

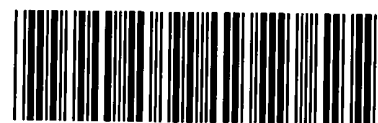
Registered number
891872

Chemicals and Oil Storage Management Limited

Report and Financial Statements

31 December 2016

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28/09/2017

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COMPANIES HOUSE

**Chemicals and Oil Storage Management Limited
Company Information**

Directors

P B Channing
M J A Lyons

Secretary

N C Coldrey

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered office

Priory House
60 Station Road
Redhill
Surrey
RH1 1PE

Registered number

891872

Chemicals and Oil Storage Management Limited
Registered number: 891872
Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

Review of the business

The Company acts as a holding company. The profit for the year was Nil (2015 – £3,107,000).

Key performance indicators

	2016	2015	Percentage change
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	£0	£0	0%
Current assets as % of current liabilities	n/a	n/a	n/a

The Company acts as an intermediate holding company, and does not trade. Therefore no EBITDA is generated which is consistent for 2016 and 2015 results. Any dividend income is distributed to the parent company. There is no change in the balance sheet, hence no change in the current assets as a proportion of current liabilities.

Principal risks and uncertainties

The directors consider that in assessing the principal risks and uncertainties faced by the company, they must also consider the risks and uncertainties faced by the subsidiaries which may impact on the performance of the Company. The risks associated with the bulk liquid storage business are further described in the Management Discussion and Analysis of the parent company Inter Pipeline Ltd. available at www.sedar.com. These risks and uncertainties are as follows:

Demand for Bulk Liquid Storage

The Inter Terminals business in the UK, Ireland and Germany is primarily involved in the storage and handling of liquids for local and regional petroleum refining and chemical businesses. The products stored and handled at these storage terminals are generally either feedstock for chemical plants and refineries or are products produced from those facilities. As a result, a sustained slowdown in either the petroleum refining, biofuels or chemical sectors serviced by the Inter Terminals business could adversely affect the bulk liquid storage business.

The bulk liquid storage business is highly integrated with local refineries in several areas where Inter Terminals operates. The financial results from the Inter Terminals business could be significantly reduced if there was a closure to one or more of these refineries, some of these refineries were owned by a single entity or if a refinery was converted into a competing storage

Customs and Excise Warehouses

The Inter Terminals business operates approved customs and excise warehouses, thereby permitting their respective customers to store products on a duty-suspended basis. Failure to comply with legal and regulatory requirements governing the operation of such warehouses could lead to liability for customs and excise duties, value added tax and penalties, including the withdrawal of the related authorizations, which in turn could result in a reduction in commercial activity at the facilities. Authorizations granted for both customs and excise warehouses gives rise to a risk that the Inter Terminals business could become jointly and severally liable with the product owner to any duties or taxes on products irrespective of compliance with legal and regulatory requirements by the Inter Terminals business.

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Strategic Report

The Inter Terminal business stores alcohol products at many warehouse locations. Failure to comply with regulatory measures to counteract fraudulent activity within the alcohol sector could result in the Inter Terminals business being held liable for duties or taxes in cases where it is evident that controls have not been sufficient to mitigate the risks.

Operational Factors

In the event of a major facility incident resulting in a major fire or the release of large quantities of product, the location of the bulk liquid storage facilities adjacent to water courses and large bodies of water could result in a major environmental incident and significantly impact the financial results, reputation and continuing operation of the bulk liquid storage business.

Inter Pipeline's operations are subject to the customary hazards of the petroleum transportation, storage, marketing and processing business. Inter Pipeline's operations could be impacted by failures of pipelines (including pipeline leaks), storage tanks and caverns, power infrastructure, equipment, information systems, the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation, design errors, or construction or manufacturing defects), failure to maintain an adequate inventory of supplies or spare parts, operator error, labour disputes, disputes with owners of interconnected facilities and carriers, and catastrophic events such as natural disasters, fires, flooding, explosions, chemical releases, fractures, or other events beyond Inter Pipeline's control, including acts of terrorists, eco-terrorists and saboteurs, and other third party damage to Inter Pipeline's assets. Operational errors could cause a process safety incident that additionally results in reputational damage to the business. The occurrence or continuance of any of these events could increase the cost of operating facilities and/or reduce their processing, throughput or storage capacity. An operational incident might result in the loss of life as well as injury and property damage. Inter Pipeline carries insurance with respect to some, but not all, casualty occurrences and disruptions. However, such coverage may not be sufficient to compensate for all casualty occurrences.

Insurance of Inter Pipeline's operations is susceptible to appetite for risk within the insurance market. Either general market conditions or a poor claims record could result in significantly increased premiums or the impossibility of obtaining coverage for certain risks. In the event that laws and regulations regarding minimum financial resources thresholds are established in jurisdictions in which Inter Pipeline carries on business, Inter Pipeline may incur increased costs to comply with such requirements.

Inter Pipeline has extensive integrity management programs in all of its business segments. While Inter Pipeline believes its programs are consistent with industry practice, increasingly strict operational regulations or new data on the condition of Inter Pipeline's assets could result in repair or upgrading activities that are more extensive and costly than in the past. Such developments could contribute to higher operating costs for Inter Pipeline or the termination of operations on the affected portion of Inter Pipeline's assets.

Inter Pipeline continues to build on its business continuity planning, which involves analyzing critical activities, interdependencies and vulnerabilities to assist in prioritizing key functions and planning strategies and to recover or maintain them in the event of a significant business disruption. Critical infrastructure, personnel, supervisory control and data acquisition (SCADA) and information technology systems have redundancy established, which is intended to minimize both the probability and impact of disruptive events; however, there is no guarantee that such measures will be effective in the event of a worst case scenario.

Defined Benefit Pension Plan

Defined benefit pension plans exist for certain employees and former employees of Inter Terminals' UK, Irish and German businesses. The UK and Irish plans hold interests in various securities invested in equities, fixed income instruments and real estate. Fluctuations in the value of the plans' assets and the factors which are applied to calculate the plan's liabilities could result in a requirement for additional cash contributions by Inter Terminals.

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Strategic Report

Competition

The bulk liquid storage business faces competition from other independent bulk liquid terminals which operate in several of the regions serviced by Inter Terminals. Certain of the bulk liquid storage business' customers also have the option to store products at their own storage facilities or to adopt alternative logistics solutions. As a result, customers could elect in the future to make alternative arrangements for the storage and handling of their products resulting in a decline in the financial results of the bulk liquid storage business.

Land Lease Renewals

Certain storage terminals and associated infrastructure are located on lands leased or licensed from third parties that must be renewed from time to time. Failure to renew the leases or licenses on terms acceptable to Inter Pipeline could significantly reduce the operations of the bulk liquid storage business, and could result in related decommissioning costs for Inter Pipeline, pursuant to the terms of such leases or licenses. Where there is such a legal obligation, decommissioning costs have been provided in the financial statements in accordance with FRS102 Section 21 Provisions and Contingencies.

Financial Instrument Risks

The key financial risks affecting the Company are set out below. Further details of the Company's financial instruments are set out in note 13 to the financial statements.

Foreign Exchange Risk

Inter Terminals' earnings and cash flows are subject to foreign exchange rate variability, primarily arising from the denomination of such earnings and cash flows in British Pounds, Euros, Danish Kroner, Swedish Kronor and US dollars.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in Note 9 to the financial statements.

Liquidity risk

The Company manages liquidity risk by managing cash generation by its operations and applying cash collection targets. A group banking facility arrangement is in place and group loans are used where required to support growth projects. At 31 December 2016 the parent company was funded by a Eurobond for £ 145.8 million due to expire in 2020. Its subsidiary Inter Terminals Ltd and a Danish subsidiary, Inter Terminals EOT ApS, entered into a £20 million credit facility with Royal Bank of Canada on behalf of the group in 2015 (at 31 December 2016, no amounts were drawn

Brexit

The Inter Terminals UK business provides services to customers who undertake movements of product between the UK terminals and the rest of the European Union. The UK's departure from the EU and the European Union Customs Union could affect movements of product between the UK terminals and the rest of EU (for example if tariffs or customs controls apply to imports from and exports to the EU after the UK's departure), which could have an adverse impact on the UK business. Inter Terminals is actively monitoring developments in the process for the UK's withdrawal from the EU in order to avoid or mitigate any potential adverse impact.

Future developments

The directors are committed to maintaining and enhancing standards of operations excellence in the areas of safety, health and environmental compliance, safe and reliable operations, customer performance, asset integrity, project execution and emergency preparedness whilst maintaining cost effectiveness and the highest ethical standards. We are committed to the recruitment, development and retention of experienced, talented and competent employees to provide the necessary marketing, operations, engineering, financial and logistics capabilities. Taking these into account we consider we have an excellent platform to maximise business opportunities, whilst minimising any potential negative impact from the business environment.

By order of the Board



N C Coldrey
Secretary

27/09/2017

Chemicals and Oil Storage Management Limited**Registered number:** 891872**Directors' Report**

The directors present their annual report for the year ended 31 December 2016.

Directors

The directors who served the company during the year as follows:

P B Channing

M J A Lyons

Dividends

The dividend paid in the year was Nil (2015 – £ 3,107,000).

Going Concern

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Chemicals and Oil Storage Management Limited to continue as a going concern or its ability to continue with the current banking arrangements. As the Company has net current liabilities, the directors of the Company have obtained confirmation from the parent undertaking's directors that the financial support will continue to be in place for the next twelve months after the approval of these financial statements.

Directors' indemnity

Subject to the Companies Act 2006, but without prejudice or limitation to any indemnity to which a director may otherwise be entitled, every director of the Company shall be indemnified to the fullest extent permissible at law out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

Political donations

The Company made no political contributions during the year (2015 – £nil).

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

As provided for under the Companies Act 2006 the Company does not hold an AGM and Ernst & Young LLP are reappointed until further notice.

By order of the Board


N C Coldrey
Secretary

27/09/2017

Chemicals and Oil Storage Management Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing both the strategic report and directors' report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;*
- *prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditors' report
to the members of Chemicals and Oil Storage Management Limited**

We have audited the financial statements of Chemicals and Oil Storage Management Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal standards.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Eddie Diamond

(Senior Statutory Auditor)

For and on behalf of

Ernst & Young LLP, Statutory Auditor

Leeds

28 September 2017

Chemicals and Oil Storage Management Limited
Income Statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Operating profit		<u>-</u>	<u>-</u>
Income from investments		-	3,107
Profit on ordinary activities		<u>-</u>	<u>3,107</u>
Tax on profit of ordinary activities	4	-	-
Profit for the financial year.		<u>-</u>	<u>3,107</u>

The results of the Company arose entirely from continuing operations

Chemicals and Oil Storage Management Limited

Statement of comprehensive income for the year ended 31 December 2016

There is no comprehensive income other than the profit attributable to the shareholders of the Company of Nil in the year ended 31 December 2016 (2015 – £3,107,000).

Statement of changes in equity for the year ended 31 December 2016

	Share Capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	251	1,909	2,160
Profit for the year	-	3,107	3,107
Equity dividends paid (note 6)	-	(3,107)	(3,107)
At 31 December 2015	<u>251</u>	<u>1,909</u>	<u>2,160</u>
Profit for the year	-	-	-
Equity dividends paid (note 6)	-	-	-
At 31 December 2016	<u>251</u>	<u>1,909</u>	<u>2,160</u>

Chemicals and Oil Storage Management Limited
Company No: 891872
Statement of financial position
as at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Investments	6	2,187	2,187
Creditors: amounts falling due within one year	7	(27)	(27)
Net current liabilities		(27)	(27)
Net assets		<u>2,160</u>	<u>2,160</u>
Capital and reserves			
Called up share capital	8	251	251
Profit and loss account		1,909	1,909
Total Equity		<u>2,160</u>	<u>2,160</u>

The financial statements were approved by the board on 27/09/2017 and were signed on its behalf by:


P B Channing
Director

M J A Lyons
Director



Chemicals and Oil Storage Management Limited
Notes to the Accounts
for the year ended 31 December 2016

1 Accounting policies

Statement of compliance

Chemicals and Oil Storage Management Limited is a limited liability Company incorporated in England. The Registered Office is Priory House, 60 Station Road, Redhill Surrey RH1 1PE.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2016.

Basis of preparation

The financial statements of Chemicals and Oil Storage Management Limited were authorised for issue by the Board of Directors on 27 September 2017. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. The Company qualifies to take advantage of the disclosure exemptions in respect of the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), Section 33 Related Party and Key Personnel Disclosures (paragraph 33.6 and 33.7) and for Sections 11 and 12 relating to Financial Instrument Disclosures (paragraphs 11.39 to 11.48A and 12.26 to 12.29A). The shareholder has been notified in writing about the use of the disclosure exemptions taken and no objections have been received. Please refer to note 11 for details on the consolidated financial statements and where these can be obtained.

Going concern

The Company has net current liabilities. The financial statements have been prepared on a going concern basis as the parent undertaking has indicated that it will provide such funds as are necessary for the company to continue as a going concern, as explained in the Directors' Report.

Group financial statements

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Inter Pipeline Ltd., a Canadian registered company, and is included in the consolidated financial statements of that entity, which are publicly available on SEDAR (refer to note 12).

Investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value-in-use.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Dividend and interest income

Dividend income represents gross dividends from unquoted investments and is recognised when the shareholder's rights to receive payment is established. Interest income is recognised using the effective interest rate method.

Principal risks and uncertainties

Please refer to the information provided in the Strategic Report.

Chemicals and Oil Storage Management Limited
Notes to the Accounts
for the year ended 31 December 2016

2 Directors' emoluments

The directors of the Company were paid by Inter Terminals Limited.

The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the Company and the services as directors of the holding and fellow subsidiary companies.

	2016 £000	2015 £000
Aggregate remuneration in respect of qualifying services	445	389
Aggregate amounts receivable under long term incentive plans	194	12
	<u>639</u>	<u>401</u>
Pension contributions in respect of qualifying services	16	33
Highest paid director:		
Aggregate remuneration in respect of qualifying services	296	245
Aggregate amounts receivable under long term incentive plans	135	7
	<u>431</u>	<u>252</u>
Highest paid director:		
Accrued retirement benefits from defined benefit pension schemes	77	77

Number of directors in company pension schemes:

	2016 Number	2015 Number
Money purchase schemes	1	1
Defined benefit schemes	1	1

3 Staff costs

The average monthly number of persons employed by the company (including directors) during the year was nil (2015 - nil)

4 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:	2016 £000	2015 £000
UK corporation tax at 20% (2015 - 20.25%) (note 5(b))	-	-
Tax on profit of ordinary activities	-	-

Chemicals and Oil Storage Management Limited
Notes to the Accounts
for the year ended 31 December 2016

4 Taxation (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	-	3,107
	20.00%	20.25%
	£000	£000
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	-	629
<i>Effects of:</i>		
Income from shares in group undertakings not taxable	-	(629)
Total tax for the period	-	-

A reduction in the UK corporation rate from 20% to 19% from 1 April 2017 and then to 18% from 1 April 2020 was substantively enacted in October 2015. A future rate of 17% from April 2020 was substantively enacted in September 2016 (superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015).

5 Dividends

	2016 £000	2015 £000
Final dividend declared and paid (2015: £10.43/share)	-	3,107

6 Investments

	Investments in subsidiary undertakings £000
Cost	
At 1 January 2016	2,187
At 31 December 2016	2,187

The Company's wholly owned subsidiaries are as follows:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Inter Terminals Immingham Limited	England and Wales	Storage of bulk liquids and gases
Inter Terminals Shannon Limited	Republic of Ireland	Storage of bulk liquids and gases
Inter Terminals Tyneside Limited	England and Wales	Storage of bulk liquids and gases
Irish Bulk Liquid Transport Limited	Republic of Ireland	Dormant

The address of the registered office of the subsidiary undertakings in England and Wales is Priory House, 60 Station Road, Redhill, Surrey, RH1 1PE.

The address of the registered office of the subsidiary undertaking in the Republic of Ireland is Foyes Harbour, Foyes, Co Limerick 564410.

Chemicals and Oil Storage Management Limited
Notes to the Accounts
for the year ended 31 December 2016

7 Creditors: amounts falling due within one year	2016 £000	2015 £000
Amounts payable for group relief	<u>27</u>	<u>27</u>
	<u>27</u>	<u>27</u>

8 Issued share capital	Nominal value	2016 Number	2016 £	2015 £
<i>Allotted, called up and fully paid:</i>				
Ordinary shares	£1 each	251,001	251,001	251,001

9 Related party transactions

Under FRS 102 the Company is exempt from the requirement to disclose details of transactions with its ultimate controlling party and subsidiary companies, on the basis that it is a wholly owned subsidiary undertaking of its ultimate parent, Inter Pipeline Ltd..

10 Parent undertaking and ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Inter Terminals Limited, incorporated and registered in England and Wales.

The ultimate parent undertaking and ultimate controlling party of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Inter Pipeline Ltd., a Canadian registered company. Copies of the group financial statements are available on SEDAR at www.sedar.com.