Registered number
3795352

Inter Terminals Limited

Report and Financial Statements

31 December 2017

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

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Inter Terminals Limited
Registered number: 3795352
Strategic Report

The directors present their strategic report for the year ended 31 December 2017.

Review of the business

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 £11,002,000 (2016 – profit of £22,881,000).

Key performance indicators

	2017	2016	Percentage change
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(1,318,000)	(1,119,000)	-18%
Current assets as % of current liabilities	465%	158%	194%

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 465% (2016 158%).

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 the bulk liquid storage business.

The Inter Terminals business in 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 could adversely affect the Inter Terminals business. Sustained periods of backwardation in the oil products markets served by Inter Terminals Denmark and Sweden could also adversely affect the Inter Terminals business.

The Inter Terminals 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.

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.

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 by the Inter Terminals business.

The Inter Terminals 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.

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

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.

Defined Benefit Pension Plan

Defined benefit pension plans exists 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 plan's 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. The 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.

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 12 to the financial statements.

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

Liquidity risk

A group cash pool facility arrangement is in place and group loans are used where required to support growth projects. At 31 December 2017 the parent company was funded by a £145.8 million Eurobond due to expire in 2020.

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.

Inter Terminals Limited
Registered number: 3795352
Strategic Report (continued)

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. 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. Coldrey

N C Coldrey
Secretary
26/09/2018

Inter Terminals Limited
Registered number: 3795352
Directors' Report

The directors present their report for the year ended 31 December 2017.

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

M J A Lyons
P B Channing
P Oseland

Dividends
No dividends were paid during the year of 2017 (2016 – £30,000,000).

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 forseeable 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 (2016 – £nil).

Inter Terminals Limited
Registered number: 3795352
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.Coldrey

N C Coldrey
Secretary
26 September 2018

Inter Terminals Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing both the Stategic 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

Opinion on the financial statements

We have audited the financial statements of Inter Terminals Limited for the year ended 31st December 2017 which comprise the income statement, statement of financial position, 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 2017 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.

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.

Independent auditors' report
to the members of Inter Terminals Limited

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.

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.

Ernst & Young

Eddie Diamond
(Senior Statutory Auditor)
For and on behalf of
Ernst & Young LLP, Statutory Auditor
Leeds
26/09/2018

Inter Terminals Limited
Income Statement
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	2	5,292	5,283
Cost of sales		(2,096)	(2,070)
Gross profit		3,196	3,213
Administrative expenses		(4,607)	(4,398)
Operating loss	3	(1,411)	(1,185)
Loss on disposal of fixed assets		(4)	(27)
Income from investments		11,566	23,552
Interest receivable	6	1,066	834
Interest payable	7	(1)	(603)
Other finance cost	7	(305)	(216)
Profit on ordinary operations before taxation		10,911	22,355
Tax on ordinary activites	8	91	526
Profit for the financial year		11,002	22,881

The results of the company arose entirely from continuing operations.

The notes on pages 14 to 25 form part of these Financial Statements.

Inter Terminals Limited

Statement of comprehensive income
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Profit for the financial year		11,002	22,881
Remeasurement gain/(loss) recognised on defined benefit pension schemes		2,167	(4,414)
Movement on deferred tax relating to pension scheme liability		(368)	402
Total other comprehensive loss for the year		1,799	(4,012)
Total comprehensive income for the year		12,801	18,869

Statement of changes in equity
for the year ended 31 December 2017

	Share Capital £000	Share Premium £000	Retained earnings £000	Profit and loss account £000
At 1 January 2016	67,098	160,523	38,341	265,962
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	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
Equity dividends paid (note 9)	-	-	-	-
At 31 December 2017	71,005	160,523	40,011	271,539

Inter Terminals Limited
Company No: 3795352
Statement of financial position
as at 31 December 2017

	Notes		2017 £000		2016 £000
Fixed assets					
Tangible assets	10		398		323
Investments	11		260,626		260,626
			261,024		260,949
Current assets					
Debtors – amounts falling due within one year	12	24,627		24,172	
Cash at bank and in hand		-		-	
		24,627		24,172	
Creditors: amounts falling due within one year	13	(5,291)		(15,329)	
Net current assets			19,336		8,843
Total assets less current liabilities			280,360		269,792
Provisions for liabilities					
Other provisions	15		(8,821)		(11,054)
Net assets			271,539		258,738
Capital and reserves					
Called up share capital	16		71,005		71,005
Share premium	17		160,523		160,523
Retained earnings			40,011		27,210
Total Equity			271,539		258,738

The notes on pages 14 to 25 form part of these Financial Statements.

The financial statements were approved by the board on 26 September 2018 and were signed on its behalf by:

M Lyons
Director

P Channing
Director

Peter Channing

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 2017.

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 26 September 2018. 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). 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 publically 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 forseeable future and therefore the financial statements have been prepared on a going concern basis. See Page 6.

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.

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.

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

	2017 £000	2016 £000
An analysis of turnover by origin is given below:		
UK	4,098	4,117
Europe	1,194	1,166
	5,292	5,283

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

3 Operating loss

	2017 £000	2016 £000
This is stated after charging:		
Depreciation of owned fixed assets	93	66
Operating lease rentals - plant and machinery	-	126
Operating lease rentals - land buildings	98	86
Auditors' remuneration for audit services	63	26

4 Directors' emoluments

The directors were paid by the Company. The aggregate remuneration of the directors paid by the company amounted to £749,000 (2016: £936,000).

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.

	2017 £000	2016 £000
Aggregate remuneration in respect of qualfying services	596	646
Aggregate amounts receivable under long term incentive plans	153	290
	749	936
Pension contributions in respect of qualifying services	22	25
Highest paid director:		
Aggregate remuneration in respect of qualfying services	281	296
Aggregate amounts receivable under long term incentive plans	83	135
	364	431
Highest paid director:		
Accrued retirement benefits from defined benefit pension schemes	79	77

Number of directors in company pension schemes:	**2017 Number**	**2016 Number**
Money purchase schemes	3	1
Defined benefit schemes	-	3

5 Staff costs	**2017 £000**	**2016 £000**
Wages and salaries	3,730	3,783
Social security costs	492	472
Other pension costs	440	513
	4,662	4,768

Included in other pension costs are £297,000 (2016 - £418,000) in respect of the defined benefit scheme and £143,000 (2016 - £95,000) 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:

	2017 No.	2016 No.
Administration	50	50

6 Interest receivable and similar income	**2017 £000**	**2016 £000**
Receivable from subsidiaries.	884	810
Gain on defined benefit pension scheme curtailments and settlements	179	-
Bank interest receivable	3	24
	1,066	834

7 Interest payable and other finance cost

	2017 £000	2016 £000
Bank loans and overdrafts	1	40
Interest payable to group undertakings	-	563
Other finance charges	305	216
	306	819

8 Taxation

(a) Tax on profit on ordinary activities

The tax credit is made up as follows:	2017 £000	2016 £000
UK corporation tax at 19.25% (2016 - 20%)	(152)	(179)
Adjustments in respect of earlier years	(35)	(35)
Total current tax	(187)	(214)
use of B/f losses recognised for Deferred Tax	57	-
Origination and reversal of timing differences	(9)	(26)
Impact of rate change on deferred tax	35	(196)
Deferred taxation relating to the defined benefit pension scheme	13	(34)
Adjustments in respect of earlier years	-	(56)
	96	(312)
Tax credit on ordinary activities	(91)	(526)

(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 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities	10,911	22,355
	19.25%	20.00%
	£000	£000
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	2,100	4,470
Effects of:		
Expenses not deductible for tax purposes	2	1
Dividend income	(2,226)	(4,710)
Impact of rate change on deferred tax	35	(196)
Tax on share of overseas partnership profits	33	59
Use of brought forward losses not previously recognised for tax	-	(59)
Adjustments to tax charge in respect of previous periods	(35)	(91)
Total tax credit for period (note 8 (a))	(91)	(526)

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.

9 Dividends

	2017 £000	2016 £000
Dividends for which the company became liable during the year:		
Final dividend declared and paid (2016: £0.447/share)	-	30,000

10 Tangible fixed assets

	Short Leasehold Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2017	139	766	905
Additions	35	137	172
Disposals	-	(93)	(93)
At 31 December 2017	174	810	984
Depreciation			
At 1 January 2017	65	517	582
Charge for the year	15	78	93
On disposals	-	(89)	(89)
At 31 December 2017	80	506	586
Net book value			
At 31 December 2017	94	304	398
At 31 December 2016	74	249	323

Inter Terminals Limited
Notes to the Accounts
for the year ended 31 December 2017

11 Investments

	At cost £000	Impairment £000	Net book value £000
Cost			
At 31 December 2016 & 31 December 2017	261,574	(948)	260,626

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:

Subsidiary undertakings	*Country of incorporation*	*Principal activity*
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

	2017 £000	2016 £000
Trade debtors	-	-
Amounts owed by subsidiaries.	22,753	21,068
Deferred tax asset (note 14)	1,637	2,101
Amounts receivable from parent company for group relief	-	762
Other debtors	129	167
Prepayments and accrued income	108	74
	24,627	24,172

13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	2,635	13,452
Trade creditors	65	29
Amounts owed to subsidiaries.	118	(9,489)
Amounts owed to parent company.	-	9,700
Amounts due to parent company for group relief	747	-
Other taxes and social security costs	116	110
Accruals and deferred income	1,610	1,527
	5,291	15,329

14 Deferred taxation

The elements of deferred taxation are as follows:

	2017 £000	2016 £000
Excess of capital allowances over related depreciation	(18)	(17)
Other timing differences	(1,619)	(2,027)
Tax losses carried forward	-	(57)
Deferred tax asset	(1,637)	(2,101)

	2017 £000	2016 £000
At 1 January	(2,101)	(1,387)
Deferred tax charge in the income statement	96	(256)
Deferred tax charge in respect of pension liabilities in the statement of comprehensive income	368	(402)
Adjustments in respect of earlier years	-	(56)
At 31 December	(1,637)	(2,101)

15 Provisions for liabilities

	Pension £000
At 1 January 2017	11,054
Additional provisions made during the period	(2,233)
At 31 December 2017	8,821

16 Issued share capital

	Nominal value	2017 Number	2017 £'000	2016 £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	71,005,692	71,005	71,005

17 Share premium

	2017 £000
At 31 December 2016 & 31 December 2017	160,523

18 Pension commitments

The group operates a final salary defined benefit pension scheme in the UK, the Inter Terminals Pension Fund ("the UK Fund"). The group also operates a defined benefit retirement scheme and a long service awards arrangement in Germany. 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. The arrangements in Germany are unfunded and contributions are paid to meet the benefit payments as they fall due.

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 2017 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 fo 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 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.

Assumptions

	2017	2016	2015
Retail Price inflation	3.2%pa	3.3%pa	3.0%pa
Discount rate	2.6%pa	2.9%pa	3.8%pa
Pension increases (5% LPI)	3.1%pa	3.1%pa	2.9%pa
Salary growth	n/a	3.3%pa	2.9%pa

Life expectancy for a male member of the UK Fund currently aged 65 is assumed to be 21.6 years (2016 - 21.6 years).
Life expectancy for a female member of the UK Fund currently aged 65 is assumed to be 23.5 years (2016 - 23.8 years).
Life expectancy for a male member of the UK Fund who will reach age 65 in 20 years' time is assumed to be 22.9 years (2016 - 23.3 years).
Life expectancy for a female member of the UK Fund who will reach age 65 in 20 years' time is assumed to be 25.0 years (2016 - 25.6 years).

Asset distribution

	2017	2016	2015
	Fair value	Fair value	Fair value
	£000	£000	£000
Equities	33,010	28,894	25,780
Bonds	16,925	26,707	22,674
Liability Driven Investments (LDI)	10,887	-	-
Property	9,091	13,648	13,246
Cash	4,238	79	266
	74,151	69,328	61,966

18 Pension commitments (continued)

Assets are shown at their bid value at 31 December 2017. 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 2017 fell / rose by 20%, the balance sheet position would deteriorate / improve by £6,602,000 all else being equal.

The UK Fund is represented on the balance sheet at 31 December 2017 as a liability of £8,821,000 under FRS102 (31 December 2016 - a liability of £11,054,000).

Contributions are set based upon funding valuations carried out every three years; the last completed valuation was carried out as at 6 April 2016. Over the twelve months to 31 December 2017 the contributions paid by Inter Terminals Limited and its wholly owned subsidiaries to the UK Fund amounted to £1,029,000. The amount of total employer contributions expected to be paid to the UK Fund during 2018 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.

	2017 £000	2016 £000
Present value of defined benefit obligation	82,972	80,382
Total fair value of assets	(74,151)	(69,328)
Liability recognised in the balance sheet before deferred tax	8,821	11,054

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

	2017 £000	2016 £000
Opening defined benefit obligation	80,382	68,439
Employer's part of current service cost	451	1,107
Interest on obligation	2,292	2,555
Contributions from plan members	43	153
Actuarial (gains)/losses due to:		
- Changes in financial assumptions	3,800	15,726
- Changes in demographic assumptions	(1,330)	(482)
- Experience adjustments on benefit obligations	211	(4,695)
Benefits paid	(2,698)	(2,421)
Curtailments and Settlements	(179)	-
Closing defined benefit obligation	82,972	80,382

Changes in the fair value of assets are as follows:

	2017 £000	2016 £000
Opening fair value of assets	69,328	61,966
Interest on plan assets	1,987	2,339
Actual return less interest on plan assets	4,848	6,135
Running costs	(386)	(279)
Contributions by employer	1,029	1,435
Contributions by plan members	43	153
Benefits paid	(2,698)	(2,421)
Actual return on plan assets	74,151	69,328

18 Pension commitments (continued)

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

	2017 £000	2016 £000
Employer's part of current service cost	451	1,107
Net interest on net defined liability/(asset)	305	216
Running costs	386	279
(Gains)/Losses on curtailments and settlements	(179)	
Total expense included in profit and loss	963	1,602

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

	2017 £000	2016 £000
Net actuarial (gains)/losses due to:		
- Changes in financial assumptions	3,800	15,726
- Changes in demographic assumptions	(1,330)	(482)
- Experience adjustments on benefit obligations	211	(4,695)
Interest on plan assets less actual return on plan assets	(4,848)	(6,135)
Amount to recognise outside profit and loss in other comprehensive income	(2,167)	4,414

Sensitivity analysis of significant assumptions at 31 December 2017 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.

	2017 £000	2016 £000
	-0.5%	-0.5%
Price inflation (RPI)	(5,650)	(5,390)
Discount rate	8,634	8,302
	-1 year	-1 year
Life expectancy	(3,160)	(2,832)

19 Other financial commitments

At the year end 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 2017 £000	Land and buildings 2016 £000	Other 2017 £000	Other 2016 £000
within one year	73	95	89	89
within two to five years	252	321	63	113
	325	416	152	202

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.

	2017 Number	2017 WAEP (£)	2016 Number	2016 WAEP (£)
Outstanding as at 1 January	49,065	16.91	50,220	16.91
Granted during the year	21,745	14.56	24,111	25.84
Forfeited during the year	-	-	(807)	17.61
Exercised	(18,116)	22.02	(24,459)	18.61
Outstanding as at 31 December	52,694	17.12	49,065	16.91

For the year ended 31 December 2017, administrative expenses included £359,934 related to RSUs (2016 - £608,426). The liability included in Creditors: amounts falling due within one year' is £954,199 (2016 - £1,002,918).

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 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.