

Registered number  
5563759

**Inter Pipeline Europe Limited**  
**Report and Financial Statements**  
**31 December 2015**

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COMPANIES HOUSE

**Inter Pipeline Europe Limited**  
**Company Information**

**Directors**

D W Fesyk  
M J A Lyons  
A Faurholt  
S Heywood

**Secretary**

N C Coldrey

**Auditors**

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

**Registered office**

Priory House  
60 Station Road  
Redhill  
Surrey  
RH1 1PE

**Registered number**

5563759

**Inter Pipeline Europe Limited**  
**Registered number:** 5563759  
**Strategic Report**

The directors present their strategic report for the year ended 31 December 2015.

**Review of the business**

Inter Pipeline Europe Limited is the holding company for Inter Pipeline Ltd.'s bulk liquid storage business in Europe. The business is operated through its subsidiary Inter Terminals Ltd and owns and operates 16 terminals totalling 4.25 million m<sup>3</sup> of storage capacity in the UK, Ireland, Germany, Denmark and Sweden.

Business activities consist primarily of storage and handling services contracted through a combination of fixed storage fees and variable throughput fees. The business supports a wide range of activities, including refinery support, inland product distribution, cargo breaking and cargo building and raw material storage for regional manufacturing facilities and has a well diversified customer base.

On 11 February 2015, Inter Terminals Denmark Limited made a dividend in specie whereby the Company's investment in Inter Terminals Limited, valued at £160,622,000, was transferred to Inter Pipeline Europe Limited. As a consequence, the Company's investment in Inter Terminals Denmark Limited reduced by £160,622,000. The dividend has not been shown in the income statement, as it is simply effecting a reallocation within investments in subsidiaries.

In June 2015, Inter Pipeline Europe Limited issued £66,783,000 of shares which were acquired by its parent. At the same time, the Company paid £66,783,000 for the share capital issued by Inter Terminals Limited. This was to provide the funding required for Inter Terminals Limited to acquire Inter Terminals Sweden AB, a bulk liquid storage company registered in Sweden.

**Key performance indicators**

	<b>2015</b>	<b>2014</b>
Dividends receivable	£5,000,000	£8,887,000
Interest receivable	£1,056,000	£1,055,000
Utilisation (European group)	94%	79%

During the year, the Company received dividends from its subsidiaries of £5,000,000 (2014: £8,887,000). Interest income of £1,056,000 was received in the year.

**Principal risks and uncertainties**

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

**Demand for Bulk Liquid Storage**

The Inter Terminals business in the UK, Ireland 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 businesses.

**Inter Pipeline Europe Limited****Registered number:** 5563759**Strategic Report****Principal risks and uncertainties (continued)****Demand for Bulk Liquid Storage (continued)**

The Inter Terminals Immingham terminals are highly integrated with two local refineries, the Phillips 66 Humber refinery and the Total Lindsey refinery. The closure of one or both refineries, or amalgamation under ownership by a single party, could significantly reduce revenue from the Inter Terminals business. Inter Terminals' Asnaes terminal handles some fuel oil exports from the adjacent Statoil refinery. Any closure of this refinery would reduce revenue from the Inter Terminals business. Furthermore, if this Statoil refinery were to subsequently be converted into a competing storage facility, revenues from the Inter Terminals business could be significantly reduced. The Inter Terminals Sweden business is linked to 3 local refineries operated by Preem, ST1 and Nynas. Closure of either the Preem or ST1 refineries could significantly reduce revenues from the Inter Terminals Sweden business.

**Customs and Excise Warehouses**

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

Inter Terminals stores industrial and potable alcohol products at its terminals. Failure to comply with 'Due Diligence' measures to counteract fraudulent activity within the alcohol sector could result in the Inter Terminals business being held liable for duties or taxes in cases where it is evident that controls have not been sufficient to mitigate the risks.

**Operational Factors**

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

**Post Buncefield Regulation**

Following the Buncefield oil terminal incident in December 2005, the UK's regulatory authorities have been in the process of formulating policies which require additional integrity systems and controls on gasoline tanks and associated infrastructure. A report issued in December 2009 by the Process Safety Leadership Group details all of the required improvements and also contains a list of other hydrocarbon and petrochemical products to which these improvements are required in future years.

## **Inter Pipeline Europe Limited**

**Registered number:** 5563759  
**Strategic Report**

### **Principal risks and uncertainties (continued)**

#### **Post Buncefield Regulation (continued)**

The UK's regulatory authorities issued a Containment Policy in respect of the storage of fuels on February 20, 2008 which will require substantially enhanced tank and bund facilities both for new build tankage and for existing facilities at certain subsidiary companies. Although the policy states a 10 to 20 year timeline for improvements to be effected, the regulatory authorities have since declared a desired timeline for retrospective improvements of between two and five years for sites categorised by the regulator as higher risk. As a consequence, sustaining capital expenditures are likely to increase in the foreseeable future at these subsidiary companies, restricting their ability to potentially pay dividends (although the timing of such increases remains uncertain). However, based upon the policy as currently applied by the regulatory authorities, the company has estimated that its subsidiaries will incur between £2.2 million and £3.4 million on containment costs over the next five years. The amount of such costs will depend in part on the acceptability to the regulatory authorities of innovative solutions which are being considered by the Company.

#### **Activity restrictions**

For the three fuel oil terminals at Ensted, Asnaes and Stigsnaes, Inter Terminals Denmark in late 2014 received approved new conditions for activity levels that support the theoretical maximum activity level for each terminal. However, Gulfhavn oil terminal remains limited to 1.5 million tons of transshipment a year. Historically this level has not posed any problems but could limit the future growth potential.

#### **Defined Benefit Pension Plan**

A defined benefit pension plan exists for certain employees of Inter Terminals' UK and Irish business. The 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 to be contributed by Inter Pipeline.

#### **Competition**

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

#### **Land Lease Renewals**

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

#### **Financial Instrument Risks**

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

**Inter Pipeline Europe Limited****Registered number:** 5563759**Strategic Report****Principal risks and uncertainties (continued)****Foreign Exchange Risk**

The bulk liquid storage business' earnings and cash flows are subject to foreign exchange rate variability, primarily arising from the denomination of such earnings and cash flows in Sterling, Euros, Danish Kroner, Swedish Kronor and US dollars.

**Credit risk**

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

**Liquidity risk**

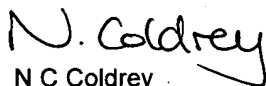
The Company manages liquidity risk by managing cash generation by its operations and applying cash collection targets. A group banking facility arrangement is in place and group loans are used where required to support growth projects. At 31 December 2015 the Company was funded by a Eurobond for £145.8 million due to expire in 2020. Its subsidiary, Inter Terminals Ltd has also entered into a £20 million credit facility with Royal Bank of Canada on behalf of the group (at 31 December 2015, the amount drawn down was £12,992,000).

**Cash flow risk**

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The Company manages this risk through the use of a credit facility and Eurobond financing as discussed in the liquidity risk section above.

**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.



N C Coldrey  
Secretary  
25 May 2016

**Inter Pipeline Europe Limited****Registered number:**

5563759

**Directors' Report**

The directors present their report for the year ended 31 December 2015.

**Post balance sheet events**

On 24 November 2015 the Company declared a dividend of £20m which was paid on 16 December 2015. Subsequent to the balance sheet date, the directors have identified that the Company did not have sufficient distributable reserves from which to pay this dividend. The parent company was notified and the payment has been reclassified as a short term inter-company debt to the parent company in these financial statements.

On 16 May 2016, the Company received dividends from its subsidiary companies of £30m. This provided the Company with sufficient distributable reserves from which to declare and pay an interim dividend of £20m on 25 May 2016.

**Directors**

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

D W Fesyk

R D Sammons (resigned 28 April 2016)

M J A Lyons

A Faurholt

S Heywood

**Dividends**

No dividends were paid during the year as referred to in the post balance sheet events section above (2014: £nil).

**Financial instruments**

Details of financial risk management objectives and policies are provided in the strategic report while details of the Company's exposure to risks in relation to their financial instruments is set out in note 13.

**Going Concern**

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

**Inter Pipeline Europe Limited**

**Registered number:**

5563759

**Directors' Report**

**Political donations**

The Company made no political contributions during the year (2014 – £nil).

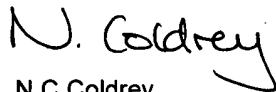
**Disclosure of information to auditors**

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

**Auditors**

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

By order of the Board



N C Coldrey  
Secretary  
25 May 2016



## **Inter Pipeline Europe Limited**

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

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. 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 member of Inter Pipeline Europe Limited**

We have audited the financial statements of Inter Pipeline Europe Limited for the year ended 31 December 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounts**

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

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

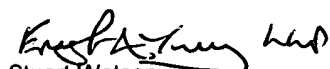
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion 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.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Stuart Watson  
(Senior Statutory Auditor)

For and on behalf of

Ernst & Young LLP, Statutory Auditor  
Leeds

31/05/2016

**Inter Pipeline Europe Limited**  
**Income Statement**  
**for the year ended 31 December 2015**

	Notes	2015 £000	2014 £000
Administrative expenses	2	(415)	(232)
Non-recurring due diligence costs	2	<u>(320)</u>	<u>(439)</u>
Total administrative expenses		(735)	(671)
<b>Operating loss</b>	2	<u>(735)</u>	<u>(671)</u>
Income from investments		5,000	8,887
Other interest receivable and similar income	5	1,056	1,055
Interest payable and similar charges	6	<u>(11,927)</u>	<u>(12,777)</u>
<b>Loss on ordinary activities before taxation</b>		(6,606)	(3,506)
Tax on loss on ordinary activities	7	2,361	2,523
<b>Loss for the financial year</b>		<u>(4,245)</u>	<u>(983)</u>

The results of the Company arose entirely from continuing operations.

## Inter Pipeline Europe Limited

### Statement of comprehensive income for the year ended 31 December 2015

There are no recognised gains or losses other than the loss attributable to the shareholders of the Company of £4,245,000 in the year ended 31 December 2015 (2014 – loss of £983,000).

### Statement of changes in equity for the year ended 31 December 2015

	Share Capital £000	Profit and loss account £000	Total equity £000
At 1 January 2014	132,056	1,252	133,308
Loss for the year	-	(983)	(983)
At 31 December 2014	<u>132,056</u>	<u>269</u>	<u>132,325</u>
Loss for the year	-	(4,245)	(4,245)
New shares issued	66,783	-	66,783
At 31 December 2015	<u>198,839</u>	<u>(3,976)</u>	<u>194,863</u>

**Inter Pipeline Europe Limited**  
**Company No: 5563759**  
**Statement of financial position**  
**as at 31 December 2015**

	Notes	2015 £000	2014 £000
<b>Fixed assets</b>			
Investments	8	319,918	253,135
		<u>319,918</u>	<u>253,135</u>
<b>Current assets</b>			
Debtors	9	35,003	14,924
Cash at bank and in hand		3	17,917
		<u>35,006</u>	<u>32,841</u>
<b>Creditors: amounts falling due within one year</b>	10	(14,265)	(857)
<b>Net current assets</b>		<u>20,741</u>	<u>31,984</u>
<b>Total assets less current liabilities</b>		<u>340,659</u>	<u>285,119</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(145,796)	(152,794)
<b>Net assets</b>		<u>194,863</u>	<u>132,325</u>
<b>Capital and reserves</b>			
Called up share capital	12	198,839	132,056
Profit and loss account		(3,976)	269
		<u>194,863</u>	<u>132,325</u>

The financial statements were approved by the board on 25 May 2016 and were signed on its behalf by:

  
M J A Lyons  
Director

  
S Heywood  
Director

**Inter Pipeline Europe Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2015**

**1 Accounting policies**

***Statement of compliance***

Inter Pipeline Europe Limited is a limited liability company incorporated in England. The Registered Office is Priory House, 60 Station Road, Redhill Surrey RH1 1PE.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2015.

The Company transitioned from previously extant UK GAAP as at 1 January 2014. There was no impact from this transition on the previously reported financial position or financial performance of the Company.

***Basis of preparation and change in accounting policy***

The financial statements of Inter Pipeline Europe Limited were authorised for issue by the Board of Directors on 25 May 2016. 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). The shareholder has been notified in writing about the use of the disclosure exemptions taken and no objections have been received. Please refer to note 16 for details on the consolidated financial statements and where these can be obtained.

***Going concern***

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. See Page 6.

***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 Ltd. are publicly available.

***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 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 Pipeline Europe Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2015**

**1 Accounting policies (continued)**

***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.

***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.

**2 Loss on ordinary activities before taxation**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
This is stated after charging:		
Auditor's remuneration:		
Audit of the financial statements:	61	46
Other fees to auditors:		
- corporate finance services	59	63
- taxation services	-	73
Foreign exchange loss	253	-
Non-recurring due diligence costs	320	439

Non-recurring due diligence costs of £320,000 (2014 : £439,000) relate to costs incurred in respect of the acquisition by Inter Terminals Limited of Inter Terminals Sweden AB.

**Inter Pipeline Europe Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2015**

**3 Directors' remuneration**

None of the directors received any remuneration from the company (2014 – £nil). The aggregate remuneration of the directors paid by fellow subsidiaries amounted to £447,000 (2014: £1,023,000).

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

In respect of remuneration paid by subsidiaries:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Aggregate remuneration in respect of qualifying services	455	728
Aggregate amounts receivable under long term incentive plans	(8)	295
	<u>447</u>	<u>1,023</u>
Pension contributions in respect of qualifying services	<u>23</u>	<u>23</u>
Highest paid director:		
Aggregate remuneration in respect of qualifying services	245	258
Aggregate amounts receivable under long term incentive plans	7	158
	<u>252</u>	<u>416</u>
Highest paid director:		
Accrued retirement benefits from defined benefit pension schemes	<u>77</u>	<u>84</u>
<b>Number of directors in company pension schemes:</b>	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Defined benefit schemes	<u>2</u>	<u>2</u>

**4 Staff costs**

The average monthly number of persons employed by the Company (including directors) during the year was nil (2014 - nil)

**5 Other interest receivable and similar income**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Receivable from group undertakings	1,056	1,055
	<u>1,056</u>	<u>1,055</u>

**6 Interest payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Payable to group undertakings	11,927	12,777
	<u>11,927</u>	<u>12,777</u>



**Inter Pipeline Europe Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2015**

**7 Taxation**

(a) Analysis of credit in year

The tax credit is made up as follows:

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
<i>UK corporation tax</i>		
Current tax on income for the year	(2,285)	(2,569)
Adjustments in respect of prior years	(76)	46
Tax on loss on ordinary activities	<u>(2,361)</u>	<u>(2,523)</u>

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

The total tax credit for the year is higher than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

<i>Total tax reconciliation</i>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<u>(6,606)</u>	<u>(3,506)</u>
Standard rate of corporation tax in the UK	20.25%	21.50%
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	(1,338)	(754)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	65	96
Dividend income	(1,012)	(1,911)
Impairment of investment	-	-
Adjustments to tax charge in respect of previous periods	(76)	46
Total tax credit for period	<u>(2,361)</u>	<u>(2,523)</u>

A reduction in the UK corporation rate from 20% to 19% from 1 April 2017 and then to 18% from 1 April 2020 was substantively enacted in October 2015. A future rate of 17% from April 2020 was announced in the spring budget but this has not yet been enacted.

**8 Investment in subsidiary undertakings**

	<b>At cost</b>	<b>Impairment</b>	<b>Net book value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2015	266,176	(13,041)	253,135
Additions	66,783	-	66,783
At 31 December 2015	<u>332,959</u>	<u>(13,041)</u>	<u>319,918</u>

The investments are not listed and are held at cost less impairment as fair value cannot be reliably determined.

The additional investments in the year represents an increase in the investment in Inter Terminals Limited.

Inter Pipeline Europe Limited holds all the issued share capital, which are ordinary shares, either directly or indirectly, in the following unlisted subsidiaries at 31 December 2015:

**Inter Pipeline Europe Limited**  
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**8 Investment in subsidiary undertakings (continued)**

Inter Terminals Limited (formerly Simon Storage Limited)*	England & Wales	Holding company, engineering project management and automation services
Simon Management Limited	England & Wales	Dormant
Inter Terminals Riverside Limited (formerly Simon Riverside Limited)	England & Wales	Storage of bulk liquids and gases
Inter Terminals Seal Sands Limited (formerly Seal Sands Storage Limited)	England & Wales	Storage of bulk liquids and gases
Simon Storage Limited (formerly Simon Intermodal Limited)	England & Wales	Dormant
Chemicals and Oil Storage Management Limited	England & Wales	Holding company
Inter Terminals Tyneside (formerly Velva Liquids (North Shields) Limited)	England & Wales	Storage of bulk liquids and gases
Inter Terminals Immingham Limited (formerly Immingham Storage Company Limited)	England & Wales	Storage of bulk liquids and gases
Inter Terminals Denmark Limited (formerly Inter Terminals Limited)*	England & Wales	Holding company
Inter Terminals Shannon Limited (formerly Irish Bulk Liquid Storage Limited)	Republic of Ireland	Storage of bulk liquids and gases
Irish Bulk Liquid Transport Limited	Republic of Ireland	Dormant
Inter Terminals Germany GmbH (formerly Simon Storage Deutschland GmbH)	Germany	Holding company
Inter Terminals Mannheim GmbH (formerly Simon Tanklager-Gesellschaft mbH)	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

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

**9 Debtors**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	33,839	13,617
Group relief receivable	1,142	1,287
Other debtors	22	20
	<u>35,003</u>	<u>14,924</u>

**10 Creditors: amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	13,771	-
Trade creditors	89	14
Amounts owed to group undertakings	359	649
Accruals and deferred income	46	194
	<u>14,265</u>	<u>857</u>

**Inter Pipeline Europe Limited**  
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**11 Creditors: amounts falling due after one year**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Eurobond loan	145,796	152,794
	<u>145,796</u>	<u>152,794</u>
Analysis of debt:		
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Within one year or on demand	-	-
Between one and two years	-	-
Between two and five years	145,800	-
After five years	-	152,800
Less arrangement fee to amortise	(4)	(6)
	<u>145,796</u>	<u>152,794</u>

The Eurobond loan is with Inter Pipeline Ltd. and is listed on the Channel Islands stock exchange, with interest being paid on a quarterly basis at a rate of 8%. The entire loan is repayable within 5 years, with the final redemption date being 1 February 2020. It is denominated in sterling and was issued and is repayable at par. The loan is extendable to a maximum value of £500 million. In accordance with FRS 102, issue costs in 2010 of £11,000 have been capitalised and are being written off to the profit and loss account over the period of maturity of the loans to which they relate. The charge in 2015 was £2,000.

<b>12 Issued share capital</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>	<b>£000</b>	<b>£000</b>
<i>Allotted, called up and fully paid:</i>				
Ordinary shares (nominal value £1 each)	198,839,429	132,056,441	198,839	132,056
In 2015, 66,782,988 ordinary £1 shares were allotted, called up and fully paid.				

**13 Financial instruments**

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Financial assets that are debt instruments measured at amortised cost:		
Other debtors	35,003	14,924
Financial liabilities measured at amortised cost:		
Bank overdraft	13,771	-
Loans	145,796	152,794
Trade creditors	89	14

The Company takes a proactive approach to managing key risks, to minimise volatility. The Company has been funded mainly through a fixed rate Eurobond loan which was established to finance the acquisition of Inter Terminals Limited (formerly Simon Storage Limited) and Inter Terminals Denmark Partnership I/S, and to fund development capital projects.

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**14 Post balance sheet events**

On 24 November 2015 the Company declared a dividend of £20m which was paid on 16 December 2015. Subsequent to the balance sheet date, the directors have identified that the Company did not have sufficient distributable reserves from which to pay this dividend. The parent company was notified and the payment has been reclassified as a short term inter-company debt to the parent company in these financial statements.

On 16 May 2016, the Company received dividends from its subsidiary companies of £30m. This provided the Company with sufficient distributable reserves from which to declare and pay an interim dividend of £20m on 25 May 2016.

**15 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 Ltd., and all of its subsidiary undertakings are wholly owned.

**16 Parent undertaking and ultimate controlling party**

The immediate parent undertaking and controlling party of the Company is 1182760 Alberta Ltd, registered in Canada. The ultimate parent undertaking and controlling party of the company is Inter Pipeline Ltd., registered in Canada.

The ultimate parent undertaking and 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. Additional information, including the group financial statements of Inter Pipeline Ltd. is available on SEDAR at [www.sedar.com](http://www.sedar.com).