

Registered number  
3795352

**Inter Terminals Limited**  
**Report and Financial Statements**  
**31 December 2016**

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28/09/2017

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COMPANIES HOUSE

**Inter Terminals Limited  
Company Information**

**Directors**

M J A Lyons  
P B Channing  
P Oseland

**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**

3795352

**Inter Terminals Limited****Registered number:**

3795352

**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 and provides IT and engineering services to the subsidiary companies. The profit for the year after taxation amounted to £22,881,000 (2015 – profit of £22,529,000).

**Key performance indicators**

	2016	2015	Percentage change
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(1,146,000)	(845,000)	-36%
Current assets as % of current liabilities	158%	146%	8%

EBITDA performance for the company was satisfactory for the year, and was in line with management's expectations. Current assets as a percentage of current liabilities were 158% (2015 146%).

**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](http://www.sedar.com). These risks and uncertainties are as follows:

**Demand for Bulk Liquid Storage**

The Inter Terminals business in the UK, Ireland, Germany, Denmark and Sweden 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 facility.

**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.

**Inter Terminals Limited****Registered number:** 3795352**Strategic Report** continued

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.

**Inter Terminals Limited****Registered number:** 3795352**Strategic Report** continued**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 12 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. The company 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 down).

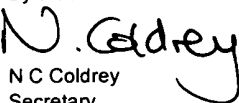
**Brexit**

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

**Inter Terminals Limited****Registered number:**

3795352

**Directors' Report**

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

**Directors**

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

M J A Lyons	
P B Channing	
R D Sammons	(resigned 28 April 2016)
P Oseland	(appointed 26 May 2016)

**Dividends**

Dividends were paid during the year of £30,000,000 (2015 – £5,000,000).

**Future developments**

Due to the nature of the business, a future outlook review is not applicable with the company continuing its operations and its role as a holding company for the foreseeable future.

**Going Concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. The subsidiaries are expected to generate positive cash flows for the foreseeable future which will in turn ensure the company remains profitable. The group operates a centralised treasury arrangement in which the company participates (the company shares banking arrangements with its subsidiaries). The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Inter Terminals Limited to continue as a going concern or its ability to continue with the current banking arrangements.

**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.

**Employees**

The Company employees are a major asset and their skills, commitment and motivation are highly valued by the Company. The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal and written communications and notices.

It is the company's policy not to discriminate against disabled persons either in recruitment, career development or matters affecting their promotion. All efforts are made to accommodate employees who become disabled whilst in the company's employment.

**Political donations**

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

**Inter Terminals Limited**

**Registered number:**

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**Directors' Report**

continued


**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

## **Inter Terminals Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing both the Statagic Report and the 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 Inter Terminals Limited**

We have audited the financial statements of Inter Terminals 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 22. 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 7, 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 profit 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:

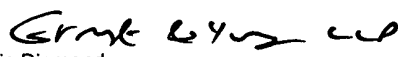
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal standards.

**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

**Inter Terminals Limited**  
**Income Statement**  
**for the year ended 31 December 2016**

	Notes	2016 £000	2015 £000
Turnover	2	5,283	4,000
Cost of sales		(2,070)	(1,911)
<b>Gross profit</b>		<u>3,213</u>	<u>2,089</u>
Administrative expenses		(4,398)	(2,983)
<b>Operating loss</b>	3	<u>(1,185)</u>	<u>(894)</u>
Loss on disposal of fixed assets		(27)	-
Income from investments		23,552	23,260
Interest receivable	6	834	876
Interest payable	7	(603)	(764)
Other finance cost	7	(216)	(177)
<b>Profit on ordinary operations before taxation</b>		<u>22,355</u>	<u>22,301</u>
Tax on ordinary activities	8	526	228
<b>Profit for the financial year</b>		<u>22,881</u>	<u>22,529</u>

The results of the company arose entirely from continuing operations.

# Inter Terminals Limited

## Statement of comprehensive income for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Profit for the financial year		22,881	22,529
Remeasurement loss recognised on defined benefit pension schemes		(4,414)	(794)
Movement on deferred tax relating to pension scheme liability		402	146
<b>Total other comprehensive loss for the year</b>		<b>(4,012)</b>	<b>(648)</b>
<b>Total comprehensive income for the year</b>		<b>18,869</b>	<b>21,881</b>

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

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total equity £000
At 1 January 2015	216	-	21,460	21,676
Profit for the year	-	-	22,529	22,529
Other comprehensive income	-	-	(648)	(648)
Total comprehensive income for the year	-	-	21,881	21,881
Equity dividends paid (note 9)	-	-	(5,000)	(5,000)
New shares issued	66,882	160,523	-	227,405
At 31 December 2015	<u>67,098</u>	<u>160,523</u>	<u>38,341</u>	<u>265,962</u>
Profit for the year	-	-	22,881	22,881
Other comprehensive income	-	-	(4,012)	(4,012)
Total comprehensive income for the year	-	-	18,869	18,869
Equity dividends paid (note 9)	-	-	(30,000)	(30,000)
New shares issued	3,907	-	-	3,907
At 31 December 2016	<u>71,005</u>	<u>160,523</u>	<u>27,210</u>	<u>258,738</u>

**Inter Terminals Limited**  
**Company No: 3795352**  
**Statement of financial position**  
**as at 31 December 2016**

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	10	323	212
Investments	11	<u>260,626</u>	<u>260,626</u>
		260,949	260,838
<b>Current assets</b>			
Debtors – amounts falling due within one year	12	24,172	13,137
Cash at bank and in hand		<u>-</u>	<u>20,804</u>
		24,172	33,941
<b>Creditors: amounts falling due within one year</b>	13	(15,329)	(22,344)
<b>Net current assets</b>		<u>8,843</u>	<u>11,597</u>
<b>Total assets less current liabilities</b>		<u>269,792</u>	<u>272,435</u>
<b>Provisions for liabilities</b>			
Other provisions	15	(11,054)	(6,473)
<b>Net assets</b>		<u>258,738</u>	<u>265,962</u>
<b>Capital and reserves</b>			
Called up share capital	16	71,005	67,098
Share premium	17	160,523	160,523
Profit and loss account		27,210	38,341
<b>Total Equity</b>		<u>258,738</u>	<u>265,962</u>

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

M Lyons  
Director



P Channing  
Director



**Inter Terminals Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2016**

**1 Accounting policies**

***Statement of compliance***

Inter Terminals Limited is a private company limited by shares 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 and change in accounting policy***

The financial statements of Inter Terminals Limited were authorised for issue by the Board of Directors on 27 September 2017. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. 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) and section 33 Related Party and Key Personnel Disclosures (paragraph 33.6 and 33.7). 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 22 for details on the consolidated financial statements and where these can be obtained.

***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The most critical accounting policy and significant area of judgement and estimation arise from the accounting for the defined benefit pension scheme under IAS19 Employee benefits. The defined benefit pension scheme requires significant judgement in relation to assumptions for inflation, future pension increases, investment returns and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions the directors take advice from an independent qualified actuary. The assumptions and resultant sensitivities are set out in Note 18.

***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 (see note 22).

***Going concern***

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. See Page 5.

***Interest-bearing loans and borrowings***

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

***Fixed asset 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.

**Inter Terminals Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2016**

**1 Accounting policies (continued)**

***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimate useful economic lives as follows:

Short leasehold buildings	– 10% per annum
Plant and machinery	– 10%-25% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

***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.

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers and group companies during the year. Turnover is accrued for services which have been provided but not invoiced by the accounting date, and deferred where services are invoiced but not fully provided by the accounting date.

***Deferred taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Inter Terminals Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2016**

**1 Accounting policies (continued)**

***Operating leases***

Rentals applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

***Pensions***

The Company participates in a group defined benefit pension plan. This plan is operated on a basis which means that it does not enable individual companies to identify their share of the underlying assets and liabilities on a consistent and reasonable basis. In accordance with FRS 102, as the sponsoring employer, the company accounts for the entire net defined benefit cost and relevant net defined benefit liability. Contributions to defined contribution plans are charged to the profit and loss account when they become payable.

***Share-based payments***

***Cash-settled transactions***

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. Changes in the carrying amount for the liability are recognised in the profit or loss for the period.

**2 Analysis of turnover**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
An analysis of turnover by origin is given below:		
UK	4,117	3,395
Europe	1,166	605
	<u>5,283</u>	<u>4,000</u>

Turnover by destination is not materially different from turnover by origin.

**3 Operating loss**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
This is stated after charging:		
Depreciation of owned fixed assets	66	49
Operating lease rentals - plant and machinery	126	106
Operating lease rentals - land buildings	86	70
Auditors' remuneration for audit services	<u>26</u>	<u>10</u>

**Inter Terminals Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2016**

**4 Directors' emoluments**

The directors were paid by the Company. The aggregate remuneration of the directors paid by the company amounted to £481,000 (2015: £481,000).

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.

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Aggregate remuneration in respect of qualifying services	646	484
Aggregate amounts receivable under long term incentive plans	290	(3)
	<u>936</u>	<u>481</u>
Pension contributions in respect of qualifying services	25	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
<b>Number of directors in company pension schemes:</b>		
	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Money purchase schemes	1	1
Defined benefit schemes	3	2

**5 Staff costs**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	3,783	3,001
Social security costs	472	349
Other pension costs	513	479
	<u>4,768</u>	<u>3,829</u>

Included in other pension costs are £418,000 (2015: £410,000) in respect of the defined benefit scheme and £95,000 (2015: £69,000) in respect of the defined contribution scheme.

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Administration	50	49
	<u>50</u>	<u>49</u>

**6 Interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Receivable from subsidiaries	810	852
Other interest receivable	24	24
	<u>834</u>	<u>876</u>



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<b>7 Interest payable</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	40	12
Interest payable to group undertakings	563	752
Other finance charges	216	177
	<u>819</u>	<u>941</u>

**8 Taxation**

**(a) Tax on profit on ordinary activities**

The tax credit is made up as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax at 20% (2015 - 20.25%)	(179)	(242)
Adjustments in respect of earlier years	(35)	(53)
Total current tax	<u>(214)</u>	<u>(295)</u>
Deferred taxation (note 14)		
Origination and reversal of timing differences	(26)	68
Impact of rate change on deferred tax	(196)	10
Deferred taxation relating to the defined benefit pension scheme	(34)	(11)
Adjustments in respect of earlier years	(56)	-
	<u>(312)</u>	<u>67</u>
Tax on ordinary activities	<u>(526)</u>	<u>(228)</u>

**(b) Factors affecting the total tax credit 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:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities	<u>22,355</u>	<u>22,301</u>
	20.00%	20.25%
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	4,470	4,516
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	19
Dividend income	(4,710)	(4,710)
Impact of rate change on deferred tax	(196)	-
Tax on share of overseas partnership profits	59	-
Use of brought forward losses not previously recognised for tax	(59)	-
Adjustments to tax charge in respect of previous periods	(91)	(53)
Total tax credit for period (note 8 (a))	<u>(526)</u>	<u>(228)</u>

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.

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<b>9 Dividends</b>	<b>2016 £000</b>	<b>2015 £000</b>
Dividends for which the company became liable during the year:		
Final dividend declared and paid (2015: £0.075/share)	-	5,000
Final dividend declared and paid (2016: £0.447/share)	30,000	-
	<u>30,000</u>	<u>5,000</u>

At the time of the dividend payment, 67,098,000 shares were in issue.

**10 Tangible fixed assets**

	<b>Short Leasehold Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2016	99	636	735
Additions	40	164	204
Disposals	-	(34)	(34)
At 31 December 2016	<u>139</u>	<u>766</u>	<u>905</u>
<b>Depreciation</b>			
At 1 January 2016	54	469	523
Charge for the year	11	55	66
On disposals	-	(7)	(7)
At 31 December 2016	<u>65</u>	<u>517</u>	<u>582</u>
<b>Net book value</b>			
At 31 December 2016	<u>74</u>	<u>249</u>	<u>323</u>
At 31 December 2015	<u>45</u>	<u>167</u>	<u>212</u>

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**11 Investments**

	At cost £000	Impairment £000	Net book value £000
<b>Cost</b>			
At 1 January 2016	261,574	(948)	260,626
Additions	-	-	-
At 31 December 2016	<u>261,574</u>	<u>(948)</u>	<u>260,626</u>

Inter Terminals Limited holds all the issued share capital, which are ordinary shares, either directly or indirectly, in the following subsidiaries at 31 December 2016:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Simon Management Limited*	England and Wales	Dormant
Inter Terminals Riverside Limited*	England and Wales	Storage of bulk liquids and gases
Inter Terminals Seal Sands Limited*	England and Wales	Storage of bulk liquids and gases
Simon Storage Limited *	England and Wales	Holding company
Chemicals and Oil Storage Management Ltd*	England and Wales	Holding company
Inter Terminals Tyneside	England and Wales	Storage of bulk liquids and gases
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
Irish Bulk Liquid Transport Limited	Republic of Ireland	Dormant
Inter Terminals Germany GmbH*	Germany	Holding company
Inter Terminals Mannheim GmbH	Germany	Storage of bulk liquids and gases
Inter Terminals Denmark Partnership I/S*	Denmark	Holding partnership
Inter Terminals Denmark A/S	Denmark	Holding company
Inter Terminals SGOT ApS	Denmark	Storage of bulk liquids and gases
Inter Terminals AOT ApS	Denmark	Storage of bulk liquids and gases
Inter Terminals EOT ApS	Denmark	Storage of bulk liquids and gases
Inter Terminals Sweden AB	Sweden	Storage of bulk liquids and gases

*The registered offices of the subsidiary undertakings are:-*

Companies incorporated in England and Wales : Priory House , 60 Station Road, Redhill, Surrey, RH1 1PE.

Companies incorporated in Republic of Ireland : I Foynes Harbour, Foynes, Co. Limerick ,564410.

Companies incorporated in Germany : Essener Str.64, D-68219 Mannheim.

Companies incorporated in Denmark: Hottengardsvej 25, Hotten, 4230 Skaelskor.

Company incorporated in Sweden: Smorjoljegatan 21, SE- 41834 Goteborg.

Companies marked \* are direct wholly owned subsidiaries of Inter Terminals Limited.

**12 Debtors**

	2016 £000	2015 £000
Trade debtors	-	1
Amounts owed by subsidiaries.	21,068	11,024
Deferred tax asset (note 14)	2,101	1,387
Amounts receivable from parent company for group relief	762	484
Other debtors	167	156
Prepayments and accrued income	74	85
	<u>24,172</u>	<u>13,137</u>

**Inter Terminals Limited**  
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<b>13 Creditors: amounts falling due within one year</b>	<b>2016 £000</b>	<b>2015 £000</b>
Bank loans and overdrafts	13,452	11,000
Trade creditors	29	72
Amounts owed to subsidiaries.	211	151
Amounts owed to parent company.	-	9,700
Corporation tax	-	-
Other taxes and social security costs	110	97
Accruals and deferred income	1,527	1,324
	<u>15,329</u>	<u>22,344</u>

**14 Deferred taxation**

The elements of deferred taxation are as follows:

	<b>2016 £000</b>	<b>2015 £000</b>
Excess of capital allowances over related depreciation	(17)	(18)
Other timing differences	(2,027)	(1,369)
Tax losses carried forward	(57)	-
Deferred tax asset	<u>(2,101)</u>	<u>(1,387)</u>
	<b>2016 £000</b>	<b>2015 £000</b>
At 1 January	(1,387)	(1,308)
Deferred tax charge in the income statement	(256)	67
Deferred tax charge in respect of pension liabilities in the statement of comprehensive income	(402)	(146)
Adjustments in respect of earlier years	(56)	-
At 31 December	<u>(2,101)</u>	<u>(1,387)</u>

**15 Provisions for liabilities**

	<b>Pension £000</b>
At 1 January 2016	6,473
Additional provisions made during the period	4,581
At 31 December 2016	<u>11,054</u>

<b>16 Issued share capital</b>	<b>Nominal value</b>	<b>2016 Number</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<i>Allotted, called up and fully paid:</i>				
Ordinary shares	£1 each	71,005,692	71,005	67,098

In September 2016 3,907,271 shares were issued as consideration for the assignment of the Company by Inter Pipeline Europe Ltd of an intra-group loan with Inter Terminals Riverside Ltd.

<b>17 Share premium</b>	<b>2016 £000</b>
As at 1st January and 31st December 2016	<u>160,523</u>

**Inter Terminals Limited**  
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**18 Pension commitments**

The Company participates in a defined benefit pension scheme where Inter Terminals Limited is the principal employer providing benefits based on final pensionable pay. The scheme was closed to new members from 30 September 2010. At the same time, a change was made to the Fund's rules which restricts the level of future increases in pensionable salaries to the lower of price inflation and 5% each year.

This defined benefit scheme is a group plan which is run on a basis which means that it does not enable individual companies to identify their share of the underlying assets and liabilities on a consistent and reasonable basis.

Under the Rules of the UK Fund, each member's pension at retirement is related to their pensionable service and final pensionable salary. The weighted average duration of the expected benefit payments from the Fund is around 20 years. The Fund is operated from a Trust, which has assets which are held separately from Inter Terminals Limited, and Trustees ensure the UK Fund's Rules are strictly followed.

The formal actuarial valuation of the UK Fund as at 6 April 2016 was updated to the accounting date by an independent qualified actuary in accordance with FRS102. The funding target is for the UK Fund to hold assets equal in value to the accrued benefits based on projected salaries. If there is a shortfall against this target, then Inter Terminals Limited and the Trustees will agree on deficit contributions to meet this deficit over a period. Adverse experience could lead to a requirement for Inter Terminals Limited to make additional contributions to meet any deficit that arises. Inter Terminals has taken action in the past to reduce the rate at which members of the UK Fund build up new benefits. These changes were implemented from 1 July 2013.

As required by FRS102 the value of the defined benefit liabilities has been measured using the projected unit method. The UK Fund has been closed to new entrants since 30 September 2010.

The key FRS102 assumptions used for the UK Fund are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS102 liabilities and the excess of the FRS102 liabilities over the assets.

**Assumptions**

	2016	2015	2014
Retail Price inflation	3.3%pa	3.0%pa	3.1%pa
Discount rate	2.9%pa	3.8%pa	3.7%pa
Pension increases (5% LPI)	3.1%pa	2.9%pa	3.0%pa
Salary growth	3.3%pa	2.9%pa	3.0%pa

Life expectancy for a male member of the UK Fund currently aged 65 is assumed to be 21.6 years (2015 - 21.7 years).

Life expectancy for a female member of the UK Fund currently aged 65 is assumed to be 23.8 years (2015 - 24.2 years).

Life expectancy for a male member of the UK Fund who will reach age 65 in 20 years' time is assumed to be 23.3 years (2015 - 23.5 years).

Life expectancy for a female member of the UK Fund who will reach age 65 in 20 years' time is assumed to be 25.6 years (2015 - 26.2 years).

**Asset distribution**

	2016	2015	2014
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities	28,894	25,780	25,246
Bonds	26,707	22,674	22,493
Property	13,648	13,246	11,988
Cash	79	266	409
	<u>69,328</u>	<u>61,966</u>	<u>53,732</u>

**Inter Terminals Limited**  
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**18 Pension commitments (continued)**

Assets are shown at their bid value at 31 December 2016. The UK Fund does not invest directly in property occupied by or in financial securities issued by Inter Terminals Limited. If the equities held by the UK Fund as at 31 December 2016 fell / rose by 20%, the balance sheet position would deteriorate / improve by £5,779,000 all else being equal.

The UK Fund is represented on the balance sheet at 31 December 2016 as a liability of £11,054,000 under FRS102 (31 December 2015 - a liability of £6,473,000)

Contributions are set based upon funding valuations carried out every three years; the next valuation is due to be carried out as at 6 April 2019. Following the most recent valuation at 6 April 2016, Inter Terminals Limited and the Trustee agreed that deficit recovery contributions will be made over the period to 5 April 2027. The agreed deficit recovery contributions are to be £480,00 per annum in the year to 5 April 2017; £850,000 per annum in the three years to 5 April 2020; £1,000,000 per annum in the three years to 5 April 2023 and £1,112,500 per annum over the four years to 5 April 2027. Over the twelve months to 31 December 2016 the total contributions paid by Inter Terminals Limited and its wholly owned subsidiaries to the UK Fund amounted to £1,435,000. The amount of total employer contributions expected to be paid to the UK Fund during 2017 is £1,060,000. This includes around £70,000 of contributions which Inter Terminals Limited is paying for members in exchange for salary given up by members in a salary sacrifice arrangement. This figure is based on the current Schedule of Contributions, which was agreed in April 2017 between the Company and the Trustee of the Fund following the completion of the 2016 actuarial valuation.

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Present value of defined benefit obligation	80,382	68,439
Total fair value of assets	(69,328)	(61,966)
Liability recognised in the balance sheet before deferred tax	<u>11,054</u>	<u>6,473</u>

Changes in the present value of the defined benefit obligation are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	68,439	65,753
Employer's part of current service cost	1,107	1,221
Interest on obligation	2,555	2,409
Contributions from plan members	153	164
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	15,726	177
- Changes in demographic assumptions	(482)	-
- Experience adjustments on benefit obligations	(4,695)	-
Benefits paid	(2,421)	(1,285)
Curtailments and Settlements	-	-
Closing defined benefit obligation	<u>80,382</u>	<u>68,439</u>

Changes in the fair value of assets are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of assets	61,966	60,136
Interest on plan assets	2,339	2,232
Actual return less interest on plan assets	6,135	(617)
Running costs	(279)	(185)
Contributions by employer	1,435	1,521
Contributions by plan members	153	164
Benefits paid	(2,421)	(1,285)
Actual return on plan assets	<u>69,328</u>	<u>61,966</u>

**Inter Terminals Limited**  
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**18 Pension commitments (continued)**

The amounts recognised in the profit and loss account are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Employer's part of current service cost	1,107	1,221
Net interest on net defined liability/(asset)	216	177
Running costs	279	185
<b>Total expense included in profit and loss</b>	<b>1,602</b>	<b>1,583</b>

Current service costs and curtailment and settlement gains or losses are included in the profit and loss

The following amounts have been recognised outside profit and loss in other comprehensive income under

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Net actuarial (gains)/losses due to:		
- Changes in financial assumptions	15,726	177
- Changes in demographic assumptions	(482)	-
- Experience adjustments on benefit obligations	(4,695)	-
Interest on plan assets less actual return on plan assets	(6,135)	617
<b>Amount to recognise outside profit and loss in other comprehensive income</b>	<b>4,414</b>	<b>794</b>

**Sensitivity analysis of significant assumptions at 31 December 2016 for the Fund**

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assuming no other changes in market conditions at the accounting date. This is unlikely in practice - for example, a change in the discount rate is unlikely to occur without any movement in the value of the assets held by the arrangements.

	<b>£000</b>	<b>£000</b>
	<b>-0.5%</b>	<b>-0.5%</b>
Price inflation (RPI)	(5,390)	(4,723)
Discount rate	8,302	6,917
<b>Life expectancy</b>	<b>-1 year</b>	<b>-1 year</b>
	<b>(2,832)</b>	<b>(2,224)</b>

**19 Other financial commitments**

At the year end the company had annual commitments under non-cancellable operating leases for property and plant and equipment. The future minimum annual lease payments for these lease commitments are:

	<b>Land and buildings</b>	<b>Land and buildings</b>	<b>Other</b>	<b>Other</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
within one year	95	70	89	91
within two to five years	321	103	113	152
	<b>416</b>	<b>173</b>	<b>202</b>	<b>243</b>

**Inter Terminals Limited**  
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**20 Share-based payments**

**Senior Executive Plan**

Effective 1 January 2009, the group implemented a shadow Deferred Unit Rights Plan (DURP) that defines how awards made to the senior executives will be determined and administered. A Deferred Unit Right (DUR) as granted under the DURP (rebranded as a Restricted Share Unit (RSU) following Inter Pipeline Ltd.'s corporate conversion from its previous limited partnership structure to a corporation). It is valued based on the Inter Pipeline Ltd. unit price plus credit for cash distributions paid to unitholders during the period the RSUs are held. The shadow RSU will vest one-third on each of the successive anniversary dates from the date of grant. Upon exercise of a shadow RSU, the amount owing will be paid out in cash, net of the appropriate payroll taxes.

The following table illustrates the number and weighted average prices (WAEP) of, and movements in RSUs during the year.

	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	Number	WAEP (£)	Number	WAEP (£)
Outstanding as at 1 January	50,220	16.91	53,587	26.85
Granted during the year	24,111	25.84	18,397	1.57
Forfeited during the year	(807)	17.61	-	-
Exercised	(24,459)	18.61	(21,764)	28.43
Outstanding as at 31 December	<u>49,065</u>	<u>20.44</u>	<u>50,220</u>	<u>16.91</u>

For the year ended 31 December 2016, administrative expenses included £608,426 related to RSUs (2015 – £111,000). The liability included in 'creditors: amounts falling due within one year' is £1,002,918 (2015: £849,000).

**21 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..

**22 Parent undertaking and ultimate controlling party**

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

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member is Inter Pipeline Europe Limited, which is registered in England and Wales. Copies of the group financial statements are available from Companies House, Crown Way, Cardiff.

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](http://www.sedar.com).