

Inter Terminals Denmark Partnership I/S


Holtengårdsvej 25, 4230 Skælskør

CVR no. 33 75 70 93

Annual report 2018

Approved at the Partnership's annual general meeting on 12 March 2019

Chairman:

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Management's review

Principle activities of the Partnership

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

Financial review

The income statement for 2018 shows a loss of EUR 16,220 thousand against a profit of EUR 98 thousand last year. The actual results of the Partnership for 2018 are not in line with Management's past year expectations due to oil market being in the state of backwardation most of the year, which effected the results of Management's impairment analysis on investments in subsidiary.

Operating review

In 2018, the Partnership did not receive any dividends from its wholly-owned subsidiary, Inter Terminals Denmark A/S, while EUR 5,000 thousand dividend was received from Inter Terminals Denmark A/S in 2017. In addition, in 2017, the partners in the partnership, Inter Pipeline Europe Ltd and Inter Terminals Ltd, withdrew a total of EUR 5,180 thousand from the partners' capital account.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 16,352 thousand in the current year against the investment in Inter Terminals Denmark A/S. The impairment analysis for 2017 resulted in an impairment charge of EUR 5,051 thousand against the investment in Inter Terminals Denmark A/S.

Risk management

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

Capital management

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

Environmental matters

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

Outlook

The Partnership's strategy is to continue to provide its ultimate customers with safe, reliable, market responsive and innovative services and solutions. Management expects the Partnership to realise a loss for the coming year in a range of EUR 3,300 thousand – 3,700 thousand due to a continued market state of backwardation.

Events after the balance sheet date

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



Management's review

Financial highlights

EUR'000	2018	2017	2016	2015	2014
Key figures					
Revenue	4,173	4,486	4,911	4,113	4,073
Gross profit	1,870	1,952	2,047	1,698	2,449
Impairment of investments in subsidiaries	-16,352	-5,051	-	-	-
Dividends from investments in subsidiaries	-	5,000	14,250	18,750	5,000
Net financials	-2	-2	15	28	-
Profit/loss for the year	-16,220	98	14,447	18,919	5,110
Balance sheet					
Total equity	170,852	187,072	192,154	192,707	192,788
Balance sheet total	171,815	188,123	193,573	193,542	193,443
Investments in property, plant and equipment	-	-	-	-	7
Investments in subsidiaries	-	-	-	-	-
Ratios (%)					
EBIT margin	-392.0	2.2	293.9	459.3	125.5
Return on assets	-9.5	0.1	7.5	9.8	2.6
Equity ratio	99.4	99.4	99.3	99.6	99.7
Return on equity	-9.4	0.1	7.5	9.8	2.6



Management's review

Partnership details

Name	Inter Terminals Denmark Partnership I/S
Address	Holtengårdsvej 25 DK-4230 Skælskør
CVR no.	33 75 70 93
Financial year	1 January - 31 December
Website	www.interterminals.com
Telephone	+45 2466 4353
Executive Board	Martyn Joseph Augustine Lyons Hans Peder Krogh Mortensen Carsten Uffe Kirk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg



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Statement of comprehensive income

Note	EUR'000	2018	2017
	Revenue	4,173	4,486
	Other external costs	-2,303	-2,534
	Gross profit	1,870	1,952
3	Staff costs	-1,674	-1,688
	Depreciation of property, plant and equipment	-62	-113
7	Impairment of investments in subsidiaries	-16,352	-5,051
	Operating profit/loss	-16,218	-4,900
11	Dividends received from investments in subsidiaries	0	5,000
5	Financial income	0	0
6	Financial expenses	-2	-2
	Profit/loss for the year	-16,220	98
	Other comprehensive income	0	0
	Total comprehensive income/loss	-16,220	98

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



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Balance sheet

Note	EUR'000	2018	2017
	ASSETS		
	Non-current assets		
	Property, plant and equipment	75	137
	Total property, plant and equipment	75	137
7	Investments in subsidiaries	169,764	186,116
	Total investments	169,764	186,116
	Total non-current assets	169,839	186,253
	Current assets		
8,14	Other receivables from group entities	1,895	1,409
	Prepayments	6	4
	Other receivables	6	0
	Cash	69	457
	Total current assets	1,976	1,870
	TOTAL ASSETS	171,815	188,123



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Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
	Capital accounts	170,852	187,072
10,11	Total equity	170,852	187,072
	Current liabilities		
	Trade payables	34	134
14	Other payables to subsidiaries	233	225
	Other payables	696	692
8	Total current liabilities	963	1,051
	Total liabilities	963	1,051
	TOTAL EQUITY AND LIABILITIES	171,815	188,123

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Statement of changes in equity

Note	EUR'000	Inter Terminals Limited (99.9% ownership)	Inter Terminals Denmark Ltd. (0.1% ownership)	Total
		Capital account	Capital account	
	Equity at 1 January 2017	191,960	194	192,154
10	Profit for the year	98	0	98
	Other comprehensive income for the year	0	0	0
	<i>Transaction with owners:</i>			
11	Capital account withdrawal	-5,128	-52	-5,180
	Equity at 1 January 2018	186,930	142	187,072
10	Loss for the year	-16,204	-16	-16,220
	Other comprehensive income for the year	-	-	-
	<i>Transaction with owners:</i>			
11	Capital account withdrawal	-	-	-
	Equity at 31 December 2018	170,726	126	170,852



Financial statements 1 January – 31 December

Cash flow statement

Note	EUR'000	2018	2017
	Profit/loss	-16,220	98
	<i>Cash flow changes:</i>		
	Depreciation	62	113
7	Impairment on investments in subsidiaries	16,352	5,051
	Financial income	0	0
	Financial expenses	2	2
	Cash generated from operations before changes in working capital	196	5,264
	<i>Changes in working capital</i>		
	Changes in receivables/payables	-570	444
	Changes in other current liabilities	-12	-460
	Cash flows from operating activities before net financial	-386	5,248
	Interest received	0	0
	Interest paid	-2	-2
	Cash flows from operating activities	-388	5,246
	Additions of property, plant and equipment	0	0
	Cash flows from investing activities	0	0
11	Capital account withdrawal	0	-5,180
	Cash flows from financing activities	0	-5,180
	Net cash flows	-388	66
	Cash and cash equivalents, beginning of year	457	391
	Cash and cash equivalents, year-end	69	457



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1 Accounting policies

Corporate information

The financial statements of Inter Terminals Denmark Partnership I/S for the year ended 31 December 2018 were authorised for issue in accordance with the resolution of the Executive Board on 12 March 2019. Inter Terminals Denmark Partnership I/S (further: "the Partnership") is a general partnership incorporated and domiciled in Denmark. The registered office is located at Holtengårdsvej 25, Skælskør.

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

Basis for preparation

The annual report of Inter Terminals Denmark Partnership I/S for 2018 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The annual report is presented in EUR (thousands), which is the Partnership's functional currency.

The accounting policies that follow have been consistently applied to all years presented except as described in the section New and amended standards and bases for conclusion.

Consolidated financial statements

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

New and amended standards and bases for conclusion

Standards effective in 2018

The Partnership has adopted the following new and revised standards, along with the consequential amendments, effective 1 January 2018. These changes were made in accordance with the applicable transitional provisions.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Partnership's financial statements.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations, and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Partnership adopted IFRS 15 using the full retrospective method of adoption. The adoption of IFRS 15 did not materially affect the timing or amount of revenue previously recognised; therefore, prior periods presented have not been restated.



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1 Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. IFRS 9 requires all financial assets to be classified and measured at amortised cost or fair value, based on how the Partnership manages its financial instruments and their contractual cash flow characteristics. Requirements for the classification and measurement of financial liabilities are largely unchanged from IAS 39. IFRS 9 also establishes a forward-looking expected credit loss impairment model to be applied to certain financial assets.

The retrospective adoption of IFRS 9 did not affect the Partnership's financial statements on the date of initial adoption or comparative periods. All financial assets and liabilities recorded at 1 January 2018 continue to be classified and measured at amortised cost, consistent with previous measurement under IAS 39.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Partnership's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Partnership has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Partnership's financial statements.

Future accounting pronouncements

Certain new standards, interpretations and amendments to existing standards were issued by the IASB that are mandatory for accounting periods beginning on or after 1 January 2018 or later periods with early adoption permitted. The standards impacted are as follows:



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1 Accounting policies (continued)

Foreign currency translation

A functional currency has been determined for the Partnership. The functional currency is the currency of the primary economic environment in which the Partnership operates. Transactions in other currencies than the functional currency are accounted for as transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the profit for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated into the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the profit for the year as financial income or expenses.

Statement of comprehensive income

Revenue

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

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

Other operating expenses

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

Staff costs

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

Amortisation/depreciation and impairment losses

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

IT equipment 4 years

Financial income and expenses

Financial income and expenses comprise interest income and expense, capital gains and losses relating to receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Interest is recognised under the accrual basis of accounting.

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

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1 Accounting policies (continued)

Income from investments

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

Income tax expense

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

Statement of financial position

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Partnership classifies all other liabilities as non-current.

Property, plant and equipment

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

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

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

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

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1 Accounting policies (continued)

Investments in subsidiaries

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

Financial assets

Cash and cash equivalents, receivables from subsidiaries and other receivables are classified as financial assets and recognised as current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Financial assets are carried at amortised cost and are assessed by the Company at each reporting date to determine expected credit losses on a forward-looking basis.

For receivables from subsidiaries and other receivables, the Company applies the simplified approach and recognises lifetime expected credit losses upon initial recognition of the receivables. Historical customer default rates, age of balances outstanding, and forward-looking information are used to determine the expected credit losses. When an expected credit loss is required to be recognised, the carrying amount of the asset is reduced by the assessed amount with a corresponding entry to profit for the year.

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

Equity

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

Financial liabilities

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

Other payables are measured at net realisable value.

Share-based payments

Cash-settled transactions

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

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

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1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows how cash and cash equivalents at the Partnership have changed over the reporting period. In accordance with IAS 7, cash flows are divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise cash on hand and demand deposits with banks and other financial institutions.

Cash flows from operating activities are determined using the indirect method as profit (loss) before depreciation, amortisation and impairment losses adjusted for changes in provisions, change in net working capital, interest received and interest paid, and income tax paid. Trade payables relating to purchases of intangible assets and property, plant and equipment are not recognised in change in net working capital.

Cash flows from investing activities comprise payments in connection with the purchase and sale of property, plant and equipment and other non-current assets, as well as payments in connection with the divestment of enterprises and activities.

Cash flows from financing activities comprise changes in the size or composition of the share capital, expenses associated with such changes and dividend payments to owners. Cash flows from financing activities also include the raising of loans and instalments on loans.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

Financial highlights

EBIT margin	$\frac{\text{Operating profit/loss} + \text{Income from investments in subsidiaries} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit for the year} \times 100}{\text{Total assets}}$
Equity ratio	$\frac{\text{Total equity} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

2 Significant accounting estimates and judgments

In connection with the preparation of the financial statements, Management makes a number of judgments and estimates, which form the basis of the recognition and measurement of income, expenses, assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments related to the application of accounting policies

In the process of applying the Partnership's accounting policies, Management exercises judgments which may have a significant effect on the amounts recognised in the financial statements.

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2 Significant accounting estimates and judgments (continued)

Impairment testing of investment

The Partnership tests investments for impairment annually at 30 September or more frequently if there is an indication that they may be impaired. This also applies to other assets if there are indications that they may be impaired.

Impairment indicators include, but are not limited to, a significant decline in an asset's market value, significant adverse changes in the technologic, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant change in the planned use of an asset, or ongoing underperformance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

The impairment testing of investments in subsidiaries is performed on an aggregated group of cash-generating units constituting the entity as a whole.

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Estimating the value in use requires the Partnership to make estimates of the expected future cash flows in the subsidiaries. Those cash flows do not include significant future investments that will enhance the asset's performance of the CGU being tested. Estimation of the value in use of the overall business and other intangible assets also requires the use of a suitable discount rate in order to calculate the present value of those cash flows and the growth rate used for extrapolation purposes.

For the purpose of the Partnership's impairment testing of investments in subsidiaries, fair value is estimated using a discounted cash flow methodology. This method estimates fair value in use using a discounted ten-year forecasted cash flow with a terminal value, based on the Management's assessment of the long-term outlook of each business. Cash flows are estimated from several sources including internal budgets and long-term contractual agreements with customers. Observable market data are used to develop a discount rate which approximates the discount rate from a market participant's perspective. The fair value measurement is classified within level 3 of the fair value hierarchy.

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

The calculation of fair value less costs of disposal is most sensitive to assumptions about revenue and discount rate and the key assumptions used in the 2018 calculating fair value are as follows:

Revenues

Revenues are based on Management's best estimates, taking into consideration existing contracts, timing of contract renewals, as well as relevant market factors. The market in which Inter Terminals operates was impacted by backwardation during 2018.

Average annual revenue inflation rates of 1.5% and an average utilisation rate of 56% in 2019 and 89% thereafter for Inter Terminals Denmark AOT ApS, 75% in 2019 and 100% thereafter for Inter Terminals Denmark EOT ApS, 62% in 2019 and 86% thereafter for Inter Terminals Denmark SGOT ApS were incorporated into the 10-year cash flow forecasts of each of the cash-generating units. The average utilisation rate for the cash-generating units incorporates both periods of contango and backwardation based on historical trends.

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2 Significant accounting estimates and judgments (continued)

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow forecasts. The discount rate or weighted average cost of capital (WACC) is based on the specific circumstances of each CGU.

The WACC calculation takes into account appropriate debt and equity weightings. The cost of equity is derived from the expected risk-free rate of return plus an appropriate equity risk premium and the after-tax cost of debt is based on expected borrowing rates for each CGU. Partnership-specific risks are also considered and are evaluated annually based on publicly available market data.

Goodwill has been assessed applying an after-tax discount rate of 6.8% to after-tax cash flows of the cash-generating unit.

The principles explained under 'Impairment test', note 7, are applied.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 16,352 thousand in the current year against the investment in Inter Terminals Denmark A/S with a carrying amount of EUR 186,116 thousand. The impairment charges are recorded within impairment of investments in subsidiaries in the statement of profit or loss.

3 Staff costs

EUR'000	2018	2017
Analysis of staff costs, etc.		
Wages and salaries	1,570	1,558
Expense/(income) related to Restricted Share Units	-27	1
Defined contribution	131	129
Total	<u>1,674</u>	<u>1,688</u>
The average number of employees during the year	15	12

The aggregate remuneration for the directors, including amounts paid by other group entities, was EUR 103 thousand (2017: EUR 110 thousand), excluding pension costs. Defined contribution totalled EUR 25 thousand (2017: EUR 4 thousand).

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4 Audit fees

EUR'000	2018	2017
Ernst & Young		
Fee for statutory audit	4	4
Other assurance engagements	15	38
Tax consultancy	49	0
	<u>68</u>	<u>42</u>

5 Financial income

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

EUR'000	2018	2017
Interest received from group entities	0	0
	<u>0</u>	<u>0</u>

6 Financial expenses

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

EUR'000	2018	2017
Interest expense, bank	2	2
	<u>2</u>	<u>2</u>

7 Investments in subsidiaries

EUR'000	Total Group entities
Cost	
Balance at 1/1 2018	<u>191,167</u>
Cost at 31/12 2018	<u>191,167</u>
Write-downs	
Balance at 1/1 2018	5,051
Write-downs in the year	<u>16,352</u>
Write-downs at 31/12 2018	<u>21,403</u>
Carrying amount at 31/12 2018	<u>169,764</u>

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7 Investments in subsidiaries (continued)

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

EUR'000	Domicile	Currency	Nominal capital	Ownership (%)	Equity	Profit/loss
Subsidiaries						
Inter Terminals						
Denmark A/S	Denmark	EUR	67	100	169,764	-16,352

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

Valuation is based on cash flow projections for the CGU that incorporate best estimates of revenue, operating and maintenance expenditures, administrative expenses and capital expenditures over 10 years. The assessment is that projection period is consistent with that which would be used by a market participant in evaluating this CGU. The cash flow projections are then aggregated with a terminal value, representing the value of cash flows beyond the tenth year incorporating an annual growth rate of 1.5%.

The key assumptions used in the 2018 calculation of the recoverable value are discussed in note 2 - significant accounting estimates and judgments.

As a result of Management's impairment analysis, Management has recognised an impairment charge of EUR 16,352 thousand in the current year against the investment in Inter Terminals Denmark A/S leaving a carrying amount of EUR 168,676 thousand. The impairment charge is recorded within impairment of investments in subsidiaries in the statement of profit or loss.

8 Financial assets and liabilities

Note	EUR'000	Carrying amount	
		2018	2017
		Loans and receivables measured at amortised cost	
14	Other receivables from group entities	1,895	1,409
	Prepayments	6	4
	Other receivables	6	0
	Total loans and receivables measured at amortised cost	1,907	1,413
		Financial liabilities measured at amortised cost	
	Trade payables	34	134
14	Other payables to subsidiaries	233	225
	Other payables	696	692
	Total financial liabilities measured at amortised cost	963	1,051

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

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8.1. Changes in liabilities arising from financing activities

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

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

The Partnership has not had any of the above changes in liabilities arising from financing activities.

9 Financial risks

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

Credit risk

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

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

At 31 December 2018, the Partnership assessed that there is no risk of non-performance on its receivables from group entities.

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

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9 Financial risks (continued)

Liquidity risk

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

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

EUR'000	Falling due within 1 year	Falling due between 1 and 5 years	Falling due after more than 5 years	Total	Carrying amount
2018					
Trade and other payables	963	-	-	963	963
	<u>963</u>	<u>-</u>	<u>-</u>	<u>963</u>	<u>963</u>
2017					
Trade and other payables	1,051	-	-	1,051	1,051
	<u>1,051</u>	<u>-</u>	<u>-</u>	<u>1,051</u>	<u>1,051</u>

Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument that will fluctuate as a result of a change in market interest rates. The Partnership manages interest rate risk through regular monitoring of its funding facilities. At 31 December 2018, the Partnership considers the exposure to interest rate risk minimal, as no debt obligations with floating interest rates were withdrawn by the Partnership.

Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Partnership has transactional currency exposures that arise from sales or purchases of services and goods in currencies other than respective functional currency. The Partnership manages its foreign currency risk through regular monitoring of its foreign currency exposures. Transactional foreign currency risk exposures have not been significant historically, therefore are not hedged.

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

EUR'000	Assets	Liabilities	Net
Currency			
2018			
DKK	61	-669	608
GBP	-	-	-
2017			
DKK	74	-20	54
GBP			

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9 Financial risks (continued)

Sensitivity analysis at 31 December

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

EUR'000	Possible change	31 December 2018		31 December 2017	
		Profit/loss before tax	Equity	Profit/loss before tax	Equity
DKK	+/- 0.5% (2017: 0%)	-13	-13	0	0
USD	+/- 10% (2017: +/- 15%)	-1	-1	2	2
GBP	+/- 5% (2017: +/- 10%)	-20	-20	11	11

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

Capital management

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2018.

10 Share capital

The Partnership capital was DKK 500 thousand (EUR 60 thousand) at the time of incorporation. The profit/loss attributable to the partners was a loss of EUR 16,220 thousand during the year (2017: profit of EUR 98 thousand). The Partnership's interest is split as follows: 99.9% to Inter Terminals Limited and 0.1% to Inter Terminals Denmark Ltd.

11 Capital account withdrawal and dividend

No capital withdrawal was paid during 2018 (2017: EUR 5,000 thousand). No further dividend for 2018 is proposed at the annual general meeting.

12 Contingent liabilities, security for loans and other financial obligations

Lease obligations (operating leases) falling due within 5 years total EUR nil thousand (2017: EUR 0 thousand).

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13 Restricted Share Units (RSU) plan

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

At 31 December 2018, the current portion of the liability included in other payables was EUR 146 thousand (2017: EUR 173 thousand), comprising EUR 98 thousand on RSU units vested but not yet exercised and EUR 48 thousand exercised from 2016 RSU plan units, including net income of EUR 27 thousand recorded at 31 December, 2018. At 31 December 2018, 1,452 RSUs are exercisable from the 2016 RSU plan, 2,060 RSUs from the 2017 plan and 1,221 RSUs from the 2018 plan (2017: 4,861 RSUs). Inter Pipeline Limited's five-day simple average closing price at 31 December 2018 was CAD 19.18 (2017: CAD 25.76).

For the year ended 31 December 2018, staff costs included income of EUR 27 thousand related to RSUs (2017: expense of EUR 1 thousand).

The following table illustrates the status of the Partnership's RSUs at 31 December 2018:

EUR'000	Number of RSUs
Balance, 1 January 2018	7,445
Granted during the year	3,662
Exercised during the year	-2,903
Forfeited during the year	0
Balance, 31 December 2018	<u>8,204</u>

14 Related-party transactions

Information about related parties with a controlling interest:

Related party	Domicile	Basis for control
Inter Pipeline Ltd.	3200, 215 – 2 nd Street SW Calgary, Alberta, T2P 1W4, Canada	Ultimate parent
Inter Terminals Limited	Priory House, Station Road 60 Redhill, RH1 1PE Surrey United Kingdom	Partner (99.9% owner)
Inter Terminals Denmark Ltd.	Priory House, Station Road 60 Redhill, RH1 1PE Surrey United Kingdom	Partner (0.1% owner)

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

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

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

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14 Related-party transactions (continued)

The Partnership is included in the Group Annual Report of the ultimate parent company Inter Pipeline Ltd.

The Group Annual Report of Inter Pipeline Ltd. (ultimate parent) may be obtained at the following address: 3200, 215 – 2nd Street SW, Calgary, Alberta, T2P 1M4, Canada, and at the Group's website <http://www.interpipeline.com>.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

EUR'000	Inter Pipeline Ltd	Inter Terminals Denmark Group
2018		
Amounts payable to related parties	-7	-226
Amounts receivable from related parties	-	1,895
Interest income on loans to related parties	-	-
Capital withdrawal by partners	-	-
Dividends from subsidiary	-	-
Management income	-	3,219
Management charge and personnel recharge expenses	-412	-
Purchase of goods and other services from related parties	-	-29
Sale of goods and other services to related parties	-	923
2017		
Amounts payable to related parties	-3	-222
Amounts receivable from related parties	-	1,409
Interest income on loans to related parties	-	-
Capital withdrawal by partners	-5,180	-
Dividends from subsidiary	-	5,000
Management income	-	3,492
Management charge and personnel recharge expenses	-313	-
Purchase of goods and other services from related parties	-	-32
Sale of goods and other services to related parties	-	990

15 Events after the balance sheet date

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

Statement by the Executive Board on the annual report

Today, the Executive Board have discussed and approved the annual report of Inter Terminals Denmark Partnership I/S for the financial year 1 January - 31 December 2018.

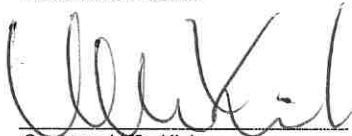
The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Partnership at 31 December 2018 and of the results of the Partnership's operations and cash flows for the financial year 1 January - 31 December 2018.

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

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

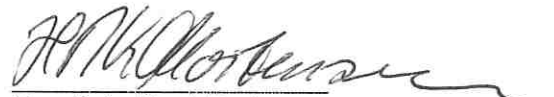
Copenhagen, 12 March 2019
Executive Board:



Carsten Uffe Kirk
Managing Director



Martyn Joseph Augustine
Lyons



Hans Peder Krogh Mortensen



Independent auditor's report

To the shareholders of Inter Terminals Denmark Partnership I/S

Opinion

We have audited the financial statements of Inter Terminals Denmark Partnership I/S for the financial year 1 January – 31 December 2018, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Partnership at 31 December 2018 and of the results of the Partnership's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Independent auditor's report (continued)

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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




Independent auditor's report (continued)

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

Copenhagen, 12 March 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



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State Authorised
Public Accountant
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