

Inter Terminals Limited

Report and Financial Statements

Year ended

31 December 2018

Company Number 03795352



Inter Terminals Limited
Company Information

Directors	M J A Lyons P B Channing P W Oseland
Company Secretary	N C Coldrey
Registered Number	03795352
Registered Office	Priory House 60 Station Road Redhill Surrey RH1 1PE
Independent Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

Inter Terminals Limited

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Inter Terminals Limited

For the year ended 31 December 2018

Strategic Report

The Directors of Inter Terminals Limited (the "Company") present their Strategic Report for the year ended 31 December 2018.

Review of business and Principal Activities

The Company acts as a holding company and provides management, IT and engineering services to the subsidiary companies. The profit for the year after taxation amounted to £4,974,000 (2017 – £11,002,000).

The Company paid £170,480,914 for new share capital issued to acquire Inter Terminals UK Limited, a bulk liquid Storage Company registered in England & Wales, and Inter Terminals Amsterdam B.V., a bulk liquid Storage Company registered in the Netherlands, through its wholly-owned subsidiary.

Key performance indicators

	2018	2017	Percentage Change
Profit before Tax (PBT)	£4,742,000	£10,911,000	(56%)
Current assets as % of current liabilities	245%	465%	-47%

PBT 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 245% (2017: 465%).

During the year, the Company received dividends of £8,173,000 from its subsidiaries (2017: £11,566,000).

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 Inter Terminals bulk liquid storage business are further described in the Management Discussion and Analysis of the ultimate parent company Inter Pipeline Ltd. available at www.sedar.com. The Company maintains and reviews annually a risk register setting out the principal risks faced by Inter Terminals, and actions taken and planned to manage and mitigate those risks. 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 financial and operating results.

The Inter Terminals business in the Netherlands, Denmark and Sweden is primarily involved in the storage and handling of liquids for the petroleum refining and general oil-trading business. Therefore, a sustained slowdown in the petroleum sector or a sustained period of backwardation in the oil products market, could adversely affect the Inter Terminals business.

The Inter Terminals business is highly integrated with local refineries in several operating areas. The financial results from the Inter Terminals business could be significantly reduced if there was a closure to one or more of these refineries, or if a refinery was converted into a competing storage facility.

The risk relating to demand for bulk liquid storage is managed by Inter Terminals' Commercial function, which aims to address demand risk by identifying and developing new markets and customers.

Inter Terminals Limited
For the year ended 31 December 2018

Strategic Report (continued)

Principal risks and uncertainties (continued)

Customs and Excise Warehouses

The Inter Terminals business operates approved customs and excise warehouses, thereby permitting 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.

The Inter Terminals business stores alcohol products at some 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.

The risk relating to Customs and Excise Warehouses is managed by a dedicated Customs Assurance and Stock Management Support (CASMS) function.

Operational Factors

Inter Terminals' operations are subject to the customary hazards of the bulk liquid storage business. Inter Terminals' 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 Terminals' control, including acts of terrorists, eco-terrorists and saboteurs, and other third party damage to Inter Terminals' 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 throughput or storage capacity. An operational incident could result in the loss of life as well as injury and property damage. Inter Terminals 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 Terminals' 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 Terminals carries on business, Inter Terminals may incur increased costs to comply with such requirements.

Inter Terminals has extensive integrity management programs at all of its terminals. While Inter Terminals believes its programs are consistent with industry practice, increasingly strict operational regulations or new data on the condition of Inter Terminals' 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 Terminals or the termination of operations on the affected portion of Inter Terminals' assets.

Inter Terminals continues to build on its business continuity planning, which involves analysing 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.

Inter Terminals' Operations, Engineering and Safety, Health and Environment functions aim to mitigate the risks from operational factors by measures including an annual process safety improvement plan.

Inter Terminals Limited
For the year ended 31 December 2018

Strategic Report (continued)

Principal risks and uncertainties (continued)

Defined Benefit Pension Plan

Defined benefit pension plans exist for certain employees and former employees of Inter Terminals' UK and German businesses. The UK plan holds interests in various securities invested in equities, fixed income instruments and real estate. Fluctuations in the value of the UK plan's assets and the factors which are applied to calculate the UK plan's liabilities could result in a requirement for increased cash contributions by Inter Terminals. The UK plan was closed to future accrual of benefits effective 5 April 2017. The pension plan liability is held by Inter Terminals Ltd.

The Defined Benefit Pension Plan risk is managed with the advice and assistance of investment advisors and a professionally qualified actuary.

Competition

The Inter Terminals business faces competition from other independent bulk liquid terminals which operate in several of the regions serviced by Inter Terminals. Certain of the Inter Terminals 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 Inter Terminals business.

Competition risk is managed by Inter Terminals' Commercial function, which aims to address competition risk by identifying and developing new markets and customers.

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 Terminals could significantly reduce the operations of the Inter Terminals business, and could result in related decommissioning costs for Inter Terminals, 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.

Land Lease Renewal risk is managed by Inter Terminals' Legal function, which is responsible for land leases.

Financial Instrument Risks

Inter Terminals' Treasury function monitors and manages financial instrument risk and sets out financial risk management procedures in accordance with Inter Pipeline Ltd. policies and procedures. Neither the Company nor any of its subsidiaries have any derivatives.

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.

Inter Terminals' Treasury function monitors and manages foreign exchange risk and sets out financial risk management procedures in accordance with Inter Pipeline Ltd. policies and procedures.

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 13 to the financial statements.

Inter Terminals' Finance and Commercial functions are responsible for managing credit risk.

Inter Terminals Limited
For the year ended 31 December 2018

Strategic Report (continued)

Principal risks and uncertainties (continued)

Liquidity risk

A group cash pool facility arrangement is in place and group loans are used where required to support growth projects.

Inter Terminals' Treasury function manages liquidity risk through regular cash forecasting and treasury management. Liquidity risk is mitigated by Eurobond loan financing from Inter Pipeline Ltd.

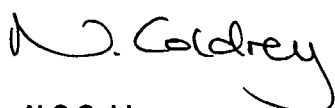
Brexit

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 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. Inter Terminals is 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 Inter Terminals consider that it has an excellent platform to maximise business opportunities, whilst minimising any potential negative impact from the business environment.

This report was approved by the board on 25 September 2019 and signed on its behalf.



N C Coldrey
Company Secretary

Inter Terminals Limited

For the year ended 31 December 2018

Directors' Report

The Directors present their report and the Financial Statements for the year ended 31 December 2018.

The Directors of the Company who held office during the year and up to the date of signing of the Financial Statements, unless otherwise stated, were:

M J A Lyons
P B Channing
P W Oseland

Dividends

The Company paid a dividend of £11,500,000 during the year (2017: nil).

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 Company made a profit of £4,742,000 in 2018 (2017: £10,911,000) because of dividends of £8,173,000 (£11,566,000) received from its subsidiaries. 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 (2017 – nil).

Inter Terminals Limited
For the year ended 31 December 2018

Directors' Report (continued)

Directors' responsibilities statement

The directors are responsible for preparing both the Strategic report and the Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements 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 financial statements 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 financial statements, 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 financial statements;
- Prepare the financial statements 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.

The Directors 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.

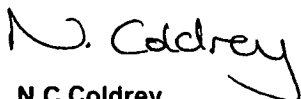
In the case of each Directors in office at the date Directors' Report is approved:

- So far the Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent 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.

This report was approved by the board on 25 September 2019 and signed on its behalf.


N C Coldrey
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTER TERMINALS LIMITED

Opinion

We have audited the financial statements of Inter Terminals Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTER TERMINALS LIMITED (continued)

Opinions 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

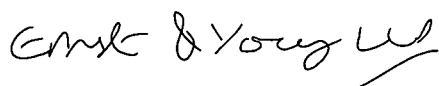
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTER TERMINALS LIMITED
(continued)**

Use of our report

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 auditor's 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

A handwritten signature in black ink, appearing to read 'Eddie Diamond', with a stylized flourish at the end.

Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

27 September 2019

Inter Terminals Limited
For the year ended 31 December 2018
Income Statement

	Notes	2018 £000	2017 £000
Revenue	3	5,460	5,292
Cost of sales		(2,156)	(2,096)
Gross Profit		3,304	3,196
Administrative expenses		(7,260)	(4,607)
Operating loss	4	(3,956)	(1,411)
Loss on disposal of fixed assets		-	(4)
Income from investments		8,173	11,566
Interest receivable	7	749	1,066
Interest payable and similar expenses	8	(1)	(1)
Other finance cost	17	(223)	(305)
Profit before tax		4,742	10,911
Tax on profit	10	232	91
Profit for the financial year		4,974	11,002

The notes on pages 15 to 28 form part of these Financial Statements.

Statement of Total Comprehensive Income

	2018 £000	2017 £000
Profit for the financial year	4,974	11,002
Remeasurement (loss)/gain recognised on defined benefit pension schemes	(149)	2,167
Movement on deferred tax relating to pension scheme liability	25	(368)
Total other comprehensive profit/(loss) for the year	(124)	1,799
Total Comprehensive Income for the year	4,850	12,801

Inter Terminals Limited
For the year ended 31 December 2018
Statement of Financial Position
Registered number 3795352

	Notes	2018 £000	2017 £000
Fixed Assets			
Tangible assets	11	394	398
Investments	12	431,107	260,626
Current Assets			
Debtors: amounts falling due within one year	13	21,966	24,627
Current liabilities			
Creditors: amounts falling due within one year	14	(8,874)	(5,291)
Net Current Assets		<u>13,092</u>	<u>19,336</u>
Total assets less current liabilities		<u>444,593</u>	<u>280,360</u>
Provisions for liabilities			
Pension Deficit	16	(9,223)	(8,821)
Net Assets		<u>435,370</u>	<u>271,539</u>
Equity			
Share capital	19	241,486	71,005
Share Premium		160,523	160,523
Retained earnings		33,361	40,011
Total Equity		<u>435,370</u>	<u>271,539</u>

The notes on pages 15 to 28 form part of these Financial Statements.

The financial statements were approved by the board on 25 September 2019 and were signed on its behalf by:

M Lyons
Director



P Channing
Director



Inter Terminals Limited
For the year ended 31 December 2018
Statement of changes in equity

	Share Capital £000	Share Premium £000	Retained earnings £000	Total Equity £000
At 1 January 2017	71,005	160,523	27,210	258,738
Profit for the year	-	-	11,002	11,002
Other comprehensive income	-	-	1,799	1,799
Total comprehensive income for the year	-	-	12,801	12,801
At 31 December 2017	71,005	160,523	40,011	271,539
Profit for the year	-	-	4,974	4,974
Other comprehensive income	-	-	(124)	(124)
Total comprehensive income for the year	-	-	4,850	4,850
Issue of share capital	170,481	-	-	170,481
Equity dividends paid	-	-	(11,500)	(11,500)
At 31 December 2018	241,486	160,523	33,361	435,370

Inter Terminals Limited

For the year ended 31 December 2018

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

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 2018.

Basis of Preparation

The financial statements of Inter Terminals Limited were approved and authorised for issue by the Board of Directors on 25 September 2019. 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), 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).

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 Company made a profit of £4,742,000 in 2018 (2017: £10,911,000) because of dividends of £8,173,000 (£11,566,000) received from its subsidiaries. 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.

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 company incorporated in Canada, and is included in the consolidated financial statements of that company.

The consolidated financial statements of Inter Pipeline Limited are publicly available.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the transaction price, adjusted for transaction costs. 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 interest payable 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
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

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 Leased 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.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provision are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Taxation

Taxation expenses for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in comprehensive income or directly in equity respectively

a) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end

b) Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

Accounting Policies (continued)

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.

Revenue

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers and group companies during the year. Revenue 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.

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.

Pension

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. Judgements in applying accounting policies 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 FRS 102 section 28 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 17

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

3. Analysis of revenue

An analysis of revenue by origin is given below:

	2018 £000	2017 £000
UK	4,136	4,098
Europe	<u>1,324</u>	<u>1,194</u>
	<u>5,460</u>	<u>5,292</u>

4. Operating loss

The operating loss is stated after charging:

	2018 £000	2017 £000
Depreciation of owned fixed assets	113	93
Operating lease rentals – land and buildings	101	98
Audit of the financial statements	9	63

5. Directors' remuneration

	2018 £000	2017 £000
Aggregate remuneration in respect of qualifying services	703	596
Aggregate amounts receivable under long term incentive plans	<u>110</u>	<u>153</u>
	<u>813</u>	<u>749</u>
Pension contributions in respect of qualifying services	<u>21</u>	<u>22</u>
Highest paid director:		
Aggregate remuneration in respect of qualifying services	327	281
Aggregate amounts receivable under long term incentive plans	<u>55</u>	<u>83</u>
	<u>382</u>	<u>364</u>
Accrued retirement benefits from defined benefit pension schemes	<u>82</u>	<u>79</u>
	2018 Number	2017 Number
Number of directors in company pension schemes:		
Money purchase schemes	<u>3</u>	<u>3</u>

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. Their full remuneration for the year for their services to all group entities are shown above.

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

6. Staff costs

	2018 £000	2017 £000
Wages and Salaries	3,947	3,730
Social security costs	514	492
Other pension costs	755	440
	<u>5,216</u>	<u>4,662</u>

Included in other pension costs are £312,000 (2017 - £297,000) in respect of the defined benefit scheme and £443,000 (2017 - £143,000) 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:

	2018 No	2017 No
Administration	<u>50</u>	<u>50</u>

7. Interest receivable and similar income

	2018 £000	2017 £000
Receivable from subsidiaries	744	884
Gain on defined benefit pension scheme curtailments and settlements - (Note 17)	-	179
Bank interest receivable	5	3
	<u>749</u>	<u>1,066</u>

8. Interest payable and similar expenses

	2018 £000	2017 £000
Bank loans and overdrafts	1	1
Other finance charges	223	305
	<u>224</u>	<u>306</u>

9. Dividends

Dividends for which the company became liable during the year:

	2018 £000	2017 £000
Dividends paid - Final dividend paid £0.1619 per share (£nil;2017)	<u>11,500</u>	<u>-</u>

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

10. Taxation

(a) Tax on profit

The tax credit is made up as follows:

	2018 £000	2017 £000
Current tax		
UK corporation tax at 19% (2017 – 19.25%)	(226)	(152)
Adjustments in respect of prior years	(8)	(35)
Total current tax credit	<u>(234)</u>	<u>(187)</u>
Deferred tax (note 15)		
Use of b/fwd. losses recognised for deferred tax	-	57
Origination and reversal of timing differences	46	(9)
Impact of rate change on deferred tax	4	35
Deferred taxation relating to the defined benefit pension scheme	(48)	13
Total deferred tax	<u>2</u>	<u>96</u>
Tax on profit	<u>(232)</u>	<u>(91)</u>

(b) Factors affecting the total tax credit for the current year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

Total tax reconciliation	2018 £000	2017 £000
Profit	4,742	10,911
Standard rate of corporation tax in the UK	19%	19.25%
	£000	£000
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	901	2100
Effects of:		
Expenses not deductible for tax purposes	417	2
Dividend income	(1,553)	(2,226)
Impact of rate change on deferred tax	4	35
Tax on share of overseas partnership profits	7	33
Adjustments to tax charge in respect of previous periods	(8)	(35)
Total tax credit for year	<u>(232)</u>	<u>(91)</u>

(c) Factors that may affect future tax charges

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).

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

11. Tangible fixed assets

	Short Leasehold Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2018	174	810	984
Additions	-	109	109
Disposals	-	-	-
At 31 December 2018	<u>174</u>	<u>919</u>	<u>1,093</u>
Depreciation			
At 1 January 2018	80	506	586
Charge for the year	16	97	113
On disposals	-	-	-
At 31 December 2018	<u>96</u>	<u>603</u>	<u>699</u>
Net book value			
At 31 December 2018	<u>78</u>	<u>316</u>	<u>394</u>
At 31 December 2017	<u>94</u>	<u>304</u>	<u>398</u>

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

12. Investments

	2018 £000	2017 £000
Cost		
As at 31 December 2017	260,626	260,626
Additions	170,481	-
As at 31 December 2018	431,107	260,626

On 30 November 2018, the Company acquired the entire issued share capital of Nustar Terminals Limited (now known as Inter Terminals UK Limited), incorporated in England and Wales. The Company also purchased shares in its wholly owned subsidiary, Inter Terminals Netherlands B.V incorporated in the Netherlands, for the purpose of funding its acquisition of Nustar Terminals B.V (now known as Inter Terminals Amsterdam B.V.)

Inter Terminals Limited holds all the issued share capital, which are ordinary shares, either directly or indirectly, in the following subsidiaries at 31 December 2018:

Subsidiary undertakings	Principal activity	Country of incorporation
Simon Management Limited*	Dormant	England & Wales
Inter Terminals Riverside Limited*	Storage of bulk liquids and gases	England & Wales
Inter Terminals Seal Sands Limited*	Storage of bulk liquids and gases	England & Wales
Simon Storage Limited*	Dormant	England & Wales
Chemicals & Oil Storage Management Limited*	Holding company	England & Wales
Inter Terminals Tyneside Limited	Storage of bulk liquids and gases	England & Wales
Inter Terminals Immingham Limited	Storage of bulk liquids and gases	England & Wales
Inter Terminals UK Limited*	Storage of bulk liquids and gases	England & Wales
Inter Terminals Eastham Limited	Storage of bulk liquids and gases	England & Wales
Inter Terminals Grangemouth Limited	Storage of bulk liquids and gases	Scotland
Inter Terminals Shannon Limited	Storage of bulk liquids and gases	Eire
Irish Bulk Liquid Transport Limited	Dormant	Eire
Inter Terminals Germany GmbH*	Holding company	Germany
Inter Terminals Mannheim GmbH	Storage of bulk liquids and gases	Germany
Inter Terminals Denmark Partnership I/S*	Holding partnership	Denmark
Inter Terminals Denmark A/S*	Holding company	Denmark
Inter Terminals SGOT ApS	Storage of bulk liquids and gases	Denmark
Inter Terminals AOT ApS	Storage of bulk liquids and gases	Denmark
Inter Terminals EOT ApS	Storage of bulk liquids and gases	Denmark
Inter Terminals Sweden AB	Storage of bulk liquids and gases	Sweden
Inter Terminals Netherlands B.V. *	Holding company	The Netherlands
Inter Terminals Amsterdam B.V.	Storage of bulk liquids and gases	The Netherlands

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:	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.
Inter Terminals Netherlands B.V incorporated in The Netherlands	Strawinskylaan 3127, 8e verdieping, 1077ZX Amsterdam
Inter Terminals Amsterdam B.V. incorporated in The Netherlands	Sextantweg 12,1042AH Amsterdam
Company incorporated in Scotland	Grange Dock, Grangemouth, FK3 8UD

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

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

13. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed by subsidiaries	19,825	22,753
Deferred tax asset (note 15)	1,661	1,637
Other debtors	345	129
Prepayments and accrued income	135	108
	21,966	24,627

14. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans and overdrafts	5,619	2,635
Trade creditors	453	65
Amounts owed to subsidiaries	-	118
Amounts due to parent company for group relief	527	747
Corporation tax payable	216	-
Other taxes and social security costs	123	116
Accruals and deferred income	1,936	1,610
	8,874	5,291

15. Deferred taxation

	2018 £000	2017 £000
At 1 January	1,637	2,101
Deferred tax charge in the income statement	(1)	(96)
Deferred tax charge in respect of pension liabilities in the statement of comprehensive income	25	(368)
Adjustment in respect of prior years	-	-
At 31 December	1,661	1,637
Deferred tax asset made up as follows:		
Excess of capital allowances over related depreciation	21	18
Other timing differences	1,640	1,619
	1,661	1,637

16. Provision for liabilities

Provision for liabilities relate to the UK Defined Benefit Pension Scheme (Note 17):

	Pension £000
At 1 January 2018	8,821
Additional provisions made during the period	402
At 31 December 2018	9,223

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

17. Pension commitments

The group operates a final salary defined benefit pension scheme in the UK, the Inter Terminals Pension Fund ("the UK Fund"). The UK Fund is administered by trustees and is independent of the Group's finances, with assets held in a separate trustee-administered fund. Contributions are paid to the scheme in accordance with the recommendations of independent actuarial advisors.

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.

An actuarial valuation of the UK Fund was updated to 31 December 2018 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. The UK Fund closed to future benefit accrual as at 30 April 2017, meaning that members of the UK Fund could not build up further benefits in the Fund after that date.

As required by FRS102 the value of the defined benefit liabilities has been measured using the projected unit credit method.

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.

Asset distribution

	2018	2017	2016
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities	25,292	33,010	28,894
Bonds	7,712	16,925	26,707
Liability Driven Investments (LDI)	13,263	10,887	-
Property	12,908	9,091	13,648
Cash	604	4,238	79
	59,779	74,151	69,328

Assets are shown at their bid value at 31 December 2018. 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 2018 fell / rose by 20%, the balance sheet position would deteriorate / improve by £5,058,600 all else being equal.

The UK Fund is represented on the balance sheet at 31 December 2018 as a liability of £9,223,000 under FRS102 (31 December 2017 - a liability of £8,821,000).

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

Pension commitments (continued)

Contributions are set based upon funding valuations carried out every three years; the most recently completed valuation was carried out as at 6 April 2016. The amount of total employer contributions expected to be paid to the UK Fund during 2019 is £850,000. This figure is based on the current Schedule of Contributions, which was agreed between the Company and the Trustee of the Fund following the actuarial valuation in 2016. Under this Schedule of Contributions, the deficit recovery contributions are paid monthly and are planned to continue until April 2027. The level of contributions is set to increase from £850,000 pa to £1,000,000 pa in April 2020 and again to £1,112,500 pa in April 2023. This Schedule of Contributions may be replaced following the completion of the upcoming valuation effective as at 6 April 2019 or subsequent valuations.

	2018	2017
	£000	£000
Present value of defined benefit obligation	69,002	82,972
Total fair value of assets	<u>(59,779)</u>	<u>(74,151)</u>
Liability recognised in the balance sheet before deferred tax	9,223	8,821

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

	2018	2017
	£000	£000
Opening defined benefit obligation	82,972	80,382
Employer's part of current service cost	-	451
Interest on obligation	2,006	2,292
Contributions from plan members	-	43
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	(4,490)	3,800
- Changes in demographic assumptions	(507)	(1,330)
- Experience adjustments on benefit obligations	266	211
Benefits paid	(11,745)	(2,698)
Past service cost - allowance for GMP		
Equalisation	500	-
Curtailments and Settlements	-	(179)
Closing defined benefit obligation	69,002	82,972

Changes in the fair value of assets are as follows:

	2018	2017
	£000	£000
Opening fair value of assets	74,151	69,328
Interest on plan assets	1,782	1,987
Actual return less interest on plan assets	(4,880)	4,848
Running costs	(379)	(386)
Contributions by employer	850	1,029
Contributions by plan members	-	43
Benefits paid	(11,745)	(2,698)
Closing fair value of assets	59,779	74,151

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

Pension commitments (continued)

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

	2018	2017
	£000	£000
Employer's part of current service cost	-	451
Net interest on net defined liability	223	305
Running costs	379	386
Past service cost - allowance for GMP Equalisation	500	
Gains on curtailments and settlements	-	(179)
Total expense included in profit and loss	1,102	963

The following amounts have been recognised outside profit and loss in other comprehensive income under FRS 102:

	2018	2017
	£000	£000
Net actuarial (gains)/losses due to:		
- Changes in financial assumptions	(4,490)	3,800
- Changes in demographic assumptions	(507)	(1,330)
- Experience adjustments on benefit obligations	266	211
Interest on plan assets less actual return on plan assets	4,880	(4,848)
Amount to recognise outside profit and loss in other comprehensive income	149	(2,167)

Sensitivity analysis of significant assumptions at 31 December 2018 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.

	2018	2017
	£000	£000
	-0.5%	-0.5%
Price inflation (RPI)	(4,958)	(5,650)
Discount rate	7,581	8,634
	-1 year	-1 year
Life expectancy	(2,894)	(3,160)

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

18. Financial commitments

At 31 December, the company had commitments under non-cancellable operating leases for property and plant and equipment. The future minimum lease payments for these lease commitments are:

	Land and buildings 2018 £000	Land and buildings 2017 £000	Other 2018 £000	Other 2017 £000
within one year	106	73	65	89
within two to five years	146	252	48	63
	<u>252</u>	<u>325</u>	<u>113</u>	<u>152</u>

19. Share Capital

	2018 £000	2017 £000
Issued and fully paid		
241,486,606 – (2017: 71,005,692) ordinary shares of £1 each	<u>241,486</u>	<u>71,005</u>

During the year 170,480,914 ordinary shares were issued at par at £1 each.

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.

	2018 Number	2018 WAEP (£)	2017 Number	2017 WAEP (£)
Outstanding as at 1 January	52,694	17.12	49,065	16.91
Granted during the year	17,149	6.40	21,745	14.56
Forfeited during the year	-	-	-	-
Exercised	(15,831)	18.58	(18,116)	22.02
Outstanding as at 31 December	<u>54,011</u>	<u>14.20</u>	<u>52,594</u>	<u>17.12</u>

For the year ended 31 December 2018, administrative expenses included £115,642 related to RSUs (2017 - £359,934). The liability included in Creditors: amounts falling due within one year is £775,659 (2017 - £954,199).

Inter Terminals Limited
For the year ended 31 December 2018

Notes to the Financial Statements (continued)

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 parent, Inter Pipeline Limited., and all of its subsidiary undertakings are wholly owned.

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 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.