

BP PIPELINES (TANAP) LIMITED

(Registered No.08812651)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Board of Directors: J Freeman
R G Jones
T L Juliussen

The directors present their report and the audited financial statements for the year ended 31 December 2021.

In accordance with section 414B (b) of the Companies Act 2006, the directors are taking advantage of the small companies exemption to not prepare a strategic report.



BP PIPELINES (TANAP) LIMITED**Directors**

The present directors are listed on page 1.

J Freeman, R G Jones and E P Skinner-Reid served as directors throughout the financial year. Changes since 1 January 2021 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
T L Juliussen	14 January 2022	—
E P Skinner-Reid	—	14 January 2022

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 (2020 \$0). The directors do not propose the payment of a dividend.

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp Group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp Group to support the company has also been taken into consideration. The most recent bp Group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp Group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp Group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp Group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified.

Although the company has an Internal Financing account agreement (IFA) with BP International Limited for banking transactions, group funding has not been required for the company's activity since September 2019 as the company's investee's (TANAP) operations, are forecast to be financed by the TANAP's revenue generated from transportation of gas.

In assessing the prospects of BP Pipelines (TANAP) Limited, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

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, the directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 28 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Liquidity, financial capacity and financial, including credit, exposure

Failure to work within the financial framework set by the bp group could impact the company's ability to operate and result in financial loss.

Auditors

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

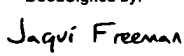
Directors' statement as to the disclosure of information to the auditor

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.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Authorized for issue on behalf of the Board

DocuSigned by:

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J Freeman
Director

09 August 2022

Registered Office:

Chertsey Road
Sunbury on Thames
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 Annual 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. Details of the directors' assessment of going concern are provided in the directors' report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP PIPELINES (TANAP) LIMITED

Report on the audit of the financial statements

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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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:

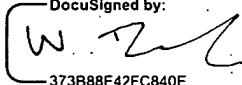
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

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 Senior statutory auditor
for and on behalf of Deloitte LLP, Statutory Auditor
London, United Kingdom

09 August 2022

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2021****BP PIPELINES (TANAP) LIMITED**

		<u>2021</u>	<u>2020</u>
	Note	\$000	\$000
Administrative expenses		<u>(7)</u>	<u>(21)</u>
Operating loss		(7)	(21)
Interest receivable and similar income	4	387	9,096
Interest payable and similar expenses	5	<u>—</u>	<u>(8,805)</u>
Profit before taxation		380	270
Tax on profit	6	<u>—</u>	<u>—</u>
Profit for the year		<u>380</u>	<u>270</u>

The profit of \$380 thousand for the year ended 31 December 2021 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

BALANCE SHEET**AS AT 31 DECEMBER 2021****BP PIPELINES (TANAP) LIMITED****(Registered No.08812651)**

		2021	2020
	Note	\$000	\$000
Fixed assets			
Investments	8	370,374	370,002
Current assets			
Debtors: amounts falling due within one year	9	22,109	22,101
NET ASSETS		<u>392,483</u>	<u>392,103</u>
Capital and reserves			
Called up share capital	10	363,622	363,622
Profit and loss account	11	28,861	28,481
TOTAL EQUITY		<u>392,483</u>	<u>392,103</u>

Authorized for issue on behalf of the Board

DocuSigned by:

Jacqui Freeman

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J Freeman

Director

09 August 2022

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2021****BP PIPELINES (TANAP) LIMITED**

	Called up share capital (Note 10)	Profit and loss account (Note 11)	Total
	\$000	\$000	\$000
Balance at 1 January 2020	363,622	28,211	391,833
Profit for the year, representing total comprehensive income	—	270	270
Balance at 31 December 2020	363,622	28,481	392,103
Profit for the year, representing total comprehensive income	—	380	380
Balance at 31 December 2021	363,622	28,861	392,483

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****BP PIPELINES (TANAP) LIMITED****1. Authorization 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 2021 were approved by the board of directors on 09/08/2022 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 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.

Principal activity

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 is a central part of the Southern Gas Corridor ("SGC"). SGC connects 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 exports gas from Sangachal terminal near Baku, Azerbaijan, through Azerbaijan and Georgia to the Georgia-Turkey border. TANAP Pipeline connects with SCPX at the Georgia-Turkey border and have two take-off points to deliver gas to BOTAS Petroleum Pipeline Corporation ("BOTAS"), the state owned company in Turkey. TAP Pipeline continues from Turkey-Greece border through Greece and Albania and ends in Italy.

The TANAP Pipeline is 1,811 km long with the designed capacity of 16 billion cubic meters of natural gas per year. The TANAP Pipeline cost was about \$6 billion. The project was financed by shareholders via equal amounts of equity and loan contributions to TANAP. The TANAP ceased to utilize financing from its shareholders from September 2019, as TANAP's operations are forecast to be financed by the TANAP's revenue generated from transportation of gas.

The project consisted of 2 phases, phase 0 and phase 1. The phase 0, gas delivery to BOTAS from Eskisehir was completed and activated on 30 June 2018. Technical completion of the TANAP Pipeline was achieved on 30 November 2019. The phase 1 of the project, gas delivery and gas transit to Europe from Greece Border, was achieved on 1 July 2020 and 31 December 2020 accordingly. The project will be operational for a period of 49 years from the effective date of the Host Government Agreement.

The company's future income stream from TANAP is very secure given the 100% ship or pay tariff payment commitment of the shippers.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation (continued)

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006. 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 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;
- (b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) 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;
- (e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (f) 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;
- (g) 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;
- (h) the requirements of IFRS 7 Financial Instruments: Disclosures; and
- (i) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement.

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.

Significant 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 accounting judgements and estimates that 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.

Judgements and estimates made in assessing impairment

For year ended 31 December 2021 an impairment test has been performed using value-in-use methodology for estimation of future dividends cash flows from TANAP for the purposes of the wider BP Plc Group reporting. However, no impairment indicators were identified for the purposes of preparing these financial statements. Future cash flows have been discounted based on bp's cost of equity post-tax discount rate of 6.0%.

Judgements and estimates made in assessing the impact of climate change and the energy transition

Climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the bp group consolidated financial statements. These issues are not expected to have significant impacts on the currently reported amounts of the company's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Significant accounting policies****Going concern**

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp Group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp Group to support the company has also been taken into consideration. The most recent bp Group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp Group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp Group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp Group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified.

Although the company has an Internal Financing account agreement (IFA) with BP International Limited for banking transactions, group funding has not been required for the company's activity since September 2019 as the company's investee's (TANAP) operations, are forecasted to be financed by the TANAP's revenue generated from transportation of gas.

In assessing the prospects of BP Pipelines (TANAP) Limited, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

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, the directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Significant accounting policies (continued)

Investments

Investments in associates are held at cost. 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.

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).

Impairment of investments

For year ended 31 December 2021 an impairment test has been performed using value-in-use methodology for estimation of future dividends cash flows from TANAP for the purposes of the wider BP Plc Group reporting. However, no impairment indicators were identified for the purposes of preparing these financial statements. Future cash flows have been discounted based on bp's cost of equity post-tax discount rate of 6.0%.

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.

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 rights to receive cash flows have been transferred to a third party along with either substantially all of the risks and rewards or control of the asset. This includes the derecognition of receivables for which discounting arrangements are entered into.

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.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Significant accounting policies (continued)****Financial assets (continued)*****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. As lifetime expected credit losses are recognized for trade receivables and the tenor of substantially all other in-scope financial assets is less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Significant accounting policies (continued)****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 within the carrying amount of the applicable tax asset or liability 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.

Updates to significant accounting policies**Impact of new International Financial Reporting Standards**

bp adopted amendments to IFRS 9 "financial instruments - Interest Rate Benchmark Reform (Phase II)", IFRS 16 "Leases" with effect from 1 January 2021. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company's financial statements.

The adoption of 'Interest Rate Benchmark Reform – Phase II' – Amendments to IFRS 9 'Financial instruments', IFRS 16 'Leases' has had no material impact on the company's financial statements.

3. Auditor's remuneration

	2021	2020
	\$000	\$000
Fees for the audit of the company	21	18

Fees paid to the company's auditor, Deloitte 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.

NOTES TO THE FINANCIAL STATEMENTS**4. Interest receivable and similar income**

	2021	2020
	\$000	\$000
Interest income from amounts owed by group undertakings	15	—
Interest income from loans to associate	372	9,096
Total interest receivable and similar income	<u>387</u>	<u>9,096</u>

5. Interest payable and similar expenses

	2021	2020
	\$000	\$000
Interest expense on:		
Loans from group undertakings	—	5,475
TANAP financing	—	3,126
Overdrafts from group undertakings	—	204
	<u>—</u>	<u>8,805</u>

In 2020, the company repaid the full amount of loan owed to BP International Limited and settled legal consulting charges related to TANAP financing.

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 2021 (2020 19%). The differences are reconciled below:

	2021	2020
	\$000	\$000
Profit before tax	380	270
Tax charge / (credit)	—	—
Effective tax rate	— %	— %

	2021	2020
	%	%
UK corporation tax rate:	19	19
Increase / (decrease) resulting from:		
Free group relief	(19)	(19)
Effective tax rate	<u>—</u>	<u>—</u>

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. This rate change was substantively enacted on 24 May 2021. There is no impact of this rate change on the company's deferred tax position as the company had no deferred tax balances, recognised or unrecognised, at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS**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 (2020 \$Nil).

(b) Employee costs

The company had no employees during the year (2020 None).

8. Investments

	Investment in associates	Loans to associates	Total
Cost	\$000	\$000	\$000
At 1 January 2020	363,622	452,284	815,906
Loan contributions in associate	—	—	—
Loan interest in associate	—	9,096	9,096
Loan repayment	—	(455,000)	(455,000)
At 31 December 2020	363,622	6,380	370,002
At 1 January 2021	363,622	6,380	370,002
Loan interest in associate	—	372	372
At 31 December 2021	363,622	6,752	370,374
Net book amount			
At 31 December 2021	363,622	6,752	370,374
At 31 December 2020	363,622	6,380	370,002

The investment in associate is stated at cost. No provision for impairment has been made against the investment carrying value.

On 8 April 2020 TANAP repaid loans to the company comprising \$362,900,875 principal and \$92,099,125 interest. Remaining amounts owed by TANAP, to the company, of \$6,115,331 as well as accumulating interest, since 8 April 2020, will be repaid to the company by March 2026.

Associated undertakings

The investments in the associated undertakings are unlisted.

The associate undertaking of the company at 31 December 2021 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.

NOTES TO THE FINANCIAL STATEMENTS**8. Investments (continued)****Associated undertakings (continued)**

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

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

9. Debtors

Amounts falling due within one year:

	2021	2020
	\$000	\$000
Amounts owed from parent undertakings	22,109	22,101

The amounts owed from parent undertakings comprise an Internal Financing Account (IFA) of \$22m (2020 \$22m). Interest is accrued on a monthly basis based on LIBOR. The interest rate at year end was 0.0713% (2020 0.0039%).

10. Called up share capital

	2021	2020
	\$000	\$000
Issued and fully paid: 363,621,799 (2020 363,621,799) ordinary shares of \$1 each for a total nominal value of \$363,621,799 (2020 \$363,621,799)	363,622	363,622

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 accumulated profit 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 apart from equity and loans to associate as disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

13. 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.