibility and accountability and the Company is compliant with all legal requirements within the areas of climate change, environment, human rights, employee conditions and anti-corruption.

### Business model

The mission statement of the Company is:

- To operate and manage ships with zero spills, zero incidents and minimize pollution to air. Fully protect; our shipboard personnel; the environment; the cargo; and the company's own assets.
- To provide a highly efficient and competitive oil and chemical transportation service of quality, cost-reliability, delivery and security;

The main activities of the Company consist of shipping and includes 9 owned and operated oil and chemical tanker vessels. The Company's operation is carried out from offices in Denmark, Sweden and the Philippines with a total shorebased staff of 25 and offshore staff of 166. All technical management (crewing, maintenance, control of costs) is done in-house in cooperation with crewing agencies and strategic partnerships with technical service providers and suppliers.

Contracting with shipbuilders of vessels follows the standard contractual terms provided by the international shipping organization BIMCO or similar. To the extent incorporated into the standard terms, this includes clauses on CSR. The Company selects suppliers based on experience and informal expectations and requirements related to energy efficiency and legal compliance.

### Assessment of risks

The Company acknowledges the importance of being alert to challenges within climate change, environment, human rights, employee conditions and anti-corruption. This is in part done through a management approach, which is very agile and allows for all within the organization to address top management directly with questions and when in need of approval. In addition, the Company continuously tracks CSR-risks that may have a negative impact on the Company as well as its surroundings. The main risks are briefly highlighted below and are further addressed through the Company's CSR-policies.

### Climate change and the environment

As the majority of the Company's vessels are time chartered out and thereby operated by charterers, the Company has limited influence on managing environmental risks. It is, however, our ambition to continuously improve energy efficiency with all vessels by way of trying to reduce fuel consumption, and resulting air emissions, via optimization of vessel operation and technical upgrades. We are also committed to operate and manage all ships with zero spills and zero incidents.

## Management's Review

### Human rights

The Company respects and recognizes human rights, the rights of the child and all International Labour (ILO) charters. The risk of violating human rights is considered quite low because all employment of crew and technical management of the vessels is handled by the Company and the Company ensures that responsibility of work and employment conditions is taken care of and that the ITF is granted access to check and review compliance in accordance with international agreements.

### Anti-corruption

The Company has zero tolerance towards corruption and bribery practices. Contracts with customers and suppliers follow the standards provided by BIMCO or similar. Port costs that are to be paid by the Company undergo quality assurance and are approved internally. Further, all costs related to voyages are approved directly by management applying a four-eye principle, so the risks related to corruption and bribery are considered very low.

### Employee conditions

The Company is committed to attract and retain a competent and engaged workforce. Because of the relatively small size of the staff pool, the Company does not see significant risks in relation to negatively impacting its employees but to further reduce the risks of overburdening the staff, the Company has implemented a policy that, amongst other things, provides health care and the option to work from home.

### ***Policies on CSR***

Referencing the above assessment and evaluation of risks related to CSR, the Company has decided to develop policies on climate change and environmental issues, human rights, anti-corruption and employee conditions. The Company has finalized a formal CSR-policy, which is published on the Company's homepage ([www.terntank.com](http://www.terntank.com)), however below is an extract on how the Company has worked with CSR during 2020/21.

#### Policy regarding environment and climate

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

The Company aims to continuously reduce fuel consumption and resulting air emissions. The target is to achieve a continuous reduction of fuel consumption on comparable operation measured related to cargo transported.

#### Activities and results in 2020/21

The above ambition shall be reached by structured energy efficiency management using the 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, according to OCIMF. The

## Management's Review

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

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

The Company is committed to training crews on the environments 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 onboard and also find replacements for some of the chemicals to more friendly types both for humans and for the environment.

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

In 2020/21, the Company continued its environmental focus on JIT (Just In Time) in order to save emissions and bunker consumption. In addition, the Company successfully managed all operations without any spills.

### Policy regarding human rights

Terntank supports and respects the protection of human rights as defined in the United Nation's Universal Declaration on Human Rights. Employees are not allowed to violate human rights principles, either directly or indirectly.

There are many aspects of Terntank's business and operation, both directly and indirectly, that touch on human rights. For example, safety issues are crucial for the right to life and the right to standard of health, employee relations to principles and standards related to labour, employee relations to freedom from discrimination and the right to family life and air emissions to the right to adequate health.

The Company will continue to work further with the efforts for the arear.

### Activities and results in 2020/21

As a minimum, all suppliers are expected to acknowledge the UN Global Compact Principles and core ILO (International Labour Organization) conventions and Terntank's commitment to conduct business in an ethical, legal and socially responsible manner. Terntank is committed to make sure that its subcontractors throughout the supply chain respect human rights, labour standards, environment and Terntank's anti-corruption policy. Moreover, Terntank is committed to ensure that none of its business partners are listed as sanctioned countries. In 2020/21, there has been no cases of human rights violations.

## Management's Review

### Policy regarding anti-corruption

Corruption means the action of offering, promising or giving a person or organization entrusted with a position of authority an advantage which is not due to him, in order to cause that person or organization to carry out an act contrary to one's duty. Corruption is a systemic issue which is deeply integrated in some societies and communities. It undermines social and economic development, destabilizes the business environment and has negative impact on the markets. A shipping industry free of corruption would enable fair trade and benefit the society at larger scale.

Risk of corruption is associated in e.g. interactions with authorities over controls and approvals in ports and border controls as well as in subcontracting and in the whole supply chain. Anti-corruption is therefore linked to responsible procurement. Terntank is committed to full compliance with regulatory demands. Terntank works against all forms of corruption.

The Company will continue to work further with the efforts for the area.

### Activities and results in 2020/21

Terntank has a strict policy against facilitation payments, e.g. payments intended to speed up the handling of a matter, or bribes of any kind. Terntank also works together with its customers and stakeholders to get everyone in-line with anti-corruption policy.

As a member of Danish Shipping, Terntank strives to follow the guidelines of the Maritime Anti-Corruption Network (MACN). MACN is a global business network working towards the vision of a maritime industry free of corruption. In 2020/21, there has been no recorded cases of attempts of corruption or bribery in Terntank's operations.

### Policy regarding employees

It is the policy to enable the Company to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

The Company will continue to work further with the efforts for the area.

### Activities and results in 2020/21

The Company believes that personal development is key to the success and well-being of the company's employees. In 2020/21, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2021/22 were decided in agreement with the employee. The Company has continued to offer opportunities for further training and education, and the company fulfill its responsibility for educating the next generation by taking in trainees on an annual basis.

The Company has ensured paid health insurance for all employees and has in 2020/21 continued its offer for shorebased employees to be able to work from home, should it be necessary as a mean to provide grounds for a healthy work life balance.



## **Management's Review**

As a result, the employee turnover has been at a satisfactory level also in 2020/21.

### **Statement on the underrepresented gender in compliance with section 99 (b) of the Danish Financial Statements Act**

Target for the Board of the Company

The Company's Board of Directors consists of 40% women and 60% men, which is considered as equal gender representation according to the Danish Business Authority.

Policy to increase gender diversity on other management levels

Terntank Rederi A/S employs less than 50 employees and therefore there is no requirement to develop a policy for the underrepresented gender. Also, the Company does not consist of any subsidiaries that are required to report on section 99 (b) of the Danish Financial Statements Act.

### **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	2020/21 USD	2019/20 USD
<b>Revenue</b>	1	<b>51,276,221</b>	<b>56,785,053</b>
Other operating income		375,374	486,123
Expenses for raw materials and consumables		-30,081,040	-31,106,236
Other external expenses		-981,940	-1,198,818
<b>Gross profit/loss</b>		<b>20,588,615</b>	<b>24,966,122</b>
Staff expenses	2	-1,527,808	-1,610,644
Depreciation, amortisation and impairment of property, plant and equipment	3	-13,803,846	-9,626,090
Other operating expenses		-1,951,725	0
<b>Profit/loss before financial income and expenses</b>		<b>3,305,236</b>	<b>13,729,388</b>
Financial income	4	401,442	1,105,814
Financial expenses	5	-4,968,786	-4,360,672
<b>Profit/loss before tax</b>		<b>-1,262,108</b>	<b>10,474,530</b>
Tax on profit/loss for the year	6	-96,256	-7,179
<b>Net profit/loss for the year</b>		<b>-1,358,364</b>	<b>10,467,351</b>

# Balance Sheet 31 August

## Assets

	Note	2020/21 USD	2019/20 USD
Other fixtures and fittings, tools and equipment		1,772	4,210
Vessels		155,842,236	174,315,392
Vessels under construction		19,928,857	10,255,700
<b>Property, plant and equipment</b>	<b>7</b>	<b>175,772,865</b>	<b>184,575,302</b>
Investments in subsidiaries	8	978,308	978,308
<b>Fixed asset investments</b>		<b>978,308</b>	<b>978,308</b>
<b>Fixed assets</b>		<b>176,751,173</b>	<b>185,553,610</b>
<b>Bunker</b>	<b>9</b>	<b>628,149</b>	<b>663,376</b>
Trade receivables		865,863	1,942,606
Receivables from group enterprises		604,107	1,087,746
Other receivables		34,121	1,238,410
Deferred tax asset	10	974,736	1,039,718
Corporation tax		30,637	0
Prepayments	11	48,943	53,032
<b>Receivables</b>		<b>2,558,407</b>	<b>5,361,512</b>
<b>Cash at bank and in hand</b>		<b>31,159,311</b>	<b>25,603,707</b>
<b>Currents assets</b>		<b>34,345,867</b>	<b>31,628,595</b>
<b>Assets</b>		<b>211,097,040</b>	<b>217,182,205</b>

# Balance Sheet 31 August

## Liabilities and equity

	Note	2020/21 USD	2019/20 USD
Share capital	12	676,061	676,061
Retained earnings		110,585,999	113,444,363
Proposed dividend for the year		1,500,000	1,000,000
<b>Equity</b>		<b>112,762,060</b>	<b>115,120,424</b>
Credit institutions		67,058,117	61,872,317
Deferred income		4,135,241	4,430,615
<b>Long-term debt</b>	14	<b>71,193,358</b>	<b>66,302,932</b>
Credit institutions	14	18,750,069	27,517,645
Trade payables		1,119,182	707,871
Payables to group enterprises		2,421,801	3,028,178
Corporation tax		0	18,991
Other payables		2,483,436	1,793,940
Deferred income	14	2,367,134	2,692,224
<b>Short-term debt</b>		<b>27,141,622</b>	<b>35,758,849</b>
<b>Debt</b>		<b>98,334,980</b>	<b>102,061,781</b>
<b>Liabilities and equity</b>		<b>211,097,040</b>	<b>217,182,205</b>
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

## 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	113,444,363	1,000,000	115,120,424
Ordinary dividend paid	0	0	-1,000,000	-1,000,000
Net profit/loss for the year	0	-2,858,364	1,500,000	-1,358,364
<b>Equity at 31 August</b>	<b>676,061</b>	<b>110,585,999</b>	<b>1,500,000</b>	<b>112,762,060</b>

# Notes to the Financial Statements

	2020/21 USD	2019/20 USD
<b>1 Revenue</b>		
<b>Geographical segments</b>		
Revenue Baltic and North-Western Europe	51,276,221	56,785,053
	<b>51,276,221</b>	<b>56,785,053</b>
<b>2 Staff expenses</b>		
Wages and salaries	1,190,351	1,190,386
Pensions	144,523	146,836
Other social security expenses	192,934	273,422
	<b>1,527,808</b>	<b>1,610,644</b>
Including remuneration to the Board of Directors and the Executive Board of:		
Wages and salaries	361,732	330,834
	<b>361,732</b>	<b>330,834</b>
<b>Average number of employees</b>	<b>11</b>	<b>11</b>
<b>3 Depreciation, amortisation and impairment of property, plant and equipment</b>		
Depreciation of property, plant and equipment	13,803,846	9,626,090
	<b>13,803,846</b>	<b>9,626,090</b>
<b>4 Financial income</b>		
Other financial income	101	756,763
Exchange adjustments including forward exchange contracts	401,341	349,051
	<b>401,442</b>	<b>1,105,814</b>

## Notes to the Financial Statements

	2020/21 USD	2019/20 USD
<b>5 Financial expenses</b>		
Interest paid to group enterprises	0	16,850
Other financial expenses	3,863,616	4,343,822
Exchange loss, including forward exchange contracts	1,105,170	0
	<b>4,968,786</b>	<b>4,360,672</b>

## 6 Tax on profit/loss for the year

Current tax for the year	46,360	43,385
Deferred tax for the year	64,982	64,982
Adjustment of tax concerning previous years	-15,086	-101,188
	<b>96,256</b>	<b>7,179</b>

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment USD	Vessels USD	Vessels under construction USD
Cost at 1 September	9,176	254,199,118	10,255,700
Additions for the year	0	1,181,621	9,673,157
Disposals for the year	0	-23,005,729	0
Cost at 31 August	<b>9,176</b>	<b>232,375,010</b>	<b>19,928,857</b>
Impairment losses and depreciation at 1 September	4,966	79,883,726	0
Depreciation for the year	2,438	13,801,408	0
Impairment and depreciation of sold assets for the year	0	-17,152,360	0
Impairment losses and depreciation at 31 August	<b>7,404</b>	<b>76,532,774</b>	<b>0</b>
<b>Carrying amount at 31 August</b>	<b>1,772</b>	<b>155,842,236</b>	<b>19,928,857</b>

# Notes to the Financial Statements

	2020/21 USD	2019/20 USD
<b>8 Investments in subsidiaries</b>		
Cost at 1 September	978,308	978,308
<b>Carrying amount at 31 August</b>	<b>978,308</b>	<b>978,308</b>

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%
Ternshipping AS	Norge	NOK 100.000	100%

	2020/21 USD	2019/20 USD
<b>9 Bunker</b>		
Bunker	628,149	663,376
	<b>628,149</b>	<b>663,376</b>

## 10 Deferred tax asset

Deferred tax asset at 1 September	1,039,718	1,104,700
Amounts recognised in the income statement for the year	-64,982	-64,982
<b>Deferred tax asset at 31 August</b>	<b>974,736</b>	<b>1,039,718</b>

## 11 Prepayments

Prepayments consist of prepaid expenses and insurance premiums.



# Notes to the Financial Statements

## 12 Equity

The share capital consists of 3,500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## 13 Distribution of profit

	2020/21 USD	2019/20 USD
Proposed dividend for the year	1,500,000	1,000,000
Retained earnings	-2,858,364	9,467,351
	<b>-1,358,364</b>	<b>10,467,351</b>

## 14 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:

	2020/21 USD	2019/20 USD
<b>Credit institutions</b>		
After 5 years	8,697,487	0
Between 1 and 5 years	58,360,630	61,872,317
Long-term part	67,058,117	61,872,317
Within 1 year	18,750,069	27,517,645
	<b>85,808,186</b>	<b>89,389,962</b>
<b>Deferred income</b>		
After 5 years	2,953,745	3,249,119
Between 1 and 5 years	1,181,496	1,181,496
Long-term part	4,135,241	4,430,615
Short-term part	2,367,134	2,692,224
	<b>6,502,375</b>	<b>7,122,839</b>

## Notes to the Financial Statements

	2020/21 USD	2019/20 USD
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and 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 197,9 million. (2019/20 USD 202,9 million)	198,824,000	203,900,000
<b>Other contingent liabilities</b>		
The Company has entered into new buildings contracts with a remaining liability of USD 45.1 million.	45,067,000	54,740,000

# Notes to the Financial Statements

## 16 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Tärntank AB	Owner
<b>Other related parties</b>	
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

### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Tärntank AB

### Consolidated Financial Statements

The Company is included in the Group Annual Report of Tärntank AB, The Group Annual Report of Tärntank AB may be obtained at the following address

<u>Name</u>	<u>Place of registered office</u>
-------------	-----------------------------------

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

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Terntank Rederi A/S for 2020/21 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 2020/21 are presented in USD. Average exchange rate during the year has been calculated to 6,2215 (2019/20: 6,7079).

### Consolidated financial statements

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

## 17 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 timecharter and 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

## 17 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

## 17 Accounting Policies (continued)

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. 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

## 17 Accounting Policies (continued)

### 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

### 17 Accounting Policies (continued)

#### 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$