BP PIPELINES (SCP) LIMITED
(Registered No 04446121)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors	G Y Birrell
	D J Bucknall
	R C Harrington
	S J MacRae

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2012

Results and dividends

The profit for the year after taxation was $12,412,000 which, when added to the retained profit brought forward at 1 January 2012 of $25,075,000, gives a total retained profit carried forward at 31 December 2012 of $37,487,000

The company has not declared any dividends during the year (2011 $Nil) The directors do not propose the payment of a dividend

Principal activity and review of the business

The company holds an investment in South Caucasus Pipeline Company Limited ("SCPC"), a joint arrangement which owns the South Caucasus Pipeline SCPC is engaged in the transportation of natural gas from the Shah Deniz offshore field in Azerbaijan through to Turkey

The company is party to two Host Government Agreements (the "HGAs"), one each for Azerbaijan and for Georgia The construction and commissioning of the South Caucasus Pipeline was completed in 2007 Transportation of gas commenced in the same year and reached the maximum level of current system capacity in 2012

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

	2012	2011	Variance
	$000	$000	%
Turnover	47,772	50,542	(5)
Profit after taxation	12,412	14,945	(17)
Shareholders' funds	57,487	45,075	28

	2012	2011	Variance
	%	%	
Quick ratio*	6	6	-

*Quick ratio is defined as current assets, excluding stock and debtors receivable after one year, as a percentage of current liabilities

Lower profit for the year is due to the decrease in turnover and increase in administrative expense Lower turnover is a result of 2012 transportation of gas volumes with lower tariffs comparing to 2011 transportation Increase in administrative cost is associated with higher throughput

BP PIPELINES (SCP) LIMITED

REPORT OF THE DIRECTORS

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 at a group level Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level

Please consider carefully the risks described below The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda

Company level risks have been categorised against the following areas strategic and commercial, compliance and control, safety and operational, and financial risk management In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident)

Gulf of Mexico oil spill

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Pipelines (SCP) Limited

Whilst the BP group recognised significant charges in the income statement since the Incident occurred in 2010, there is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Incident, the potential changes in applicable regulations and the operating environment that may result from the Incident, the impact of the Incident on the reputation of the group and the resulting possible impact on the group's licence to operate including its ability to access new opportunities The amount of claims that become payable by the BP group, the amount of fines ultimately levied on the BP group (including any potential determination of the BP group's negligence or gross negligence), the outcome of litigation, the terms of any further settlements including the amount and timing of any payments thereunder, and any costs arising from any longer-term environmental consequences of the Incident, will also impact upon the ultimate cost for the BP group

Although the provisions recognised represent the current best estimates of expenditures required to settle certain present obligations that can be reasonably estimated at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligations reliably and the total amounts payable by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause costs to increase Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Principal risks and uncertainties (continued)

Strategic and commercial risks

Joint ventures and other contractual arrangements
Many of the company's major projects and operations are conducted through joint ventures or associates and through contracting and sub-contracting arrangements These arrangements often involve complex risk allocation, decision-making process and indemnification arrangements In certain cases, the company may have less control of such activities than it would have if the company had full operational control

Additionally, the company's joint venture partners or associates or contractual counterparties are primarily responsible for the adequacy of the human or technical competencies and capabilities which they bring to bear on the joint project, and in the event these are found to be lacking the company's joint venture partners or associates may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects

Furthermore, should accidents or incidents occur in operations in which the company participates, whether as operator or otherwise, and where it is held that the company's sub-contractors or joint venture partners are legally liable to share any aspects of the cost of responding to such incidents, the financial capacity of these third parties may prove inadequate to fully indemnify the company against the costs it incurs on behalf of the joint venture or contractual arrangement Should a key sub-contractor, such as a lessor of drilling rigs, be no longer able to make these assets available to the company, this could result in serious disruption to its operations Where the company does not have operational control of a venture, the company may nonetheless still be pursued by regulators or claimants in the event of an incident

Digital infrastructure
The reliability and security of SCPC's digital infrastructure are critical to maintaining the availability of its business applications, including the reliable operation of technology in its various business operations and the collection and processing of financial and operational data, as well as the confidentiality of certain third-party information A breach of the SCPC's digital security, either due to intentional actions or due to negligence, could cause serious damage to business operations and, in some circumstances, could result in the loss of data or sensitive information, injury to people, damage to assets, harm to the environment, reputational damage, breaches of regulations, litigation, legal liabilities and reparation costs

Business continuity and disaster recovery
Contingency plans are required to continue or recover operations following a disruption or incident Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations

Crisis management
Crisis management plans and capability are essential to deal with emergencies at every level of the SCPC's operations If SCPC does not respond, or is perceived not to respond, in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted

Principal risks and uncertainties (continued)

Compliance and control risks

Ethical misconduct and non-compliance
The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates The values are intended to guide the way the company and its employees behave and do business Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value Multiple events of non-compliance could call into question the integrity of the company's operations

Liabilities and provisions
The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Gulf of Mexico oil spill, together with the potential cost and burdens of implementing remedies sought in the various proceedings, cannot be fully estimated at this time but they have had, and are expected to continue to have, a material adverse impact on the group's business and consequently may also impact the company's business Further information is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Reporting
External reporting of financial and non-financial data is reliant on the integrity of systems and people Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation

Changes in external factors
The company remains exposed to changes in the external environment, such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which the company operates), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities for new access, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities Potential changes to pension or financial market regulation could also impact funding requirements of the company

Safety and operational risks

Process safety, personal safety and environmental risks
The nature of SCPC's operations exposes it to a wide range of significant health, safety, security and environmental risks The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of the SCPC's activities In addition, in many of the SCPC's major projects and operations, risk allocation and management is shared with third parties, such as contractors, sub-contractors, joint venture partners and associates See 'Joint ventures and other contractual arrangements'

There are risks of technical integrity failure as well as risk of natural disasters and other adverse conditions in many of the areas in which SCPC operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Security
Security threats require continuous oversight and control Acts of terrorism, piracy, sabotage and similar activities directed against the SCPC's operations and offices, pipelines, transportation or computer systems could cause harm to people and could severely disrupt business and operations SCPC's business activities could also be severely disrupted by civil strife or political unrest in areas where we operate

Transportation
All modes of transportation of hydrocarbons involve inherent risks An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by road, rail, sea or pipeline This is a significant risk due to the potential impact of a release on people and the environment and given the high volumes involved

Financial risk management

The main financial risk faced by the company through its normal business activities is credit risk. The management of these financial risks is performed at BP group level The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss

Credit risk
Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company It arises from cash and cash equivalents, derivative financial instruments and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables The management of such risks is performed at BP group level The group has a credit policy, approved by the CFO, which is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk Credit risk is considered as part of the risk-reward balance of doing business On entering into any business contract the extent to which the arrangement exposes the group to credit risk is considered Before trading with a new counterparty can start, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained

Commercial credit risk is measured and controlled to determine the company's total credit risk Inability to determine adequately the company's credit exposure could lead to financial loss A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the company It could also affect the company's ability to raise capital to fund growth and to meet its obligations

BP PIPELINES (SCP) LIMITED

REPORT OF THE DIRECTORS

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth 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

The present directors are listed on page 1

R C Harrington and D J Bucknall served as directors throughout the financial year Changes since 1 January 2012 are as follows

	Appointed	Resigned
R J O Javanshir	-	15 November 2012
G Y Birrell	15 November 2012	-
J H Bartlett	-	27 February 2012
S J MacRae	27 February 2012	-
D Sanyal	-	1 January 2012
D J Bucknall	1 January 2012	-

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was nil

Auditor

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

BP PIPELINES (SCP) LIMITED

REPORT OF THE DIRECTORS

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 their 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

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

27 September 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP PIPELINES (SCP) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 the foreseeable future, continue to adopt the going concern basis in preparing the accounts

BP PIPELINES (SCP) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP PIPELINES (SCP) LIMITED

We have audited the financial statements of BP Pipelines (SCP) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Gary Donald (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
27 September 2013

BP PIPELINES (SCP) LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Pipelines (SCP) Limited were approved for issue by the Board of Directors on 27 September 2013

These accounts are prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable UK accounting standards

Accounting convention

The accounts are prepared under the historical cost convention

Basis of preparation

At 31 December 2012 the company's balance sheet had net current liabilities amounting to $266,218,000 The company has positive net assets of $57,487,000

The directors consider it appropriate to prepare the accounts on a going concern basis

Statement of cash flows

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement The company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006 The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p l c , a company registered in England and Wales These accounts present information about the company as an individual undertaking and not about the group

Revenue recognition

Revenues are recognized based on the higher of throughput tariff for the period or the minimum monthly payments as per the Transportation Agreement with the Azerbaijan Gas Supply Company Limited on 27 February 2003

Foreign currency transactions

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date Exchange differences are included in the profit and loss account

Capitalisation of finance costs and interest

Interest is capitalised gross of related tax relief during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects All other interest is charged against income in the year in which it is incurred

ACCOUNTING POLICIES

Interest income

Interest income is recognised on an accruals basis

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset

Other tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives

The pipeline is depreciated using a unit of throughput method

Changes in unit-of-throughput factors

Changes in factors which affect unit-of-throughput calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts

Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised All other maintenance costs are expensed as incurred

Impairment of tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount An asset group's recoverable amount is the higher of its net realisable value and its value in use Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

ACCOUNTING POLICIES

Impairment of tangible fixed assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised If that is the case, the carrying amount of the asset is increased to its recoverable amount That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years Such reversal is recognised in profit or loss After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Proportional consolidation

The company holds an interest in a joint agreement that is not an entity ('JANE') As a result, it accounts for its proportionate share of the costs, revenues, assets and liabilities in the JANE

Stock valuation

Stocks are valued at cost to the company using the weighted average method or net realisable value whichever is lower

Other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables Provision is made when there is objective evidence that the company will be unable to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Other creditors

Trade and other creditors are carried at payment or settlement amounts If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain The expense relating to any provision is presented in the profit and loss account net of any reimbursement If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable

BP PIPELINES (SCP) LIMITED

ACCOUNTING POLICIES

Decommissioning

Provision for decommissioning costs is recognised when the company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements A corresponding tangible fixed asset of an amount equivalent to the provision is also recognised This is subsequently depreciated as part of the capital costs of the production and transportation facilities

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future In particular

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Discounting

The unwinding of the discount on provisions is included within interest expense Any change in the amount recognised for environmental and other provisions arising through changes in discount rates is included within interest expense, apart from decommissioning provisions where the change is adjusted against the decommissioning asset

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period Actual outcomes could differ from those estimates

BP PIPELINES (SCP) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Turnover	**1**	47,772	50,542
Administration expenses		(25,532)	(24,188)
Profit on ordinary activities before interest and taxation	**2**	22,240	26,354
Interest payable and similar charges	**4**	(2,777)	(3,798)
Interest receivable and similar income	**5**	2	3
Profit before taxation		19,465	22,559
Taxation	**6**	(7,053)	(7,614)
Profit for the year		12,412	14,945

The profit of $12,412,000 for the year ended 31 December 2012 has derived in its entirety from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012

There are no recognised gains or losses attributable to the shareholders of the company other than the profit for the year

BP PIPELINES (SCP) LIMITED
(Registered No 04446121)
BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Fixed assets			
Tangible assets	**8**	361,523	351,072
Current assets			
Stocks	**9**	718	966
Debtors	**10**	8,608	11,136
Cash at bank and in hand		8,060	5,826
		17,386	17,928
Creditors: amounts falling due within one year	**11**	(283,604)	(286,762)
Net current liabilities		(266,218)	(268,834)
TOTAL ASSETS LESS CURRENT LIABILITIES		95,305	82,238
Provisions for liabilities and charges			
Deferred tax	**6**	(20,682)	(20,447)
Other provisions	**12**	(17,136)	(16,716)
NET ASSETS		57,487	45,075
Represented by			
Capital and reserves			
Called up share capital	**13**	20,000	20,000
Profit and loss account	**14**	37,487	25,075
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		57,487	45,075

On behalf of the Board

R C Harrington
Director
27 September 2013

BP PIPELINES (SCP) LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties

The country of origin and destination is substantially the Rest of World geographic area

Turnover is attributable to one continuing activity, the transportation of gas for sale

2. Profit on ordinary activities before interest and taxation

This is stated after charging

	2012	2011
	$000	$000
Depreciation of owned fixed assets	10,848	11,386

3. Auditor's remuneration

	2012	2011
	$000	$000
Fees for the audit of the company	26	29

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts 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 charges

	2012	2011
	$000	$000
Interest expense on		
Loans from group undertakings	2,349	3,399
Unwinding of discount on provisions – See Note 12	428	399
	2,777	3,798

5. Interest receivable and similar income

	2012	2011
	$000	$000
Other interest	2	3

6. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010 No UK corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge

The tax charge is made up as follows

	2012	2011
Current tax	$000	$000
Overseas tax on income for the year	6,818	2,532
Total current tax charged	6,818	2,532
Deferred tax		
Origination and reversal of timing differences	235	5,082
Total deferred tax charged	235	5,082
Tax charged on profit on ordinary activities	7,053	7,614

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 24% for the year ended 31 December 2012 (2011 – 26%) The differences are reconciled below

	2012	2011
	UK	UK
	$000	$000
Profit on ordinary activities before tax	19,465	22,559
Current taxation	6,818	2,532
Effective current tax rate	35%	11%

	2012	2011
	UK	UK
	%	%
UK corporation tax rate	24	26
Increase/ (decrease) resulting from		
Non-deductible expenditure / non-taxable income	(30)	(35)
Other timing differences	6	6
Free group relief	-	3
Current overseas tax	35	11
Effective current tax rate	35	11

The permanent and timing difference shown in the current tax rate reconciliation above are those that arise for UK corporation tax purposes, rather than overseas tax purposes

BP PIPELINES (SCP) LIMITED

NOTES TO THE ACCOUNTS

6. Taxation (continued)

(b) Provision for deferred tax

The deferred tax included in the balance sheet is as follows

	2012	2011
	$000	$000
Other timing differences	20,682	20,447
Provision for deferred tax	20,682	20,447

	2012
	$000
At 1 January 2012	20,447
Deferred tax charged in the profit and loss account	235
At 31 December 2012	20,682

7. Directors and employees

(a)Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2011 $Nil)

(b) Employee costs

The company had no employees during the year (2011 Nil)

8. Tangible assets

	Midstream Expenditure	Of which AUC*
Cost	$000	
At 1 January 2012	416,219	
Additions	21,299	18,579
At 31 December 2012	437,518	18,579
Depreciation and impairment		
At 1 January 2012	(65,147)	-
Charge for the year	(10,848)	-
At 31 December 2012	(75,995)	-
Net book value		
At 31 December 2012	361,523	18,579
At 31 December 2011	351,072	-
Principal method of depreciation	Unit of throughput	

*AUC = assets under construction Assets under construction are not depreciated

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

	Cost	Depreciation	Net book value
Capitalised interest	$000	$000	$000
At 31 December 2012	31,618	(5,842)	25,776
At 31 December 2011	31,618	(4,958)	26,660

9. Stocks

	2012	2011
	$000	$000
Raw materials and consumables	718	966

The difference between the carrying value of stocks and their replacement cost is not material

10. Debtors

	2012	2011
	Within 1 year	Within 1 year
	$000	$000
Amounts owed by associates	171	128
Other debtors	759	621
Prepayments and accrued income	7,678	10,387
	8,608	11,136

11. Creditors

	2012	2011
	Within 1 year	Within 1 year
	$000	$000
Amounts owed to group undertakings	251,895	274,452
Other creditors	17,236	4,152
Taxation (see Note 6)	6,818	2,532
Accruals and deferred income	7,655	5,626
	283,604	286,762

12. Other provisions

	Decommissioning
	$000
At 1 January 2012	16,716
Unwinding of discount	428
Change in discount rate	(8)
At 31 December 2012	17,136

12. Other provisions (continued)

The company accounts for its share of full provision for the future cost of decommissioning the pipeline on a discounted basis on the installation of those facilities At 31 December 2012, the company's share in the provision for the costs of decommissioning the pipeline at the end of its economic life was $17,136,000 (2011 $16,716,000) The provision has been estimated using existing technology, at future prices and discounted using a nominal discount rate of 2 5% (2011 2 5%) These costs are expected to be incurred over the next 54 years While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs

13. Called up share capital

	2012	2011
Allotted, called up and fully paid	$000	$000
10,137,362 Ordinary shares of £1 each for a total nominal value of £10,137,362, translated at the exchange rate of £1 = US$1 97	20,000	20,000
	20,000	20,000

14. Capital and reserves

	Called up share capital	Profit and loss account	Total
	$000	$000	$000
At 1 January 2012	20,000	25,075	45,075
Profit for the year	-	12,412	12,412
At 31 December 2012	20,000	37,487	57,487

15. Reconciliation of movements in shareholders' funds

	2012	2011
	$000	$000
Profit for the year	12,412	14,945
Net increase in shareholders' funds	12,412	14,945
Shareholders' funds at 1 January	45,075	30,130
Shareholders' funds at 31 December	57,487	45,075

16. Capital commitments

The company's share of authorised and contracted future capital expenditure for which contracts had been placed but not provided in the accounts at 31 December 2012 is estimated at $2,850,000 (2011 $1,971,000)

17. Joint Arrangements

The joint arrangements of the company at 31 December 2012 and the percentage of equity capital held are set out below

Joint arrangements	Class of share held	%	Principal place of business	Principal activities
South Caucasus Pipeline Company Limited*	Ordinary	24 99	Cayman Islands	Natural Gas Transportation
South Caucasus Pipeline Company Limited	Ordinary	0 51	Cayman Islands	Natural Gas Transportation
South Caucasus Pipeline Holding Company Limited*	Ordinary	25 50	Cayman Islands	Holding Company
South Caucasus Pipeline Option Gas Company Limited	Ordinary	25 50	Cayman Islands	Natural Gas Sale

* Those investments held directly by the company are marked with an asterisk

18. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies

During the year the company entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 December, are as follows

Related party	Relationship	Description	Sales to related party	Amounts owed from related party
			$000	$000
South Caucasus Pipeline Company Limited	Joint Arrangement	Services		
2012			786	171
2011			768	128

19. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge

20. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Global Investment 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 1 St James's Square, London, SW1Y 4PD