

**ABU DHABI CRUDE OIL  
PIPELINE LLC**

**Reports and financial  
statements for the year  
ended 31 December 2021**

# **ABU DHABI CRUDE OIL PIPELINE LLC**

## **Reports and financial statements for the year ended 31 December 2021**

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**Directors' report  
for the year ended 31 December 2021**

The Board of Directors are pleased to present their report, together with the audited financial statements of Abu Dhabi Crude Oil Pipeline LLC (the "Company") for the year ended 31 December 2021.

**Principal objectives:**

The principal objectives of the Company are to: (1) construct, acquire, own, operate, maintain, lease, finance and dispose of any pipeline and other infrastructure assets in or outside the Emirate of Abu Dhabi; and (2) any other activity approved by the Supreme Petroleum Council and any other incidental activities to the aforementioned objectives.

**Results:**

Total income for the year was USD 216.204 thousand (2020: USD 231,837 thousand). The Company reported a profit for the year of USD 51,447 thousand (2020: USD 67,259 thousand).

**Release**

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2021.

**Auditor**

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as the external auditor for the year ended 31 December 2022.

**On behalf of the Board of Directors**



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**Salah Abdullah Al-Ali**  
Chief Executive Officer  
18 April 2022  
Abu Dhabi, United Arab Emirates

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS ABU DHABI CRUDE OIL PIPELINE LLC**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Abu Dhabi Crude Oil Pipeline LLC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's Financial Statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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  
TO THE SHAREHOLDERS ABU DHABI CRUDE OIL PIPELINE LLC (continued)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and its preparation in compliance with the applicable provisions of the memorandum of association of the Company, and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS ABU DHABI CRUDE OIL PIPELINE LLC (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

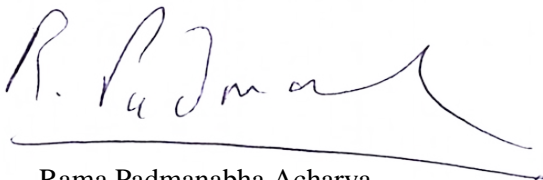
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2021:

- Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)



Rama Padmanabha Acharya  
Registration No. 701  
18 April 2022  
Abu Dhabi  
United Arab Emirates

**Statement of financial position  
as at 31 December 2021**

	Notes	2021 USD'000	2020 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use asset	6	426,053	439,062
Finance lease receivable	5	3,837,930	3,888,808
Due from a related party	10	301,504	231,849
<b>Total non-current assets</b>		<b>4,565,487</b>	<b>4,559,719</b>
<b>Current assets</b>			
Finance lease receivable	5	183,917	191,407
Due from a related party	10	3	3
Bank balances		306,836	240,359
<b>Total current assets</b>		<b>490,756</b>	<b>431,769</b>
<b>Total assets</b>		<b>5,056,243</b>	<b>4,991,488</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	3	3
Loan from shareholder	9, 10	1,241,594	1,241,594
Retained earnings		192,379	140,932
<b>Total equity</b>		<b>1,433,976</b>	<b>1,382,529</b>
<b>Non-current liabilities</b>			
Lease liability	12	503,169	497,929
Interest bearing borrowings	11	3,020,053	3,019,070
<b>Total non-current liabilities</b>		<b>3,523,222</b>	<b>3,516,999</b>
<b>Current liabilities</b>			
Lease liability	12	13,105	12,481
Accrued expenses and other liabilities	7	162	87
Advance from a related party	10	85,778	79,392
<b>Total current liabilities</b>		<b>99,045</b>	<b>91,960</b>
<b>Total liabilities</b>		<b>3,622,267</b>	<b>3,608,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,056,243</b>	<b>4,991,488</b>



**Salah Abdullah Al-Ali**  
Chief Executive Officer

**Statement of profit or loss and other comprehensive income  
for the year ended 31 December 2021**

	Notes	2021 USD'000	2020 USD'000
<b>Income</b>			
Income from finance lease	5	160,632	162,916
Other income	5	55,518	68,602
Finance income		54	319
		<u>216,204</u>	<u>231,837</u>
<b>Expenses</b>			
Finance costs	13	(151,111)	(151,193)
Amortisation of right-of-use asset	6	(13,009)	(13,009)
Other expenses		(637)	(376)
		<u>(164,757)</u>	<u>(164,578)</u>
<b>Profit for the year</b>		<b>51,447</b>	<b>67,259</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>51,447</b>	<b>67,259</b>

The accompanying notes form an integral part of these financial statements.



**Statement of changes in equity  
for the year ended 31 December 2021**

	<b>Share capital USD'000</b>	<b>Loan from shareholder USD'000</b>	<b>Retained earnings USD'000</b>	<b>Total equity USD'000</b>
Balance at 1 January 2020	3	1,241,594	73,673	1,315,270
Total comprehensive income for the year	-	-	67,259	67,259
Balance at 1 January 2021	3	1,241,594	140,932	1,382,529
Total comprehensive income for the year	-	-	51,447	51,447
<b>Balance at 31 December 2021</b>	<b>3</b>	<b>1,241,594</b>	<b>192,379</b>	<b>1,433,976</b>

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows  
for the year ended 31 December 2021**

	Notes	2021 USD'000	2020 USD'000
<b>Cash flows from operating activities</b>			
Profit for the year		51,447	67,259
<i>Adjustments for:</i>			
Income from finance lease	5	(160,632)	(162,916)
Other income	5	(55,518)	(68,602)
Finance costs	13	151,111	151,193
Finance income		(54)	(319)
Amortisation of right-of-use asset	6	13,009	13,009
		(637)	(376)
<b>Movements in working capital</b>			
Decrease in prepayments		-	143
Increase in accrued expenses and other liabilities		75	24
Increase in advance from a related party		61,904	77,790
<b>Cash generated from operations</b>			
Lease rentals received	10	219,000	219,000
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Payments for sinking fund	10	(69,655)	(70,275)
Interest received		55	319
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Interest paid on interest bearing borrowings	11	(131,751)	(131,751)
Repayment of principal repayment of lease liability		(12,046)	(11,489)
Repayment of interest portion of lease liability		(468)	(429)
<b>Net cash used in financing activities</b>			
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		240,359	157,403
<b>Cash and cash equivalents at the end of the year</b>			

The accompanying notes form an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2021

### 1 General information

Abu Dhabi Crude Oil Pipeline LLC (the “Company”) is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 13 September 2017 and is wholly owned by ADNOC Infrastructure LLC, a wholly owned subsidiary of Abu Dhabi National Oil Company (“ADNOC”).

The registered office of the Company is at ADNOC Tower, P O Box 898, Abu Dhabi, United Arab Emirates.

The principal objectives of the Company are to: (1) construct, acquire, own, operate, maintain, lease, finance and dispose of any pipeline and other infrastructure assets in or outside the Emirate of Abu Dhabi; and (2) any other activity approved by the Supreme Petroleum Council and any other incidental activities to the aforementioned objectives.

ADNOC transferred ownership of the Habshan-Fujairah Pipeline (the “Pipeline” or “Abu Dhabi Crude Oil Pipeline” or “ADCOP”) to the Company on 1 October 2017.

The Company entered into Use and Operation Agreement (the “Agreement”) with Abu Dhabi Company for Onshore Petroleum Operations (“ADNOC Onshore”) on 28 September 2017, with commencement date occurring on 1 October 2017 for the Pipeline. The term of the Agreement is 37 years and is renewable for a further period of five years at the sole discretion of the Company. ADNOC Onshore is responsible for the operation and maintenance of the Pipeline over the term of the contract. The design capacity of the Pipeline is one million and five hundred thousand barrels per day and under the Agreement, the Company is entitled to one US Dollar per barrel multiplied by the greater of:

- the number of barrels of crude oil transported through the Pipeline in a year; and
- the minimum throughput quantity, determined at six hundred thousand barrels per day.

### 2 Application of new and revised International Financial Reporting Standards (IFRSs)

#### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- *Amendments to References to the Conceptual Framework in IFRS Standards*
- *Amendments to IFRS 3 Definition of a business*
- *Amendments to IAS 1 and IAS 8 Definition of material*
- *Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39 and IFRS 7*
- *Covid-19-Related Rent Concessions Amendment to IFRS 16*

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**2 Adoption of new and revised International Financial Reporting Standards (IFRSs)  
(continued)**

**2.2 New and revised IFRS in issue but not yet effective and not early adopted**

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
IFRS 10 and IAS 28 (amendments) <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date deferred indefinitely. Early adoption is still permitted
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>	
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies****Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) and the applicable laws in United Arab Emirates.

**Basis of preparation**

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**Functional and presentation currency**

The financial statements have been presented in US Dollar which is the functional currency of the Company, rounded to nearest thousands (“USD’000”).

The principal accounting policies adopted are set out below.

**Leases***The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**3 Summary of significant accounting policies (continued)**

**Leases (continued)**

*The Company as lessee (continued)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)***The Company as lessor*

The Company enters into lease agreements as a lessor with respect to the use of land on which the Habshan-Fujairah Pipeline is located.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

**Other revenues****Finance income**

Finance income is accrued on a time basis, by reference to the outstanding principal and at the effective interest rate applicable.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial assets

The Company has the following financial assets: cash at bank, due from a related party, VAT receivables and other receivables.

Cash at bank is classified as 'cash and cash equivalents', due from a related party, VAT receivables and other receivables are classified as 'financial assets measured at amortised cost'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Cash and cash equivalents

Cash at bank balance is comprised of a balance with a bank in current account.

#### Financial assets measured at amortised cost

Due from a related party and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on due from a related party and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for due from a related party and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.



**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity instruments**Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Accruals and other payables classified as 'financial liabilities' are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Current versus non-current classification**

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

**Fair values of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**4 Critical accounting judgments and key sources of estimation for uncertainty**

**4.1 Critical judgments in applying the Companies' accounting policies**

The following are the critical judgments, apart from those involving estimations described below, that the management have made in the process of applying the Company accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Lease term for Fujairah lease

The Company has a lease arrangement with Fujairah Municipality for a period of 99 years for use of land on which the Pipeline has been constructed. Management has determined the lease period to be 37 years. In making its judgment, management considered the terms and conditions of the agreement with Fujairah Municipality, commercial substance of the arrangement and related guidance to determine the period of lease. As per the lease agreement, the lease can be terminated by the Company at any time during the term of the lease with required notice to Fujairah Municipality. Based on these factors, the lease term is determined to be the same as the term for lease of the Pipeline.

Classification of receivable from a related party for sinking fund

The Company has made mandatory sinking fund payments of USD 69,655 thousand (2020: USD 70,275 thousand in relation to Series A bonds to ADNOC (note 11). The sinking fund account is intended to be used on maturity date of Series A bonds to pay all or portion of the remaining principal amount and unpaid accrued interest. Classification of such amounts as non-current asset is based on the criteria in the Framework for the Preparation and Presentation of Financial Statements and IAS 1 *Presentation of Financial Statements*. Management has considered the underlying criteria, substance and economic reality of the balance, and have concluded that these balances should be classified as a non-current asset based on management's expectation that the sinking fund deposit will not be called within the next 12 months, even if the receivable is contractually receivable on demand.

Classification of loan from shareholder

In judging whether the loan from shareholder is a financial liability or an equity instrument, management has considered the detailed criteria for the determination of such classification as set out in IAS 32 *Financial Instruments: Presentation* and in particular the fact that the loan is interest-free with no fixed repayment terms and the Shareholder may not demand nor request for the repayment of the loan. Management is satisfied that the loan from shareholder is appropriately classified as equity in the statement of financial position.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**4 Critical accounting judgments and key sources of estimation for uncertainty (continued)**

**4.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR") at commencement of the lease. Management has applied judgments and estimates to determine the IBR at the commencement of the lease. The Company has applied the weighted average lessee's incremental borrowing rate of 3.73% to the lease liability. There has been no change in the incremental borrowing rate in the year.

Discounting of lease rental receipts

The lease receivables are discounted using the implicit interest rate ("IIR") of 4.0728% calculated at the commencement of the lease. Management has applied judgments and estimates to determine the IRR at the commencement of the lease. The implicit rate was estimated with the assumption that lease rental receipts and unguaranteed residual value equals the sum of the fair value of the pipeline and any initial direct cost to the Company at the inception of the lease agreement.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**5 Finance lease receivable**

Movement in the finance lease receivable is as follows:

	<b>2021</b> <b>USD'000</b>	2020 USD'000
At 1 January	<b>4,080,215</b>	4,136,299
Income from finance lease	<b>160,632</b>	162,916
Minimum lease payments received	<b>(219,000)</b>	(219,000)
	<hr/>	<hr/>
At 31 December	<b>4,021,847</b>	4,080,215
	<hr/> <hr/>	<hr/> <hr/>

Gross investment and present value of minimum lease payments receivable are as follows:

	<u>2021</u>		<u>2020</u>	
	<b>Minimum lease payments receivable USD'000</b>	<b>Present value of payments receivable USD'000</b>	Minimum lease payments receivable USD'000	Present value of payments receivable USD'000
Not later than one year	<b>219,000</b>	<b>183,917</b>	219,000	191,407
Later than 1 year and not later than 5 years	<b>876,000</b>	<b>666,454</b>	876,000	693,598
Later than 5 years	<b>6,077,250</b>	<b>3,171,476</b>	6,296,250	3,195,211
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum lease payments receivable	<b>7,172,250</b>	<b>4,021,847</b>	7,391,250	4,080,215
Less: unearned finance income	<b>(3,150,403)</b>	-	(3,311,035)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net investment/present value of minimum lease payments receivable	<b>4,021,847</b>	<b>4,021,847</b>	4,080,215	4,080,215
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The lease has an estimated implicit interest rate of 4.0728% per annum and payments are receivable in advance quarterly instalments over a period of 37 years.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**5 Finance lease receivable (continued)**

Finance lease receivables are classified in the statement of financial position as follows:

	<b>2021</b> <b>USD'000</b>	2020 USD'000
Current	<b>183,917</b>	191,407
Non-current	<b>3,837,930</b>	3,888,808
	<hr/> <b>4,021,847</b> <hr/>	<hr/> 4,080,215 <hr/>

During the year, an amount of USD 55,518 thousand (2020: USD 68,602 thousand) has been recorded in excess of the finance income on finance lease of USD 160,632 thousand (2020: USD 162,916 thousand). This represents the additional income of the Company based on the actual volume of crude oil transported during the period over and above the minimum guaranteed amount (note 1).

**6 Right-of-use asset**

	<b>2021</b> <b>USD'000</b>	2020 USD'000
<b>Cost</b>		
At 31 December	<b>465,080</b>	465,080
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
At 1 January	<b>26,018</b>	13,009
Amortisation for the period	<b>13,009</b>	13,009
	<hr/>	<hr/>
At 31 December	<b>39,027</b>	26,018
	<hr/>	<hr/>
<b>Carrying amount as at 31 December</b>	<b>426,053</b>	439,062
	<hr/>	<hr/>

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**7 Accrued expenses and other liabilities**

	<b>2021</b> <b>USD'000</b>	2020 USD'000
Accrued other expenses	<b>162</b>	87

**8 Share capital**

	<b>2021</b> <b>USD'000</b>	2020 USD'000
<i>Authorised and issued</i>		
3,000 shares of USD 1 each	<b>3</b>	3

**9 Loan from shareholder**

The Company has entered into a “Shareholder Loan Agreement” with ADNOC Infrastructure LLC, the shareholder of the Company. Under the Agreement, the shareholder has agreed to provide a loan facility deemed to have been utilised for the transfer of the Pipeline under the Transfer Agreement. The loan is interest free with no fixed repayment terms. The loan is repayable at the Company’s discretion and accordingly has been classified as equity.

	<b>2021</b> <b>USD'000</b>	2020 USD'000
Balance at 1 January and 31 December (note 10)	<b>1,241,594</b>	1,241,594

**10 Related party transactions and balances**

Related parties represent the Company’s shareholder, ADNOC, the Government of Abu Dhabi (ultimate controlling party) and related departments and institutions, associated companies, joint ventures, directors and key management personnel of the Company, ADNOC, and entities controlled, jointly controlled or significantly influenced by such parties. The Company has transactions with its related parties in the normal course of business. Pricing policies and terms of transactions with related parties are approved by the Company’s management.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**10 Related party transactions and balances (continued)**

Balances with related parties included in the statement of financial position are as follows:

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Finance lease receivables - ADNOC Onshore (note 5)	<b>4,021,847</b>	4,080,215
Advance from ADNOC Onshore	<b>85,778</b>	79,392
Loan from shareholder (note 9)	<b>1,241,594</b>	1,241,594
Due from a related party – ADNOC Infrastructure LLC	<b>3</b>	3
Due from a related party (non-current) – ADNOC*	<b>301,504</b>	231,849

\* As per the terms of the offering memorandum, the Company is required to make mandatory sinking fund payments in relation to Series A bonds to ADNOC commencing 30 June 2018. The balance of the sinking fund is intended to be used on maturity date of Series A bonds to pay all or portion of the remaining principal amount and unpaid accrued interest thereof.

Outstanding balances at the period-end arise in the normal course of business. Administrative office and related services are provided free of charge by ADNOC under a “General Services Agreement” between ADNOC and the Company for a period of four years.

*Decommissioning liability*

As per terms of the Agreement, if instructed by ADNOC, ADNOC Onshore shall carry out all decommissioning related activities including appointment of an independent decommissioning consultant to prepare and execute the decommissioning plan based on ADNOC’s approval. In addition, on the termination of the Agreement, ADNOC Onshore is responsible, on the instructions of the Company, for the decommissioning of the Pipeline and environmental clean-up with respect to the area affected by the Pipeline and to bear all such costs in relation to the decommissioning



**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**10 Related party transactions and balances (continued)**

Transactions with related parties during the year are as follows:

	<b>2021</b> <b>USD'000</b>	2020 USD'000
Income from finance lease to ADNOC Onshore (note 5)	<b>160,632</b>	162,916
Other income - ADNOC Onshore (note 5)	<b>55,518</b>	68,602
Lease rentals received from ADNOC Onshore	<b>280,904</b>	296,790
Payments for sinking fund	<b>69,655</b>	70,275

**11 Interest bearing borrowings**

	<b>Coupon rate</b> <b>%</b>	<b>Effective</b> <b>interest rate</b>	<b>Repayment</b> <b>Date</b>	<b>2021</b> <b>USD'000</b>	2020 USD'000
USD 0.830 billion bonds, net of transaction costs (Series A)	3.65%	3.73%	November 2029	<b>832,995</b>	832,563
USD 2.18 billion bonds, net of transaction costs (Series B)	4.65%	4.66%	2030 - 2047	<b>2,187,058</b>	2,186,507
<b>Total (non-current liabilities)</b>				<b>3,020,053</b>	3,017,082

On 2 November 2017, the Company, issued long term fixed interest rate bonds of USD 837,000 thousand and USD 2,200,000 thousand. The bonds are recorded at amortised cost using the effective interest rate and is secured by a number of security documents including the Company's contractual rights, cash deposits, other assets and guarantees. The principal is repayable for Series A bonds in one bullet payment upon maturity. The principal for Series B bonds is repayable in semi-annual instalments starting 30 June 2030.

The bond liability is stated net of transaction costs incurred in connection with the bond arrangement, amounting to USD 22,008 thousand (2020: USD 22,008 thousand) as of 31 December 2021, which are amortised in the income statement over the repayment period of the bonds using the effective interest rate method. Interest on the bonds is payable semi-annually starting 30 June 2018.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**11 Interest bearing borrowings (continued)**

Movement in the carrying value of interest bearing borrowings are as follows:

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Balance at 1 January	<b>3,019,070</b>	3,018,005
Finance costs for the year (note 13)	<b>132,733</b>	132,816
Interest paid during the year	<b>(131,750)</b>	(131,751)
	<hr/>	<hr/>
<b>Balance at 31 December</b>	<b>3,020,053</b>	3,019,070
	<hr/> <hr/>	<hr/> <hr/>

**12 Lease liability**

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
<b>Balance as at 1 January (audited)</b>	<b>510,410</b>	503,951
Accretion of interest	<b>18,378</b>	18,377
Payments	<b>(12,514)</b>	(11,918)
	<hr/>	<hr/>
<b>Balance as at 31 December</b>	<b>516,274</b>	510,410
	<hr/> <hr/>	<hr/> <hr/>
Disclosed as follows:		
Current	<b>13,105</b>	12,481
Non-current	<b>503,169</b>	497,929
	<hr/>	<hr/>
	<b>516,274</b>	510,410
	<hr/> <hr/>	<hr/> <hr/>

**13 Finance costs**

	<b>2021</b>	2020
	<b>USD'000</b>	USD'000
Finance costs relating to interest bearing borrowings (note 11)	<b>132,733</b>	132,816
Finance cost on lease liabilities (note 12)	<b>18,378</b>	18,377
	<hr/>	<hr/>
	<b>151,111</b>	151,193
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)****14 Financial risk management objectives and policies**

The Company's financial assets include finance lease receivable, bank balances and due from a related party. The Company's financial liabilities include interest bearing borrowings, lease liabilities and accrued liabilities.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company's management reviews and agrees policies for managing each of these risks which are summarised below.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as its long-term borrowings have fixed interest rates and the finance lease receivable carries a fixed implicit rate of return.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is minimised as the finance lease receivable and other receivables are due from a related party. As at the reporting date, there were no past due receivables from the related party.

Fitch Ratings has given ADNOC Group a standalone credit rating of AA+ and a long-term issuer default rating of AA with a stable outlook, in line with the sovereign rating of Abu Dhabi. All balances with banks represents the commercial banks in UAE. Balances with banks are assessed to have low credit risk of default since these banks are regulated by the Central Bank of the UAE.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company manages its foreign currency risk by regularly assessing current and expected foreign currency exchange rate movements and its foreign currencies payables. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Foreign currency risk is limited since majority of the Company's transactions, monetary assets and liabilities are US Dollar. Other transactions if any are in UAE Dirham, which is pegged to the US Dollar and thus represents no significant currency risk.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**14 Financial risk management objectives and policies (continued)**

**Liquidity risk**

The Company limits its liquidity risk by ensuring enough cash flow is available from its operations.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments:

	<b>&lt; 1 year USD'000</b>	<b>1 to 5 years USD'000</b>	<b>&gt; 5 years USD'000</b>	<b>Total USD'000</b>
<b>At 31 December 2021</b>				
Accrued and other liabilities	162	-	-	162
Lease liabilities	13,105	59,310	976,855	1,049,270
Interest bearing borrowings	131,751	527,002	4,453,771	5,112,524
<b>Total</b>	<b>145,018</b>	<b>586,312</b>	<b>5,430,626</b>	<b>6,161,956</b>
<b>At 31 December 2020</b>				
Accrued and other liabilities	87	-	-	87
Lease liabilities	12,481	56,486	992,784	1,061,751
Interest bearing borrowings	131,751	527,002	4,585,521	5,244,274
<b>Total</b>	<b>144,319</b>	<b>583,488</b>	<b>5,578,305</b>	<b>6,306,112</b>

**15 Contingencies and commitments**

	<b>2021 USD'000</b>	<b>2020 USD'000</b>
<b>Contingent liabilities</b>		
Letters of credit	110,000	110,000

The Company had contingent liabilities in respect of letters of credit which are issued in the ordinary course of business from which it is anticipated that no material liabilities will arise. Letters of credit were obtained in the name of ADNOC for the benefit of the Company.

**Notes to the financial statements  
for the year ended 31 December 2021 (continued)**

**16 Fair values of financial instruments**

Financial instruments comprise financial assets and financial liabilities. The fair values of the Company's financial instruments are not materially different from their carrying values at the statement of financial position date.

**Fair value hierarchy**

The following table provides an analysis of financial instruments for which fair values are disclosed in the financial statements, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying value USD'000
<b>At 31 December 2021</b>					
Finance lease receivable	-	-	3,878,515	3,878,515	4,021,847
	=====	=====	=====	=====	=====
<b>Interest bearing borrowings</b>					
Series A bond	919,193	-	-	919,193	832,995
Series B bond	2,599,300	-	-	2,599,300	2,187,058
	-----	-----	-----	-----	-----
<b>Total</b>	<b>3,518,493</b>	<b>-</b>	<b>-</b>	<b>3,518,493</b>	<b>3,020,053</b>
	=====	=====	=====	=====	=====
<b>At 31 December 2020</b>					
Finance lease receivable	-	-	4,173,447	4,173,447	4,080,215
	=====	=====	=====	=====	=====
<b>Interest bearing borrowings</b>					
Series A bond	961,880	-	-	961,880	832,563
Series B bond	2,724,920	-	-	2,724,920	2,186,507
	-----	-----	-----	-----	-----
<b>Total</b>	<b>3,686,800</b>	<b>-</b>	<b>-</b>	<b>3,686,800</b>	<b>3,019,070</b>
	=====	=====	=====	=====	=====

**18 Approval of the financial statements**

The financial statements were authorised for issue by the Chief Executive Officer on 28 April 2022 as the Board of Directors has authorised the Chief Executive Officer to sign and issue the financial statements.