BP PIPELINES (TANAP) LIMITED

(Registered No.08812651)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: J Freeman
R G Jones

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT

Results

The loss for the year after taxation was $5,103,000 which, when deducted from the retained profit brought forward at 1 January 2018 of $6,998,000, gives a total accumulated profit carried forward at 31 December 2018 of $1,895,000.

Principal activities and review of the business

BP Pipelines (TANAP) Limited ("the company") was formed on 12 December 2013. In 2015, the company purchased 12% of shares in TANAP Doğalgaz İletim A.Ş. ("TANAP"), which was established for the construction and operation of the Trans Anatolian Pipeline ("TANAP Pipeline"), which will be a central part of the Southern Gas Corridor ("SGC"). SGC will connect the Shah Deniz gas field in Azerbaijan to Europe through the expanded South Caucasus Pipeline ("SCPX"), TANAP Pipeline and the Trans Adriatic Pipeline ("TAP Pipeline"). SCPX will export gas from Sangachal terminal near Baku, Azerbaijan, through Azerbaijan and Georgia to the Georgia-Turkey border. TANAP Pipeline will connect with SCPX at the Georgia-Turkey border and will have two take-off points to deliver gas to BOTAŞ Petroleum Pipeline Corporation ("BOTAŞ"), the state owned company in Turkey. TAP Pipeline will continue from Turkey-Greece border through Greece and Albania and will end in Italy.

The TANAP Pipeline is approximately 1,800 km long with the designed capacity of 16 billion cubic metres of natural gas per year. TANAP Pipeline is at finalisation of construction stage. The phase 0, gas delivery to BOTAŞ from Eskişehir was completed and activated on 30 June 2018 and phase 1 of the project, gas delivery to Europe from Greece Border, is anticipated to be completed in 2019. The project will be operational for a period of 49 years from the effective date of the Host Government Agreement. The pipeline is expected to cost about $6.5 billion.

The construction of the TANAP Pipeline continued during 2018 with investment costs of $6.4 billion (2017: $5.4 billion) incurred from the beginning of the construction. In 2015, TANAP entered into long-term loan agreements with shareholders, under which the shareholders should make available to TANAP a loan at the ratio of 50% of total project investment costs. Contribution to loan from each of the shareholders is based on its equity share in TANAP. Remaining project funding will be achieved via shareholder equity investment.

The key financial and other performance indicators during the year were as follows:

	2018	2017	Variance
	$000	$000	%
Operating loss	(14,592)	(93)	15,590
(Loss) / profit for the ye	(5,103)	4,272	(219)
Total equity	358,357	340,841	5

Principal activities and review of the business (continued)

During the year, the company reported a share of associate's loss of $14,554,000 (2017 share of associate's loss of $53,000) which resulted in an operating loss. The company also reported higher interest expenses on loans from group undertakings in 2018 of $17,667,000 (2017 $11,378,000), which was offset by the increase in interest income from loans to associate of $27,508,000 (2017 $18,124,000). This contributed to the overall loss for the year.

During the year, the company issued 22,618,740 ordinary shares of $1 each for a total nominal value of $22,618,740 to the parent company at par value for funding the additional equity.

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the BP group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Strategic and commercial risks

Geopolitical
The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

The impact of the UK's exit from the EU
Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies. BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in January 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures.

Liquidity, financial capacity and financial, including credit, exposure
Failure to work within the group's financial framework could impact the company's ability to operate and result in financial loss.

Crisis management and business continuity
Potential disruption to the company's business and operations could occur if it does not address an incident effectively.

Insurance
The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Compliance and control risks

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance.

Ethical misconduct and non-compliance
Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Compliance and control risks (continued)

Reporting

Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; and liquidity risk. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Authorized for issue by Order of the Board

DocuSigned by:
CThomas
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For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 17, 2019 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP PIPELINES (TANAP) LIMITED

Directors

The present directors are listed on page 1.

J Freeman and R G Jones served as directors throughout the financial year. Changes since 1 January 2018 are as follows:

	Appointed	Resigned
B M Puffer	—	6 February 2018

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2017 $Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Post balance sheet events

After the balance sheet date the company subscribed for in aggregate 168,000,000 ordinary shares of Turkish Lira 1 each in TANAP Doğalgaz İletim A.Ş. for cash consideration of $24,360,000. In addition, the company received loans from BP International Limited for an aggregate amount of $24,360,000 and made loan contributions in TANAP Doğalgaz İletim A.Ş. for an aggregate amount of $24,360,000.

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved.

It is the intention of the directors that the business of the company will continue for the foreseeable future.

DIRECTORS' REPORT

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Authorized for issue by Order of the Board

DocuSigned by:
CThomas
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For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 17, 2019 2019

Registered Office:

Chertsey Road
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Middlesex
TW16 7BP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP PIPELINES (TANAP) LIMITED

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the profit or loss 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 financial statements 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.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP PIPELINES (TANAP) LIMITED

Opinion

In our opinion the financial statements of BP Pipelines (TANAP) Limited ("the company"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 authorized for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

DocuSigned by:
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William Brooks FCA
for and on behalf of Deloitte LLP, Statutory Auditor
London, UK
September 18, 2019 2019

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

BP PIPELINES (TANAP) LIMITED

	Note	2018 $000	2017 $000
Earnings from associates - after interest and tax	**8**	(14,554)	(53)
Administrative expenses		(38)	(40)
Operating loss		(14,592)	(93)
Interest receivable and similar income	**4**	27,554	18,124
Interest payable and similar expenses	**5**	(18,065)	(13,759)
(Loss) / profit before taxation		(5,103)	4,272
Tax on profit	**6**	—	—
(Loss) / profit for the year		(5,103)	4,272

The loss of $5,103,000 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

There is no comprehensive income attributable to the shareholders of the company other than the loss for the year.

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BALANCE SHEET

AS AT 31 DECEMBER 2018

BP PIPELINES (TANAP) LIMITED

(Registered No.08812651)

	Note	2018 $000	2017 $000
Fixed assets			
Investments	**8**	718,881	616,587
Current assets			
Debtors: amounts falling due within one year	**9**	—	18,245
Creditors: amounts falling due within one year	**10**	(21,983)	(120)
Net current (liabilities) / assets		(21,983)	18,125
TOTAL ASSETS LESS CURRENT LIABILITIES		696,898	634,712
Creditors: amounts falling due after more than one year	**10**	(338,541)	(293,871)
NET ASSETS		358,357	340,841
Capital and reserves			
Called up share capital	**12**	356,462	333,843
Profit and loss account	**13**	1,895	6,998
TOTAL EQUITY		358,357	340,841

Authorized for issue on behalf of the Board

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Jaqui Freeman

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J Freeman

Director

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September 17, 2019

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

BP PIPELINES (TANAP) LIMITED

	Called up share capital (Note 12)	Profit and loss account (Note 13)	Total
	$000	$000	$000
Balance at 1 January 2017	195,352	2,726	198,078
Profit for the year, representing total comprehensive income	—	4,272	4,272
Issue of share capital	138,491	—	138,491
Balance at 31 December 2017	333,843	6,998	340,841
Loss for the year, representing total comprehensive income	—	(5,103)	(5,103)
Issue of share capital	22,619	—	22,619
Balance at 31 December 2018	356,462	1,895	358,357

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1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Pipelines (TANAP) Limited for the year ended 31 December 2018 were approved by the board of directors on 17 September 2019 and the balance sheet was signed on the board's behalf by J Freeman. BP Pipelines (TANAP) Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 08812651). The company's registered office is at Chertesey Road, Sunbury on Themes, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention, modified to include the equity method of accounting for associates. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- (e) the requirements of IAS 7 Statement of Cash Flows
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 16.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Significant judgements and estimates: impairment of investments
Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

For value in use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is based upon the cost of funding the group derived from an established model, adjusted to a pre-tax basis. Fair value less costs of disposal calculations use the post-tax discount rate. The discount rates applied in impairment tests are reassessed each year.

In cases where fair value less costs to sell is used to determine the recoverable amount of an asset, where recent market transactions for the asset are not available for reference, accounting judgements are made about the assumptions market participants would use when pricing the asset. Fair value less costs to sell may be determined based on similar recent market transaction data or using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs to sell, the discount rate used is based upon the cost of funding the group derived from an established model.

Significant accounting policies

Going concern

At 31 December 2018 the company's balance sheet had net current liabilities amounting to $21,983,000 due to IFA overdraft.

The directors consider it appropriate to prepare the financial statements on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for at least the next 12 months from the date these financial statements were approved.

Foreign currency

The functional and presentation currency of the financial statements is US dollars. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange on the balance sheet date. Any resulting exchange differences are included in the profit and loss account, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Investments

Investments in associates are accounted for using the equity method. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

Interests in associates
An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Equity method of accounting

Under the equity method, an investment is carried on the balance sheet at cost plus post-acquisition changes in the company's share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the company balance sheet. The profit and loss account reflects the company's share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortization and any impairment of the equity-accounted entity's assets based on their fair values at the date of acquisition. The statement of comprehensive income includes the company's share of the equity-accounted entity's other comprehensive income. The company's share of amounts recognized directly in equity by an equity-accounted entity is recognized directly in the statement of changes in equity.

The distribution to shareholders of profit attributable to an equity-accounted entity is limited by the Companies Act 2006, to the amount of any dividends receivable or received from the equity-accounted entity.

Financial statements of equity-accounted entities are prepared for the same reporting year as the company. Where material differences arise in the accounting policies used by the equity-accounted entity and those used by the company, adjustments are made to those financial statements to bring the accounting policies used into line with those of the company.

Unrealized gains on transactions between the company and its equity-accounted entities are eliminated to the extent of the company's interest in the equity accounted entity.

The company assesses investments in equity-accounted entities for impairment whenever there is objective evidence that the investment is impaired. If any such objective evidence of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The company ceases to use the equity method of accounting from the date on which it no longer has joint control over the joint venture or significant influence over the associate, or when the interest becomes classified as an asset held for sale.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into.

From 1 January 2018, the company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

The company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the company is exposed to credit risk. Since this is typically less than 12 months, there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost
Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortized cost. This category of financial liabilities includes trade and other payables and finance debt.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Offsetting of financial assets and liabilities (continued)

The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Taxation

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

Interest income

Interest income is recognized as the interest accrues.

Finance costs

All finance costs are recognized in the profit and loss account in the period in which they are incurred.

Impact of new International Financial Reporting Standards

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

The adoption of IFRS 9 and IFRS 15 have had no material impact on the company's financial statements.

3. Auditor's remuneration

	2018	2017
	$000	$000
Fees for the audit of the company	24	38

Fees paid to the company's auditor, Deloitte LLP (2017 Ernst & Young LLP), and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Pipelines (TANAP) Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

DTT

4. Interest receivable and similar income

	2018	2017
	$000	$000
Interest income from amounts owed by group undertakings	46	—
Interest income from loans to associate	27,508	18,124
Total interest receivable and similar income	27,554	18,124

5. Interest payable and similar expenses

	2018	2017
	$000	$000
Interest expense on:		
Overdrafts from group undertakings	398	2,381
Loans from group undertakings	17,667	11,378
	18,065	13,759

6. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	$000	$000
(Loss) / profit before tax	(5,103)	4,272
Tax charge / (credit)	—	—
Effective tax rate	—%	—%

	2018	2017
	%	%
UK corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Non-deductible expenditure / (non-taxable income)	(54)	0.24
Free group relief	35	(19.49)
Effective tax rate	—	—

Change in corporation tax rate
The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020.

7. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2017 $Nil).

(b) Employee costs

The company had no employees during the year (2017 None).

DTT

8. Investments

	Investment in associates	Loans to associates	Total
Cost	$000	$000	$000
At 1 January 2017	195,568	204,468	400,036
Loan contributions in associate	—	99,240	99,240
Loan interest in associate	—	18,124	18,124
Equity contributions in associate	99,240	—	99,240
Share of associate's loss	(53)	—	(53)
At 31 December 2017	294,755	321,832	616,587
At 1 January 2018	294,755	321,832	616,587
Loan contributions in associate	—	44,670	44,670
Loan interest in associate	—	27,508	27,508
Equity contributions in associate	44,670	—	44,670
Share of associate's loss	(14,554)	—	(14,554)
At 31 December 2018	324,871	394,010	718,881
Net book amount			
At 31 December 2018	324,871	394,010	718,881
At 31 December 2017	294,755	321,832	616,587

The investments in associates are presented under the equity accounting method. Additions and disposals represent amounts paid or received for associate investments during the period.

The investments in the associated undertakings are unlisted.

The associate undertaking of the company at 31 December 2018 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

All voting rights are equal to percentage of share capital owned unless otherwise noted below.

Associated undertakings

Company name	Class of share held	%	Registered address	Principal activity
TANAP Doğalgaz İletim A.Ş.	Ordinary	12	Kızılırmak Mahallesi, Ufuk Üniversitesi Caddesi Farilya Business Center, No. 8, Çukurambar Çankaya, Ankara, Turkey.	Natural gas transportation

Despite the fact that the company has only 12% of ownership in TANAP, the directors believe that the company has significant influence over TANAP's activities. The company participates in policy setting and decision making through having one representative at the TANAP Board of Directors and also has a permanent member in each of the four Committees (Technical, Contract, Finance and Audit Committees).

DTT

8. Investments (continued)

The following table provides aggregated summarized financial information for the company's associates as it relates to the amounts recognized in the profit and loss account and on the balance sheet.

	Profit and loss account Earnings from associates - after interest and tax		Balance sheet Investments in associates	
	2018	2017	2018	2017
	$000	$000	$000	$000
TANAP Doğalgaz Iletim A.Ş.	(14,554)	(53)	718,881	616,587

The following table provides summarized financial information relating to TANAP Doğalgaz İletim A.Ş..

	2018	2017
	$000	$000
	Gross	Gross
Sales	71,610	—
Cost of sales	(51,656)	—
Gross profit	19,954	—
General administrative expense	(13,482)	—
Other operating income	154	323
Other operating expense	(2,175)	(2,044)
Operating profit / (loss)	4,451	(1,721)
Financial (expenses) / income	(84,953)	1,275
Loss before taxation	(80,502)	(446)
Taxation	(5,392)	—
Net loss for the year	(85,894)	(446)
Non-current assets	6,392,007	5,419,380
Current assets	55,447	98,007
Total assets	6,447,454	5,517,387
Current liabilities	(395,672)	(351,746)
Non-current liabilities	(3,312,415)	(2,712,630)
Total liabilities	(3,708,087)	(3,064,376)
Net assets	2,739,367	2,453,011
Add: Loan from shareholders	3,283,392	2,681,908
	6,022,759	5,134,919

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8. Investments (continued)

Summarized financial information relating to the company's share of TANAP Doğalgaz İletim A.Ş.'s profit and loss and balance sheet is shown below.

	2018 $000 BP share	2017 $000 BP share
Sales	8,593	—
Cost of sales	(6,199)	—
Gross profit	2,394	—
General administrative expense	(1,618)	—
Other operating income	19	39
Other operating expense	(261)	(245)
Operating profit / (loss)	534	(206)
Financial (expense) / income	(10,194)	153
Loss before taxation	(9,660)	(53)
Taxation	(647)	—
Net loss for the year	(10,307)	(53)
Non-current assets	767,041	650,326
Current assets	6,654	11,761
Total assets	773,695	662,087
Current liabilities	(47,481)	(42,210)
Non-current liabilities	(397,490)	(325,516)
Total liabilities	(444,971)	(367,726)
Net assets	328,724	294,361
Add: Loan from shareholders	394,007	321,829
Accounting Policy adjustments	(4,247)	—
Other adjustments*	397	397
	718,881	616,587

*Impact of historical interest on equity paid at initial acquisition and pre-acquisition retained earnings portion.

9. Debtors

Amounts falling due within one year:

	2018 $000	2017 $000
Amounts owed from parent undertakings	—	18,243
Other debtors	—	2
	—	18,245

DTT

10. Creditors

Amounts falling due within one year:

	2018	2017
	$000	$000
Amounts owed to parent undertakings	21,983	120

The amount of $21,983,000 comprises from $21,927,000 of IFA overdraft, which is in line with company's normal operation, and $56,000 of the loan interest payable to BP International Limited. The interest due is currently paid on a quarterly basis.

Amounts falling due after one year:

	2018	2017
	$000	$000
Loans from group undertakings (Note 11)	338,541	293,871
Total creditors	360,524	293,991

11. Loans

Loans repayable, included within creditors, are analysed as follows:

After 5 years

	2018	2017
	$000	$000
Repayable by instalments	338,541	293,871

Interest rates on borrowings repayable partly more than five years from 31 December 2018 are defined as LIBOR plus 3.21% (2017 3.21%). As per loan agreement between the company (the borrower) and BP International Limited (the lender), the total facility value is $1 billion with availability and repayment period until 31 December 2036. However, as may be agreed between parties prepayment is allowed as well.

12. Called up share capital

	2018	2017
	$000	$000
Issued and fully paid:		
356,461,800 (2017 333,843,060) ordinary shares of $1 each for a total nominal value of $356,461,800 (2017 $333,843,060)	356,462	333,843

On 20 November 2018, 22,618,740 ordinary shares of $1 each for a total nominal value of $22,618,740, were allotted to the parent company at par value.

13. Reserves

Called up share capital
The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Profit and loss account
The balance held on this reserve is the accumulated losses of the company.

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14. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. There were no other related party transactions in the year. There were no other related party transactions in the year apart from equity and loans to associate as disclosed in Note 8.

15. Post balance sheet events

After the balance sheet date the company subscribed for in aggregate 168,000,000 ordinary shares of Turkish Lira 1 each in TANAP Doğalgaz İletim A.Ş. for cash consideration of $24,360,000. In addition, the company received loans from BP International Limited for an aggregate amount of $24,360,000 and made loan contributions in TANAP Doğalgaz İletim A.Ş. for an aggregate amount of $24,360,000.

16. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: St James's Square, London, SW1Y 4PD.

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BP PIPELINES (SCP) LIMITED
(Registered No.04446121)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: J Freeman
R G Jones

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT

Results

The profit for the year after taxation was $71,583,000 which, when added to the retained profit brought forward at 1 January 2018 of $254,694,000, gives a total retained profit carried forward at 31 December 2018 of $326,277,000.

Principal activities and review of the business

The company holds an investment of 28.83% of the total shares in South Caucasus Pipeline Company Limited ("SCPC"), an associate which owns the South Caucasus Pipeline. It is a 42 inch diameter pipeline of 691 kilometres long (443 kilometres in Azerbaijan and 248 kilometres in Georgia). SCPC is engaged in the transportation of natural gas from the Shah Deniz offshore field in Azerbaijan through to Turkey.

The company is a party to two Host Government Agreements (the "HGAs"), one each for Azerbaijan and for Georgia.

The key financial and other performance indicators during the year were as follows:

	2018	2017	Variance
	$000	$000	%
Operating profit	71,765	56,386	27
Profit for the year	71,583	17,493	309
Total equity	1,496,277	1,424,694	5

	2018	2017	Variance
	%	%	%
Return on average capital employed*	3	4	(1)

**Return on average capital employed is defined as profit for the year after adding back interest, divided by average capital employed. Capital employed is defined as total equity plus gross debt, excluding goodwill and cash.

The increase in profit for the year is mainly due to increase in Tariff revenue caused by SD2 Gas additions plus decrease in interest expense and Tax expense.

Return on average capital employed is lower due to the increase in Profit.

Principal activities and review of the business (continued)

South Caucasus Pipeline (SCP) Expansion Project

On 11 December 2013, the SCPC's board of directors and shareholders made the final investment decision for the SCP Expansion and the SCPC shareholders approved a revised and restated Pipelines Owners Agreement ("POA") and amended and restated the Articles of Association ("AOA"). These agreements became effective upon Shah Deniz Early Development PSA ("SD EDPSA") contractor parties making the final investment decision for Shah Deniz Stage 2 on 17 December 2013.

According to the revised and restated POA, the SCP Expansion shall be executed by the SCPC and be funded by the existing partnership in the SCPC. The SCPC's shareholders will fund the SCP Expansion through the process of cash calls and the subsequent issue of Class B and Class C shares throughout the construction and initial operational phase.

Historic costs that were funded by the SD EDPSA contractor parties from 1 April 2012 (project entering Define stage) until the final investment decision became effective on 17 December 2013 shall be reimbursed by the SCPC to the SD EDPSA Contractor Parties within six months following the final investment decision for the SCP Expansion.

The SCP Expansion Statement of Requirements outlines the project's objective to expand the existing SCP pipeline system capacity from an existing capacity of 7 Bcma to 23 Bcma delivered to the border of Georgia and Turkey.

During 2018, SCPX acclivities continued successfully along the pipeline route across Azerbaijan and Georgia.

Over construction progress comprises 99.5% as of 31 December 2018. Construction of Georgian loop, Compressor Station "CSG1" and Pressure reduction and metering "Area 81" was completed (100% progression) by 30 June, 2018. Finalization of the construction in three SCPX elements was followed by the commencement of commercial gas deliver to Turkey, through new redelivery point, TANAP, which was launched during 2018 in order to support gas delivery from Shah Deniz 2 Project. The SCP Expansion should be understood as a phased physical expansion of the SCP current system and treated as integral part of the SCP. Project enjoying full protection under the applicable HGAs.

After the completion of the overall construction (100% progression), a new 48 inch diameter pipeline loop in parallel with the existing SCP pipeline will be launched through most of Azerbaijan and part of Georgia. The total length of the new SCPX pipeline will be approximately 489 kilometers including 2 kilometres interconnection with the Trans Anatolian Pipeline ("TANAP").

The SCP Expansion also requires additional facilities to be constructed at the Sangachal Terminal. The export compressing, metering and their utilities at the Sangachal terminal designed and constructed at Shah Deniz Stage 2 project on behalf of SCP Company and reimbursed subsequently by the latter. Overall construction of the Sangachal Terminal comprises 98.7% as of 31 December, 2018.

The construction of Azerbaijan loop and Compressor Station "CSG2" was completed on 19 March, 2019 and on 31 March, 2019 respectively.

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the BP group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Strategic and commercial risks

Prices and markets
The company's financial performance is subject to fluctuating prices of oil, gas and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook.

Major project delivery
Failure to invest in the best opportunities or deliver major projects successfully could adversely affect the company's financial performance.

Geopolitical
The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

The impact of the UK's exit from the EU
Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies.
BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in January 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures

Climate change and the transition to a lower carbon economy
Policy, legal, regulatory, technology and market change related to the issue of climate change could increase costs, reduce demand for our products, reduce revenue and limit growth opportunities.

Crisis management and business continuity
Potential disruption to the company's business and operations could occur if it does not address an incident effectively.

Insurance
The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Compliance and control risks

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance.

Ethical misconduct and non-compliance
Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Reporting
Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices and interest rates. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Authorized for issue by Order of the Board

DocuSigned by:
CThomas
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For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 17, 2019 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP PIPELINES (SCP) LIMITED

Directors

The present directors are listed on page 1.

J Freeman and R G Jones served directors throughout the financial year. Changes since 1 January 2018 are as follows:

	Appointed	Resigned
B M Puffer	—	6 February 2018

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2017 $Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

It is the intention of the directors that the business of the company will continue for the foreseeable future.

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Authorized for issue by Order of the Board

DocuSigned by:
CThomas
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For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 17, 2019 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP PIPELINES (SCP) LIMITED

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 the profit or loss 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 financial statements 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.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP PIPELINES (SCP) LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of BP Pipelines (SCP) Limited:
- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in 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 authorized for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

DocuSigned by:

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Will Brooks (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, UK
September 18, 2019 2019

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

BP PIPELINES (SCP) LIMITED

	Note	2018 $000	2017 $000
Earnings from associates - after interest and tax	7	68,429	53,588
Other operating expenses		1,077	(1,523)
Other operating income		2,259	4,321
Operating profit		71,765	56,386
Interest payable and similar charges	4	(182)	(38,893)
Profit before taxation		71,583	17,493
Tax on profit	5	—	—
Profit for the year		71,583	17,493

The profit of $71,583,000 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

There is no comprehensive income attributable to the shareholders of the company other than the profit for the year.

DTT

BALANCE SHEET

AS AT 31 DECEMBER 2018

BP PIPELINES (SCP) LIMITED

(Registered No.04446121)

	Note	2018 $000	2017 $000
Fixed assets			
Investments	7	1,501,638	1,412,004
Current assets			
Debtors: amounts falling due within one year	8	119	12,690
Creditors: amounts falling due within one year	9	(5,480)	—
Net current (liabilities) / assets		(5,361)	12,690
NET ASSETS		1,496,277	1,424,694
Capital and reserves			
Called up share capital	10	1,170,000	1,170,000
Profit and loss account	11	326,277	254,694
TOTAL EQUITY		1,496,277	1,424,694

Authorized for issue on behalf of the Board

DocuSigned by:

Jaqui Freeman

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J Freeman

Director

September 17, 2019 2019

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

BP PIPELINES (SCP) LIMITED

	Called up share capital (Note 10)	Profit and loss account (Note 11)	Total
	$000	$000	$000
Balance at 1 January 2017	20,000	237,201	257,201
Profit for the year, representing total comprehensive income	—	17,493	17,493
Issue of share capital	1,150,000	—	1,150,000
Balance at 31 December 2017	1,170,000	254,694	1,424,694
Profit for the year, representing total comprehensive income	—	71,583	71,583
Balance at 31 December 2018	1,170,000	326,277	1,496,277

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

BP PIPELINES (SCP) LIMITED

1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Pipelines (SCP) Limited for the year ended 31 December 2018 were approved by the board of directors on 9 September 2019 and the balance sheet was signed on the board's behalf by J Freeman. BP Pipelines (SCP) Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 04446121). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention, modified to include the equity method of accounting for associates. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures
(b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
(d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
(e) the requirements of IAS 7 Statement of Cash Flows
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 13.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Significant judgements and estimates: impairment of investments
Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

For value in use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is based upon the cost of funding the group derived from an established model, adjusted to a pre-tax basis. Fair value less costs of disposal calculations use the post-tax discount rate. The discount rates applied in impairment tests are reassessed each year.

In cases where fair value less costs to sell is used to determine the recoverable amount of an asset, where recent market transactions for the asset are not available for reference, accounting judgements are made about the assumptions market participants would use when pricing the asset. Fair value less costs to sell may be determined based on similar recent market transaction data or using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs to sell, the discount rate used is based upon the cost of funding the group derived from an established model.

Significant judgement: deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Details of deferred tax balances are provided in Note 5.

Significant accounting policies

Going concern

At 31 December 2018 the company's balance sheet had net current liabilities amounting to $5,361,000.

The directors consider it appropriate to prepare the financial statements on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for at least the next 12 months from the date these financial statements were approved.

Foreign currency

The functional and presentation currency of the financial statements is US dollars. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Investments

Investments in associates are accounted for using the equity method. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

Interests in associates
An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Equity method of accounting

Under the equity method, an investment is carried on the balance sheet at cost plus post-acquisition changes in the company's share of net assets of the entity, less distributions received and less any impairment in value of the investment. Loans advanced to equity-accounted entities that have the characteristics of equity financing are also included in the investment on the company balance sheet. The profit and loss account reflects the company's share of the results after tax of the equity-accounted entity, adjusted to account for depreciation, amortization and any impairment of the equity-accounted entity's assets based on their fair values at the date of acquisition. The statement of comprehensive income includes the company's share of the equity-accounted entity's other comprehensive income. The company's share of amounts recognized directly in equity by an equity-accounted entity is recognized directly in the statement of changes in equity.

The distribution to shareholders of profit attributable to an equity-accounted entity is limited by the Companies Act 2006, to the amount of any dividends receivable or received from the equity-accounted entity.

Financial statements of equity-accounted entities are prepared for the same reporting year as the company. Where material differences arise in the accounting policies used by the equity-accounted entity and those used by the company, adjustments are made to those financial statements to bring the accounting policies used into line with those of the company.

Unrealized gains on transactions between the company and its equity-accounted entities are eliminated to the extent of the company's interest in the equity accounted entity.

The company assesses investments in equity-accounted entities for impairment whenever there is objective evidence that the investment is impaired. If any such objective evidence of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs of disposal and value in use. If the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The company ceases to use the equity method of accounting from the date on which it no longer has joint control over the joint venture or significant influence over the associate, or when the interest becomes classified as an asset held for sale.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into.

From 1 January 2018, the company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

The company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the company is exposed to credit risk. Since this is typically less than 12 months, there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the company has no reasonable expectation of recovering amounts due.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost
Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortized cost. This category of financial liabilities includes trade and other payables and finance debt.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Taxation

Income tax expense represents the sum of current tax and deferred tax.

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises on the initial recognition of goodwill.
- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable or increased to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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2. Significant accounting policies, judgements, estimates and assumptions (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

Finance costs

All finance costs are recognized in the profit and loss account in the period in which they are incurred.

Impact of new International Financial Reporting Standards

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

The adoption of IFRS 9 has had no material impact on the company's financial statements.

3. Auditor's remuneration

	2018	2017
	$000	$000
Fees for the audit of the company	21	33

Fees paid to the company's auditor, Deloitte LLP (2017 Ernst & Young LLP), and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Pipelines (SCP) Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

4. Interest payable and similar expenses

	2018	2017
	$000	$000
Interest expense on loans from group undertakings	182	38,893

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5. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	$000	$000
Profit before taxation	71,873	17,493
Tax charge / (credit)	—	—
Effective tax rate	—%	—%

	2018	2017
	%	%
UK corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Non-taxable income	—	(58.60)
Transfer pricing adjustment	—	0.05
Free group relief	—	7.20
Movements in unrecognised deferred tax	—	32.10
Effective tax rate	—	—

Change in corporation tax rate
The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2018.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to tax losses of $4,227,000 (2017 $4,227,000) and on other deductible temporary differences of $29,170,000 (2017 29,170,000) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

6. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2017 $Nil).

(b) Employee costs

The company had no employees during the year (2017 None).

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7. Investments

	Investment in associates
Cost	$000
At 1 January 2017	1,196,495
Equity contributions in associate	162,255
Share of associate's profit	53,588
Self-insurance receipts and dividends	(334)
At 31 December 2017	1,412,004
At 1 January 2017	1,412,004
Equity contributions in associate	26,783
Share of associate's profit	68,429
Self-insurance receipts and dividends	(5,578)
At 31 December 2018	1,501,638
Net book amount	
At 31 December 2018	1,501,638
At 31 December 2017	1,412,004

The investments in associates are presented under the equity accounting method. Additions and disposals represent amounts paid or received for associate investments during the period.

The investments in the associated undertakings are unlisted.

The associated undertakings of the company at 31 December 2018 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

All voting rights are equal to percentage of share capital owned unless otherwise noted below.

Associated undertakings

Company name	Class of share held	%	Registered address	Principal activity
South Caucasus Pipeline Company Limited	Ordinary shares	28.25	Maples & Calder P.O. Box 309, Ugland House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands.	Natural gas transportation
South Caucasus Pipeline Holding Company Limited	Ordinary shares	28.83	Maples & Calder P.O. Box 309, Ugland House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands.	Holding company

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7. Investments (continued)

Significant holdings in undertakings other than subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006, disclosed below is a full list of related undertakings in which the company holds an interest of 20% or greater not already disclosed above.

Related undertaking	Holding %	Registered address	Direct / indirect
South Caucasus Pipeline Option Gas Company Limited	28.83	Maples & Calder P.O. Box 309, Ugland House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands.	Indirect
South Caucasus Pipeline Company Limited	0.58	Maples & Calder P.O. Box 309, Ugland House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands.	Indirect

The following table provides aggregated summarized financial information for the company's associates as it relates to the amounts recognized in the profit and loss account and on the balance sheet.

	Profit and loss accounts Earnings from associates - after interest and tax		Balance sheet Investments in associates	
	2018	2017	2018	2017
	$000	$000	$000	$000
South Caucasus Pipeline Company Limited	68,429	53,588	1,501,638	1,412,004

The following table provides summarised financial information relating to South Caucasus Pipeline Company Limited.

	2018	2017
	$000	$000
	Gross	Gross
Revenue	423,097	350,365
Operating expenses	(122,276)	(82,320)
US GAAP to IFRS adjustments*	(18,137)	(20,618)
Income taxes	(45,231)	(61,552)
Net income	237,453	185,875
Non-current assets	5,247,782	4,970,011
Current assets	134,228	124,591
Total assets	5,382,010	5,094,602
Current liabilities	(126,743)	(175,812)
Non-current liabilities	(240,776)	(228,588)
Total liabilities	(367,519)	(404,400)
US GAAP to IFRS adjustments*	194,104	207,491
Net assets	5,208,595	4,897,693

*Adjustments are due to accounting policy and other differences that are mainly related to depreciation, decommissioning, one-off gain on additional share purchase in 2014, capital expenditure and operating expenditure treatment of some project costs and BP self-insurance receipts.

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7. Investments (continued)

Summarised financial information relating to the company's share of South Caucasus Pipeline Company Limited's profit and loss and balance sheet is shown below.

	2018	2017
	$000	$000
	BP share	BP share
Revenue	121,979	101,010
Operating expenses	(35,252)	(23,733)
US GAAP to IFRS adjustments*	(5,230)	(5,944)
Income taxes	(13,040)	(17,745)
Net income	68,457	53,588
Non-current assets	1,512,935	1,432,854
Current assets	38,698	35,920
Total assets	1,551,633	1,468,774
Current liabilities	(36,540)	(50,687)
Non-current liabilities	(69,416)	(65,902)
Total liabilities	(105,956)	(116,589)
US GAAP to IFRS adjustments*	55,961	59,819
Net assets	1,501,638	1,412,004

*Adjustments are due to accounting policy and other differences that are mainly related to depreciation, decommissioning, one-off gain on additional share purchase in 2014, capital expenditure and operating expenditure treatment of some project costs and BP self-insurance receipts.

8. Debtors

Amounts falling due within one year:

	2018	2017
	$000	$000
Amounts owed from fellow subsidiaries	—	12,124
Other debtors	—	324
Prepayments and accrued income	119	242
	119	12,690

9. Creditors

Amounts falling due within one year:

	2018	2017
	$000	$000
Amounts owed to fellow subsidiaries	5,480	—

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10. Called up share capital

	2018	2017
	$000	$000
Issued and fully paid:		
10,137,362 ordinary shares of £1 each for a total nominal value of £10,137,362	20,000	20,000
1,150,000,000 ordinary shares of $1 each for a total nominal value of $1,150,000,000	1,150,000	1,150,000
	1,170,000	1,170,000

11. Reserves

Called up share capital
The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Profit and loss account
The balance held on this reserve is the retained profits of the company.

12. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. There were no other related party transactions in the year.

13. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Global Investments Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.

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