



PETRONAS

PETRONAS Financial Report 2020



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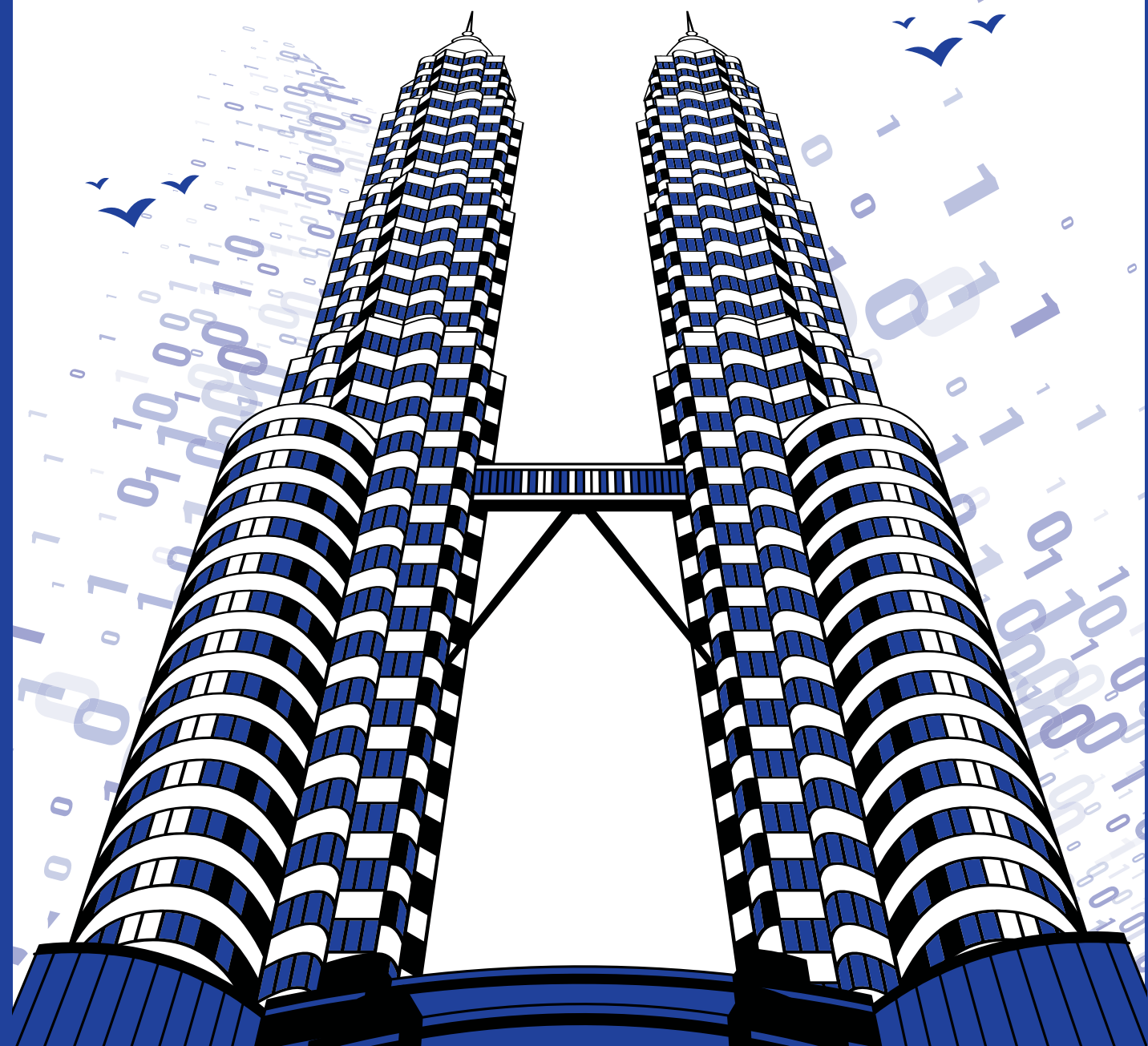
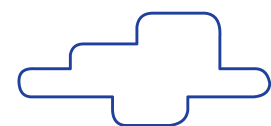
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Financial Statements

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Directors' Report

For the year ended 31 December 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas, the marketing of petroleum and petroleum products and investment holding. The principal activities of key subsidiaries, key associates and joint ventures are stated in Note 42, Note 43 and Note 44 to the financial statements respectively. The principal activities of other subsidiaries are available in the respective subsidiaries' Directors' Report or the Company's registered office that the Board of Directors ("Board") deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's key subsidiaries are disclosed in Note 42 to the financial statements.

RESULTS

<i>In RM Mil</i>	Group	Company
(Loss)/Profit for the year	(21,029)	8,710
(Loss)/Profit attributable to:		
Shareholders of the Company	(23,851)	8,710
Non-controlling interests	2,822	-

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

- a final dividend of RM240,000 per ordinary share amounting to RM24 billion in respect of financial year ended 31 December 2019 in instalments between April and August 2020.
- a dividend of RM100,000 per ordinary share amounting to RM10 billion in respect of financial year ended 31 December 2020 to shareholders in instalments between September and November 2020.

The Directors had on 25 February 2021 declared a dividend of RM180,000 per ordinary share amounting to RM18 billion.

The financial statements for the current financial year do not reflect this declared dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

Further details on dividends are disclosed in Note 29.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS

Directors who served during the financial year until the date of this report are:

Tan Sri Ahmad Nizam bin Salleh (Chairman)
Tengku Muhammad Taufik
Ainul Azhar bin Ainul Jamal
Tan Sri Dato' Seri Mohd Bakke bin Salleh
Zakiah binti Jaafar
Tan Sri Zaharah binti Ibrahim (appointed on 17 August 2020)
Dato Hj Ibrahim bin Hj Baki (appointed on 17 August 2020)
Dato' Razali bin Mohd Yusof (appointed on 17 August 2020)
Tan Sri Wan Zulkiflee bin Wan Ariffin (resigned on 15 June 2020)
Ahmad Faris bin Rabidin (resigned on 23 August 2020)

The names of Directors of subsidiaries are available at the respective subsidiaries' Directors' Report or the Company's registered office that the Board deems such information is included in the Company Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests and deemed interests in the shares of the Company and of its related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name	Number of ordinary shares in PETRONAS Gas Berhad			Balance at 31.12.2020
	Balance at 1.1.2020	Bought	Sold	
Tan Sri Ahmad Nizam bin Salleh	2,000	-	-	2,000

Name	Number of ordinary shares in PETRONAS Chemicals Group Berhad			Balance at 31.12.2020
	Balance at 1.1.2020	Bought	Sold	
Tan Sri Ahmad Nizam bin Salleh	10,000	-	-	10,000

DIRECTORS' INTERESTS (CONTINUED)

Name	Number of ordinary shares in KLCC Property Holdings Berhad			Balance at 31.12.2020
	Balance at 1.1.2020	Bought	Sold	
Ainul Azhar bin Ainul Jamal	4,500	-	-	4,500

None of the other Directors holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 36 to the financial statements), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroleum Nasional Berhad ("PETRONAS") and its subsidiaries (hereinafter referred to as "PETRONAS Group"), including the Company, maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of PETRONAS Group was RM1,290 million (2019: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM1,140,530 (2019: RM1,133,279) and RM415,578 (2019: RM408,327) respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) the necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts; and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any material contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No material contingent liability or other liability, other than as disclosed in financial statements, of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature other than those that have been disclosed in the financial statements, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In respect of the Directors or past Directors of the Company:

- (i) the amount of fees and other benefits paid to or receivable by them from the Company or its subsidiary companies as remuneration for their services to the Company or its subsidiary companies; and
- (ii) the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or from any of its subsidiaries

are disclosed in Note 36.

OTHER STATUTORY INFORMATION (CONTINUED)

There are no amounts paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary companies by any Director or past Director of the Company.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



Tan Sri Ahmad Nizam bin Salleh
Chairman



Tengku Muhammad Taufik
Director

Kuala Lumpur,
Date: 25 February 2021

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 156, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:



Tan Sri Ahmad Nizam bin Salleh
Chairman



Tengku Muhammad Taufik
Director

Kuala Lumpur
Date: 25 February 2021

Statutory Declaration

I, **Liza binti Mustapha**, the officer primarily responsible for the financial management of **PETROLIAM NASIONAL BERHAD (PETRONAS)**, do solemnly and sincerely declare that the financial statements set out on pages 8 to 156 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Liza binti Mustapha
MIA Membership Number: 47410
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 25 February 2021



BEFORE ME,



Consolidated Statement of Financial Position

As at 31 December 2020

<i>In RM Mil</i>	Note	2020	2019
ASSETS			
Property, plant and equipment	3	291,717	319,204
Investment properties	4	10,468	8,714
Land held for development	5	2,986	2,994
Investments in associates	7	5,755	6,746
Investments in joint ventures	8	6,844	9,156
Intangible assets	9	20,044	26,260
Long-term receivables	10	21,232	20,383
Fund and other investments	11	1,009	1,929
Deferred tax assets	13	20,622	20,573
TOTAL NON-CURRENT ASSETS		380,677	415,959
Trade and other inventories	14	12,491	14,447
Trade and other receivables	15	40,583	41,285
Assets classified as held for sale	16	18	398
Fund and other investments	11	9,779	8,710
Cash and cash equivalents	17	130,523	141,622
TOTAL CURRENT ASSETS		193,394	206,462
TOTAL ASSETS		574,071	622,421
EQUITY			
Share capital	18	100	100
Reserves	19	330,521	388,996
Total equity attributable to shareholders of the Company		330,621	389,096
Non-controlling interests	20	50,413	49,819
TOTAL EQUITY		381,034	438,915
LIABILITIES			
Borrowings	21	76,808	53,422
Deferred tax liabilities	13	8,455	12,598
Other long-term liabilities and provisions	23	51,056	44,486
TOTAL NON-CURRENT LIABILITIES		136,319	110,506
Trade and other payables	24	43,728	53,968
Borrowings	21	11,421	15,316
Taxation		1,569	3,716
TOTAL CURRENT LIABILITIES		56,718	73,000
TOTAL LIABILITIES		193,037	183,506
TOTAL EQUITY AND LIABILITIES		574,071	622,421

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

<i>In RM Mil</i>	Note	2020	2019
Revenue	25	178,741	240,263
Cost of revenue		(134,958)	(155,926)
Gross profit		43,783	84,337
Selling and distribution expenses		(8,174)	(7,536)
Administration expenses		(9,675)	(12,862)
Net impairment losses/write-off ¹		(32,681)	(7,151)
Other expenses		(5,871)	(2,261)
Other income		4,102	5,158
Operating (loss)/profit	26	(8,516)	59,685
Financing costs	27	(4,133)	(3,734)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		328	1,019
(Loss)/Profit before taxation		(12,321)	56,970
Tax expense	28	(8,708)	(16,498)
(Loss)/Profit for the year		(21,029)	40,472
Other comprehensive (loss)/income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")		13	(3)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movements from exchange differences		(452)	(1,286)
Others		(1,419)	(62)
Total other comprehensive loss for the year, net of tax		(1,858)	(1,351)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(22,887)	39,121
(Loss)/Profit attributable to:			
Shareholders of the Company		(23,851)	33,021
Non-controlling interests		2,822	7,451
(LOSS)/PROFIT FOR THE YEAR		(21,029)	40,472
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(25,019)	32,005
Non-controlling interests		2,132	7,116
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(22,887)	39,121

¹ Includes certain amount relating to loss on remeasurement of finance lease receivables.

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

In RM Mil	Note	Attributable to shareholders of the Company			
		Non-distributable			
		Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
Balance at 1 January 2020		100	14,509	30,014	(78)
Net movements from exchange differences		-	-	184	-
Net changes of equity investments at fair value through OCI:					
- Changes in fair value		-	-	-	13
Other comprehensive loss		-	(1,365)	-	-
Total other comprehensive (loss)/ income for the year, net of tax		-	(1,365)	184	13
(Loss)/Profit for the year		-	-	-	-
Total comprehensive (loss)/income for the year		-	(1,365)	184	13
Changes in ownership interest in subsidiaries		-	-	359	-
Acquisition of a subsidiary		-	-	-	-
Redemption of redeemable preference shares in subsidiaries		-	1,320	-	-
Dividends	29	-	-	-	-
Total transactions with owners of the Group		-	1,320	359	-
Balance at 31 December 2020		100	14,464	30,557	(65)

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The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020 (continued)

In RM Mil	Note	Attributable to shareholders of the Company				
		Distributable			Non-controlling Interests	Total Equity
		General Reserve	Retained Profits	Total		
Balance at 1 January 2020		12,000	332,551	389,096	49,819	438,915
Net movements from exchange differences		-	-	184	(636)	(452)
Net changes of equity investments at fair value through OCI:						
- Changes in fair value		-	-	13	-	13
Other comprehensive loss		-	-	(1,365)	(54)	(1,419)
Total other comprehensive (loss)/ income for the year, net of tax		-	-	(1,168)	(690)	(1,858)
(Loss)/Profit for the year		-	(23,851)	(23,851)	2,822	(21,029)
Total comprehensive (loss)/ income for the year		-	(23,851)	(25,019)	2,132	(22,887)
Changes in ownership interest in subsidiaries		-	185	544	2,533	3,077
Acquisition of a subsidiary		-	-	-	632	632
Redemption of redeemable preference shares in subsidiaries		-	(1,320)	-	-	-
Dividends	29	-	(34,000)	(34,000)	(4,703)	(38,703)
Total transactions with owners of the Group		-	(35,135)	(33,456)	(1,538)	(34,994)
Balance at 31 December 2020		12,000	273,565	330,621	50,413	381,034

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The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020 (continued)

Attributable to shareholders of the Company

In RM Mil	Note	Non-distributable			
		Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
Balance at 1 January 2019		100	14,191	31,245	(75)
Net movements from exchange differences		-	(5)	(854)	-
Net changes of equity investments at fair value through OCI:					
- Changes in fair value		-	-	-	(3)
Other comprehensive (loss)/income		-	(154)	-	-
Total other comprehensive loss for the year, net of tax		-	(159)	(854)	(3)
Profit for the year		-	-	-	-
Total comprehensive (loss)/income for the year		-	(159)	(854)	(3)
Changes in ownership interest in subsidiaries		-	-	(117)	-
Disposal of Subsidiaries		-	-	(260)	-
Redemption of redeemable preference shares in subsidiaries		-	477	-	-
Dividend	29	-	-	-	-
Total transactions with owners of the Group		-	477	(377)	-
Balance at 31 December 2019		100	14,509	30,014	(78)

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The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020 (continued)

Attributable to shareholders of the Company

In RM Mil	Note	Distributable			Non-controlling Interests	Total Equity
		General Reserve	Retained Profits	Total		
Balance at 1 January 2019		12,000	321,468	378,929	44,609	423,538
Net movements from exchange differences		-	-	(859)	(427)	(1,286)
Net changes of equity investments at fair value through OCI:						
- Changes in fair value		-	-	(3)	-	(3)
Other comprehensive (loss)/income		-	-	(154)	92	(62)
Total other comprehensive loss for the year, net of tax		-	-	(1,016)	(335)	(1,351)
Profit for the year		-	33,021	33,021	7,451	40,472
Total comprehensive (loss)/income for the year		-	33,021	32,005	7,116	39,121
Changes in ownership interest in subsidiaries		-	2,539	2,422	3,805	6,227
Disposal of Subsidiaries		-	-	(260)	-	(260)
Redemption of redeemable preference shares in subsidiaries		-	(477)	-	(73)	(73)
Dividend	29	-	(24,000)	(24,000)	(5,638)	(29,638)
Total transactions with owners of the Group		-	(21,938)	(21,838)	(1,906)	(23,744)
Balance at 31 December 2019		12,000	332,551	389,096	49,819	438,915

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The notes set out on pages 20 to 156 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

<i>In RM Mil</i>	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(12,321)	56,970
Adjustments for:			
Depreciation of property, plant and equipment and investment properties		34,580	35,900
Amortisation of intangible assets and contract costs		1,446	2,778
Net change in contract liabilities		(481)	(422)
Net impairment losses/(write-back) on:			
- Property, plant and equipment and investment properties		25,714	6,539
- Intangible assets		5,648	204
- Loan and advances to joint ventures		71	62
- Receivables		(37)	69
- Investment in an associate		151	230
- Other investments		-	251
Gain on bargain purchase		(247)	-
Net impairment/write-off on well costs		2,246	1,248
Net inventories written down to net realisable value/written off		37	35
Write-off of trade receivables and loss on remeasurement of finance lease receivables		846	-
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		(328)	(1,019)
Property, plant and equipment written off		234	136
Net gain on disposal of investments in subsidiaries, a joint venture, other investments and property, plant and equipment		(388)	(393)
Bad debts written off		65	18
Intangible assets written off		20	-
Net loss on derivatives		275	64
Unrealised (gain)/loss on foreign exchange		(6)	392
Interest income		(4,838)	(6,889)
Financing costs		4,133	3,734
Net change in provisions		769	(1,395)
Other non-cash items		(70)	-
Operating profit before changes in working capital		57,519	98,512

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Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (continued)

<i>In RM Mil</i>	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Operating profit before changes in working capital (continued)		57,519	98,512
Change in trade and other receivables		2,732	9,230
Change in trade inventories		1,956	57
Change in trade and other payables		(8,885)	(902)
Cash generated from operations		53,322	106,897
Interest income from fund and other investments		4,838	6,889
Interest expenses paid		(2,689)	(2,990)
Taxation paid, net of refund		(14,726)	(20,025)
Net cash generated from operating activities		40,745	90,771
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	30	(32,914)	(52,177)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(17,467)	(69,880)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,636)	(31,286)
INCREASE IN CASH AND CASH EQUIVALENTS RESTRICTED		(298)	(699)
NET FOREIGN EXCHANGE DIFFERENCES		(1,752)	(622)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		139,851	172,458
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		128,165	139,851
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	17	130,523	141,622
Bank overdrafts	21	(698)	(409)
		129,825	141,213
Less: Cash and cash equivalents restricted	17	(1,660)	(1,362)
		128,165	139,851

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The notes set out on pages 20 to 156 are an integral part of these financial statements.

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2020

<i>In RM Mil</i>	Note	2020	2019
ASSETS			
Property, plant and equipment	3	19,400	17,756
Investments in subsidiaries	6	155,496	153,229
Investments in associates	7	302	302
Investments in joint ventures	8	843	992
Intangible assets	9	36	-
Long-term receivables	10	120,429	121,831
Fund and other investments	11	393	1,050
Deferred tax assets	13	6,443	9,927
TOTAL NON-CURRENT ASSETS		303,342	305,087
Trade and other inventories	14	22	173
Trade and other receivables	15	14,310	19,231
Fund and other investments	11	5,072	3,992
Cash and cash equivalents	17	54,111	55,961
TOTAL CURRENT ASSETS		73,515	79,357
TOTAL ASSETS		376,857	384,444
EQUITY			
Share capital	18	100	100
Reserves	19	274,394	299,684
TOTAL EQUITY		274,494	299,784
LIABILITIES			
Borrowings	21	52,282	25,788
Other long-term liabilities and provisions	23	36,806	34,309
TOTAL NON-CURRENT LIABILITIES		89,088	60,097
Trade and other payables	24	11,954	17,416
Borrowings	21	572	5,465
Taxation		749	1,682
TOTAL CURRENT LIABILITIES		13,275	24,563
TOTAL LIABILITIES		102,363	84,660
TOTAL EQUITY AND LIABILITIES		376,857	384,444

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

<i>In RM Mil</i>	Note	2020	2019
Revenue	25	73,460	121,202
Cost of revenue		(51,264)	(72,032)
Gross profit		22,196	49,170
Selling and distribution expenses		(437)	(501)
Administration expenses		(4,650)	(6,409)
Net impairment losses		(2,483)	(2,786)
Other expenses		(2,830)	(989)
Other income		9,394	15,416
Operating profit	26	21,190	53,901
Financing costs	27	(3,535)	(4,449)
Profit before taxation		17,655	49,452
Tax expense	28	(8,945)	(7,858)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,710	41,594

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

In RM Mil	Note	Non-distributable	Distributable		Total Equity
		Share Capital	General Reserve	Retained Profits	
Balance at 1 January 2020		100	12,000	287,684	299,784
Profit for the year		-	-	8,710	8,710
Total comprehensive income for the year		-	-	8,710	8,710
Dividends representing transaction with owners of the Company	29	-	-	(34,000)	(34,000)
Balance at 31 December 2020		100	12,000	262,394	274,494
Balance at 1 January 2019		100	12,000	270,090	282,190
Profit for the year		-	-	41,594	41,594
Total comprehensive income for the year		-	-	41,594	41,594
Dividend representing transaction with owners of the Company	29	-	-	(24,000)	(24,000)
Balance at 31 December 2019		100	12,000	287,684	299,784

The notes set out on pages 20 to 156 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2020

In RM Mil	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		17,655	49,452
Adjustments for:			
Depreciation of property, plant and equipment		2,114	3,656
Amortisation of intangible assets and contract costs		10	-
Loss on derivative valuation		193	97
Net changes in fair value of cess receivables		(694)	(666)
Net change in contract liabilities		(858)	(1,691)
Net impairment (write-back)/losses on:			
- Trade and other receivables		(13)	(93)
- Loan and advances to subsidiaries		353	(10)
- Property, plant and equipment		2,092	-
- Investment in subsidiaries		51	2,889
Net write-off on:			
- Other receivables		12	7
- Intangible assets		20	-
Net change in provisions		(1,095)	(2,049)
Interest income		(5,328)	(6,739)
Financing costs		3,535	4,449
Gain on partial disposal of subsidiaries and other investments		(1,546)	(5,403)
Gain on disposal of property, plant and equipment		(2)	(430)
Net foreign exchange		1,162	632
Dividend income		(11,148)	(28,850)
Operating profit before changes in working capital		6,513	15,251
Change in trade and other receivables		1,561	1,745
Change in trade inventories		151	(73)
Change in trade and other payables		(5,321)	(2,129)
Cash generated from operations		2,904	14,794
Interest income received		5,359	6,662
Interest expenses paid		(1,856)	(1,655)
Taxation paid		(6,394)	(9,011)
Net cash generated from operating activities		13	10,790
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	30	12,314	21,567
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(14,076)	(68,420)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,749)	(36,063)
NET FOREIGN EXCHANGE DIFFERENCES		(101)	202
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		55,961	91,822
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		54,111	55,961
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	17	54,111	55,961

The notes set out on pages 20 to 156 are an integral part of these financial statements.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

As of 1 January 2020, the Group and the Company had adopted amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 41.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 41. Revised pronouncements that are not relevant to the operations of the Group and the Company are set out in Note 41.

These financial statements were approved and authorised for issue by the Board of Directors on 25 February 2021.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company has been determined as Ringgit Malaysia ("RM"). The Group's and the Company's financial statements are presented in Ringgit Malaysia, which is the Company's reporting currency.

All financial information is presented in Ringgit Malaysia and has been rounded to the nearest million, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgments (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:

- (i) Note 3 : Property, plant and equipment
- (ii) Note 9 : Intangible assets
- (iii) Note 13 : Deferred tax
- (iv) Note 21 : Borrowings
- (v) Note 23 : Other long-term liabilities and provisions
- (vi) Note 25 : Revenue
- (vii) Note 28 : Tax expense
- (viii) Note 39 : Financial instruments

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments, pursuant to the adoption of MFRS framework by the Group in the financial year ended 31 December 2012.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Non-controlling interests (continued)

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position except when the retained interest is a joint operation where the Group's retained interest in the assets and liabilities of the former subsidiary are not derecognised. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost except when the retained interest is a joint operation where such interest is measured at its carrying amount. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Associates (continued)

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

2.4 Property, plant and equipment and depreciation

Recognition and measurement

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment and depreciation (continued)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition cost, certain facilities and wells. For other capitalised exploration and development costs, facilities and wells, total proved developed reserves are used.

The estimated useful lives of the other property, plant and equipment are as follows:

• Buildings	5 - 100 years
• Plant and equipment	2 - 67 years
• Office equipment, furniture and fittings	2 - 10 years
• Computer software and hardware	2 - 7 years
• Motor vehicles	3 - 15 years
• Vessels	20 - 30 years

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract).

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer Note 3).

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.4.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Depreciation is recognised in the profit or loss on a straight-line basis over their estimated useful lives ranging between 10 and 50 years for buildings.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in the profit or loss in the period in which the item is derecognised.

2.6 Land held for development

Land held for development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value consistent with the accounting policy for inventories as stated in Note 2.16.

Cost includes acquisition cost of land and attributable development expenditure. Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Development expenditure includes the cost for development of main infrastructure works.

Land held for development is reclassified as properties under development at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle. Properties under development are, in turn, reclassified as developed properties held for sale upon completion of the development activities.

Properties under development and developed properties held for sale are recognised as trade and other inventories in current assets. The accounting policy is described separately in Note 2.16.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

The accounting for MFRS 16 in joint operation depends on whether the Group is the operator or non-operator of a joint arrangement.

Where the Group is an operator and is the sole signatory to a lease contract of an asset to be used in the activities of a specific joint operation, the operator does so implicitly or explicitly on behalf of the joint arrangement. As is the customary norm in upstream activities operated through joint arrangements, the operator will manage the lease, pay the lessor and subsequently re-bill the partners for their share of the lease costs. In such instances, it is necessary to determine whether:

- the operator is the sole lessee in the external lease arrangement, and if so, whether the billings to partners may represent sub-leases; or
- it is in fact the joint arrangement, which the lessee and other participants account for its proportionate share of the lease.

Where the Group is a non-operator, it is necessary to determine whether the finance sub-lease exists in the lease arrangement.

Depending on the facts and circumstances in each case, the Group recognises the lease liabilities based on the principles described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group as the operator of a joint operation

Where all partners in a joint operation are sharing the primary responsibility for lease payments under a contract, the related lease liability and right-of-use asset will be recognised net by the Group, on the basis of the Group's participation interest in the joint operation.

The Group will recognise a lease liability fully when it has or considered having the primary responsibility for the full external lease payments. When a finance sub-lease exists between the Group and the non-operators, the Group will derecognise a portion of the right-of-use asset equal to the non-operator's interests in the lease, and instead recognise a corresponding finance lease receivable. A finance sub-lease will typically exist when the Group enters into a contract in its own name, where it has the primary responsibility for the external lease payments, and the leased asset is to be used on one specific joint operation, and the costs and risks related to the use of this asset are carried by that specific joint operation.

Where the use of the leased asset on a joint operation is not considered a finance sub-lease, the Group will recognise the related right-of-use asset and lease liability on a gross basis. Expenses which are not included in a recognised lease obligation, such as payments for short-term leases, non-lease components and variable lease payments will continue to be reported net in the Group's statement of profit or loss, on the basis of the Group's net participation interest.

The Group as a non-operator of a joint operation

As a non-operator of a joint operation, the Group will recognise its proportionate share of a lease when the Group shares the primary responsibility for lease payments under a contract. These include contracts where the Group has co-signed a lease contract and contracts for which the operator has been given a legally binding mandate to sign the external lease contract on behalf of the licenced partners.

The Group will also recognise its proportionate share when a lease contract is entered by the operator of a joint operation, and where the operator's use of the leased asset represents a sub-lease from the operator to the non-operators. A sub-lease is considered to take place in situations where the operator agrees with the non-operators for a specified period of time, and where the use of the asset is deemed to be controlled jointly by the joint operation.

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract). The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.12).

2.8 Investments

Long-term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (Note 2.12(i)).

2.9 Intangible assets

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (continued)

Goodwill (continued)

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as "exploration expenditure"). The accounting policy for exploration expenditure is described separately in Note 2.10.

Other intangible assets

Intangible assets other than goodwill and exploration expenditure are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on unit of production method, which is calculated based on entitlement of production for the period, and estimated entitlement for the remaining life of the asset.

For the Development and Production Service Contracts ("DPSC") assets, the Group amortises through the unit of production method, which is calculated based on entitlement of production for the period over the entitlement of production for the period and estimated entitlement for the remaining life of the DPSC.

Estimates are made in relation to expected entitlement of production which are based on the actual cost incurred but yet to be recovered and application of the prevailing crude oil price. The amortisation method and the useful life for intangible assets are reviewed at least at each reporting date. Intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. These intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.10 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

Exploration expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Exploration and development expenditure (continued)

Exploration expenditure (continued)

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons or the cost of undeveloped land that expires, such costs are impaired or written off. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. Such costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are impaired or written off.

Where development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties and are depreciated as described in the accounting policy for property, plant and equipment and depreciation (Note 2.4).

2.11 Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the profit or loss.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no impairment loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised nor depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments

Recognition and initial measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Regular way purchases or sales were recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A receivable that does not contain a significant financing component is initially measured at the transaction price.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.12 (v)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

Fair value through other comprehensive income

Debt instruments

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at fair value through profit or loss.

Equity instruments

Fair value through other comprehensive income category also comprises investment in equity that are not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Subsequent measurement

Financial assets categorised as fair value through other comprehensive income are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value through other comprehensive income reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to profit or loss.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. These include derivative financial assets (except for a derivative that is a financial guarantee contract as per Note 2.12 (iii)). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure the fair value are stated in Note 2.25.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or
- c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9 *Financial Instruments*, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.12 (v)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(v) Effective interest method

Amortised cost was computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

(vii) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.13 (i)) where effective interest rate is applied to the amortised cost.

(viii) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2.13 Impairment

(i) Financial assets, contract assets and finance lease receivables

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalent at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12-month expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment (continued)

(i) Financial assets, contract assets and finance lease receivables (continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. These include both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, contract asset and finance lease receivables are subject to impairment (see Note 2.12(i)).

(ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment (continued)

(ii) Other assets (continued)

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Contract assets and contract liabilities

Contract assets represent the Group's and the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9 *Financial Instruments* (see Note 2.13 (i)).

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to a customer for which the Group and Company have received consideration, or the amount is due from the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of crude oil and condensates includes costs of bringing the inventories to their present location and condition and is determined on a weighted average basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on a weighted average basis.

Cost of liquefied natural gas ("LNG") and petrochemical products includes raw gas costs and production overheads and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of developed properties held for sale and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest expenses incurred during the period of active development.

Lifting of offtake arrangements for crude oil and condensate produced in jointly-owned operations are such that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of the cost and net realisable value, while overlift is recognised as a liability. The net movement in underlift and overlift is recognised in the statement of comprehensive income in cost of revenue.

2.17 Provisions, contingent liabilities and contingent assets

Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions, contingent liabilities and contingent assets (continued)

Contingent liabilities

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 23.

2.18 Employee benefits

Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxation (continued)

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

2.20 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, which are recognised in equity and are never reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Foreign currency transactions (continued)

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 which are treated as assets and liabilities of the acquirer company pursuant to the adoption of MFRS framework.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2.21 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2.22 Revenue

Revenue from contract with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue (continued)

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

Revenue arising from shipping activities is mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the reporting date are accrued for in the profit or loss based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue arising from rental income of investment properties is recognised on a straight-line basis over the term of the lease under the lease arrangement per Note 2.7.

Revenue arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend is recognised when the shareholders' right to receive payment is established.

Revenue arising from gas trading activities, where forward and future sale and purchase contracts for gas have been determined to be for trading purposes, the associated sales and purchases are reported net within sales.

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit sharing margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.7.

2.24 Operating segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, to make decisions about resources to be allocated to the segment and to assess its performance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.26 Government grants

Government grants related to assets, including non-monetary grants at fair value, are deducted against the construction cost of the assets. Subsequently, the grants are recognised in profit or loss on a systematic basis over the life of the asset as a reduced depreciation expense.

3. PROPERTY, PLANT AND EQUIPMENT

Group 2020 <i>In RM Mil</i>	At 1.1.2020	Additions	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
At cost:				
<i>Own use</i>				
Freehold land	2,693	6	-	-
Oil and gas properties	351,674	4,163	(1,013)	-
Buildings	20,175	742	(34)	(2)
Plant and equipment	158,097	560	(849)	(837)
Office equipment, furniture and fittings	3,969	86	(157)	-
Computer software and hardware	4,555	92	(219)	-
Motor vehicles	474	26	(27)	-
Vessels	11,591	144	(159)	-
Projects-in-progress				
- oil and gas properties	28,483	9,113	(279)	-
- other projects	52,447	16,298	(476)	-
	634,158	31,230	(3,213)	(839)
<i>Lease to others as operating lease</i>				
Buildings	25	-	-	-
Vessels	31,268	260	(783)	-
Plant and equipment	18	4	-	-
	31,311	264	(783)	-
<i>Right-of-use</i>				
Leasehold land	9,335	75	(111)	59
Lease properties	1,278	13	-	-
Oil and gas properties	4,600	167	-	-
Buildings	930	123	(15)	-
Plant and equipment	4,138	313	(15)	-
Office equipment, furniture and fittings	2	-	-	-
Computer software and hardware	19	10	(1)	-
Motor vehicles	132	20	(9)	-
Vessels	4,616	1,572	(231)	-
	25,050	2,293	(382)	59
	690,519	33,787	(4,378)	(780)

continue to next page

a Includes addition to future cost of decommissioning of certain property, plant and equipment amounting to RM1,410 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2020
At cost:			
<i>Own use</i>			
Freehold land	-	(2)	2,697
Oil and gas properties	13,695	1,038	369,557
Buildings	1,621	(16)	22,486
Plant and equipment	14,254	(2,307)	168,918
Office equipment, furniture and fittings	200	(22)	4,076
Computer software and hardware	497	(50)	4,875
Motor vehicles	(3)	(10)	460
Vessels	-	(905)	10,671
Projects-in-progress			
- oil and gas properties	(11,209)	(55)	26,053
- other projects	(20,283)	(533)	47,453
	(1,228)	(2,862)	657,246
<i>Lease to others as operating lease</i>			
Buildings	-	-	25
Vessels	3,185	(416)	33,514
Plant and equipment	-	-	22
	3,185	(416)	33,561
<i>Right-of-use</i>			
Leasehold land	732	(71)	10,019
Lease properties	(728)	2	565
Oil and gas properties	(72)	(53)	4,642
Buildings	-	(5)	1,033
Plant and equipment	-	(116)	4,320
Office equipment, furniture and fittings	-	(2)	-
Computer software and hardware	-	-	28
Motor vehicles	(1)	(2)	140
Vessels	-	(449)	5,508
	(69)	(696)	26,255
	^{a,b,c} 1,888	(3,974)	717,062

continued from previous page

- a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,670 million.
b Includes net transfers out of RM950 million comprising transfers to assets held for sale of RM508 million, other receivables of RM751 million and transfer in from intangible assets of RM309 million.
c Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020 <i>In RM Mil</i>	At 1.1.2020	Charge for the year	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
Accumulated depreciation and impairment losses:				
<i>Own use</i>				
Freehold land	-	-	-	-
Oil and gas properties	239,485	20,795	(1,013)	-
Buildings	8,252	621	(29)	(2)
Plant and equipment	90,152	7,452	(782)	(794)
Office equipment, furniture and fittings	2,798	287	(143)	-
Computer software and hardware	3,619	461	(216)	-
Motor vehicles	330	29	(25)	-
Vessels	1,277	869	(146)	-
Projects-in-progress				
- oil and gas properties	130	-	-	-
- other projects	18	-	-	-
	346,061	30,514	(2,354)	(796)
<i>Lease to others as operating lease</i>				
Buildings	-	1	-	-
Vessels	18,786	1,207	(573)	-
Plant and equipment	-	2	-	-
	18,786	1,210	(573)	-
<i>Right-of-use</i>				
Leasehold land	1,494	369	(14)	3
Lease properties	540	(144)	-	-
Oil and gas properties	1,565	909	-	-
Buildings	175	128	(13)	-
Plant and equipment	1,957	371	(4)	-
Office equipment, furniture and fittings	1	-	-	-
Computer software and hardware	7	10	-	-
Motor vehicles	46	32	(9)	-
Vessels	683	912	(205)	-
	6,468	2,587	(245)	3
	371,315	34,311	(3,172)	(793)

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020 <i>In RM Mil</i>	Impairment loss/(write- back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2020
Accumulated depreciation and impairment losses:				
<i>Own use</i>				
Freehold land	-	-	-	-
Oil and gas properties	11,126	447	975	271,815
Buildings	638	(36)	(6)	9,438
Plant and equipment	6,316	(32)	(1,702)	100,610
Office equipment, furniture and fittings	3	(3)	(46)	2,896
Computer software and hardware	6	-	(46)	3,824
Motor vehicles	1	(4)	(6)	325
Vessels	179	-	(135)	2,044
Projects-in-progress				
- oil and gas properties	1,935	(97)	(101)	1,867
- other projects	5,246	-	(182)	5,082
	25,450	275	(1,249)	397,901
<i>Lease to others as operating lease</i>				
Buildings	-	-	-	1
Vessels	20	(389)	(199)	18,852
Plant and equipment	-	-	-	2
	20	(389)	(199)	18,855
<i>Right-of-use</i>				
Leasehold land	-	318	(4)	2,166
Lease properties	25	(235)	2	188
Oil and gas properties	-	-	(116)	2,358
Buildings	202	31	(15)	508
Plant and equipment	-	-	(87)	2,237
Office equipment, furniture and fittings	-	(1)	-	-
Computer software and hardware	5	-	-	22
Motor vehicles	-	2	-	71
Vessels	-	(222)	(129)	1,039
	232	(107)	(349)	8,589
	25,702	^{a,b} (221)	(1,797)	425,345

continued from previous page

a Includes transfer out to asset held for sale of RM389 million.

b Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019 <i>In RM Mil</i>	At 1.1.2019	Additions	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
At cost:				
<i>Own use</i>				
Freehold land	2,620	33	(4)	-
Oil and gas properties	338,940	7,210	(3,285)	-
Buildings	19,542	128	(106)	50
Plant and equipment	152,647	1,020	(1,034)	682
Office equipment, furniture and fittings	3,615	80	(99)	36
Computer software and hardware	4,200	152	(68)	3
Motor vehicles	468	25	(47)	-
Vessels	11,267	16	-	-
Projects-in-progress				
- oil and gas properties	25,794	11,644	(458)	-
- other projects	43,798	19,322	(153)	60
	602,891	39,630	(5,254)	831
<i>Lease to others as operating lease</i>				
Buildings	-	25	-	-
Vessels	32,572	342	(455)	-
Plant and equipment	-	18	-	-
	32,572	385	(455)	-
<i>Right-of-use</i>				
Leasehold land	9,373	43	(23)	85
Lease properties	1,256	21	-	-
Oil and gas properties	3,757	850	-	-
Buildings	959	60	(9)	(84)
Plant and equipment	3,706	441	(2)	-
Office equipment, furniture and fittings	2	-	-	-
Computer software and hardware	8	11	-	-
Motor vehicles	76	59	(2)	-
Vessels	1,231	3,660	(134)	-
	20,368	5,145	(170)	1
	655,831	45,160	(5,879)	832

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2019
At cost:			
<i>Own use</i>			
Freehold land	47	(3)	2,693
Oil and gas properties	10,020	(1,211)	351,674
Buildings	580	(19)	20,175
Plant and equipment	5,692	(910)	158,097
Office equipment, furniture and fittings	342	(5)	3,969
Computer software and hardware	241	27	4,555
Motor vehicles	27	1	474
Vessels	614	(306)	11,591
Projects-in-progress			
- oil and gas properties	(8,403)	(94)	28,483
- other projects	(9,942)	(638)	52,447
	(782)	(3,158)	634,158
<i>Lease to others as operating lease</i>			
Buildings	-	-	25
Vessels	(899)	(292)	31,268
Plant and equipment	-	-	18
	(899)	(292)	31,311
<i>Right-of-use</i>			
Leasehold land	(132)	(11)	9,335
Lease properties	3	(2)	1,278
Oil and gas properties	203	(210)	4,600
Buildings	-	4	930
Plant and equipment	-	(7)	4,138
Office equipment, furniture and fittings	-	-	2
Computer software and hardware	-	-	19
Motor vehicles	-	(1)	132
Vessels	-	(141)	4,616
	74	(368)	25,050
	^{a,b,c} (1,607)	(3,818)	690,519

continued from previous page

a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,507 million.

b Includes net transfers out of RM4,079 million comprising transfers to assets held for sale of RM1,671 million, inventories of RM93 million, other receivables of RM2,846 million and transfer in from intangible assets of RM531 million.

c Includes reclassification of certain asset from cost to accumulated depreciation of RM35 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019 <i>In RM Mil</i>	At 1.1.2019	Charge for the year	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
Accumulated depreciation and impairment losses:				
<i>Own use</i>				
Freehold land	-	-	-	-
Oil and gas properties	216,878	22,856	(3,481)	-
Buildings	7,466	521	(49)	13
Plant and equipment	80,680	6,723	(827)	68
Office equipment, furniture and fittings	2,577	310	(87)	19
Computer software and hardware	3,277	394	(59)	2
Motor vehicles	333	34	(41)	(2)
Vessels	1,277	-	-	-
Projects-in-progress				
- oil and gas properties	2,532	-	-	-
- other projects	11	13	-	-
	315,031	30,851	(4,544)	100
<i>Lease to others as operating lease</i>				
Vessels	18,520	1,979	(370)	-
<i>Right-of-use</i>				
Leasehold land	1,340	170	(15)	3
Lease properties	567	43	-	1
Oil and gas properties	217	1,213	-	-
Buildings	102	74	-	1
Plant and equipment	1,518	444	(2)	-
Office equipment, furniture and fittings	-	1	-	-
Computer software and hardware	-	7	-	-
Motor vehicles	17	31	(1)	-
Vessels	-	696	(55)	-
	3,761	2,679	(73)	5
	337,312	35,509	(4,987)	105

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2019 <i>In RM Mil</i>	Impairment loss/(write- back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2019
Accumulated depreciation and impairment losses:				
<i>Own use</i>				
Freehold land	-	-	-	-
Oil and gas properties	4,731	89	(1,588)	239,485
Buildings	131	179	(9)	8,252
Plant and equipment	3,792	121	(405)	90,152
Office equipment, furniture and fittings	-	(17)	(4)	2,798
Computer software and hardware	6	(18)	17	3,619
Motor vehicles	1	4	1	330
Vessels	-	-	-	1,277
Projects-in-progress				
- oil and gas properties	(2,332)	(50)	(20)	130
- other projects	1	-	(7)	18
	6,330	308	(2,015)	346,061
<i>Lease to others as operating lease</i>				
Vessels	148	(1,151)	(340)	18,786
<i>Right-of-use</i>				
Leasehold land	-	(3)	(1)	1,494
Lease properties	-	(69)	(2)	540
Oil and gas properties	-	125	10	1,565
Buildings	-	-	(2)	175
Plant and equipment	-	-	(3)	1,957
Office equipment, furniture and fittings	-	-	-	1
Computer software and hardware	-	-	-	7
Motor vehicles	-	-	(1)	46
Vessels	61	-	(19)	683
	61	53	(18)	6,468
	6,539	^{a,b} (790)	(2,373)	371,315

continued from previous page

a Includes reclassification of certain asset from cost to accumulated depreciation of RM35 million.

b Includes net transfers out of RM755 million comprising transfers to assets held for sale of RM760 million and other receivables of RM9 million and transfer in from intangible assets of RM14 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020 <i>In RM Mil</i>	At 1.1.2020	Additions	Disposals/ write-offs
At cost:			
<i>Own use</i>			
Oil and gas properties	29,221	126	(370)
Buildings	277	-	-
Plant and equipment	4	-	-
Office equipment, furniture and fittings	87	-	-
Computer software and hardware	439	-	-
Motor vehicles	15	1	(1)
Projects-in-progress			
- oil and gas properties	265	131	-
- other projects	1,091	217	-
	31,399	475	(371)
<i>Right-of-use</i>			
Leasehold land	322	27	-
Lease properties	2,962	3,611	-
Plant and equipment	1,485	-	-
Vessels	-	-	-
	4,769	3,638	-
	36,168	^a 4,113	(371)

continue to next page

a Includes addition to future cost of decommissioning of certain property, plant and equipment amounting to RM17 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	At 31.12.2020
At cost:		
<i>Own use</i>		
Oil and gas properties	2,126	31,103
Buildings	-	277
Plant and equipment	8	12
Office equipment, furniture and fittings	-	87
Computer software and hardware	32	471
Motor vehicles	-	15
Projects-in-progress		
- oil and gas properties	(117)	279
- other projects	(312)	996
	1,737	33,240
<i>Right-of-use</i>		
Leasehold land	-	349
Lease properties	-	6,573
Plant and equipment	-	1,485
Vessels	-	-
	-	8,407
	^{a,b}1,737	41,647

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020 <i>In RM Mil</i>	At 1.1.2020	Charge for the year	Impairment
Accumulated depreciation and impairment losses:			
<i>Own use</i>			
Oil and gas properties	16,738	1,484	2,092
Buildings	46	6	-
Plant and equipment	4	1	-
Office equipment, furniture and fittings	82	1	-
Computer software and hardware	342	45	-
Motor vehicles	13	1	-
Projects-in-progress			
- oil and gas properties	-	-	-
- other projects	-	-	-
	17,225	1,538	2,092
<i>Right-of-use</i>			
Leasehold land	30	6	-
Lease properties	428	352	-
Plant and equipment	729	218	-
Vessels	-	-	-
	1,187	576	-
	18,412	2,114	2,092

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a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,126 million.

b Includes net transfers out of RM389 million comprising transfer to subsidiaries of RM273 million, transfer to intangible assets of RM66 million and reclassification to profit or loss of RM50 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2020 <i>In RM Mil</i>	Disposals/ write-offs	At 31.12.2020
Accumulated depreciation and impairment losses:		
<i>Own use</i>		
Oil and gas properties	(370)	19,944
Buildings	-	52
Plant and equipment	-	5
Office equipment, furniture and fittings	-	83
Computer software and hardware	-	387
Motor vehicles	(1)	13
Projects-in-progress		
- oil and gas properties	-	-
- other projects	-	-
	(371)	20,484
<i>Right-of-use</i>		
Leasehold land	-	36
Lease properties	-	780
Plant and equipment	-	947
Vessels	-	-
	-	1,763
	(371)	22,247

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019 <i>In RM Mil</i>	At 1.1.2019	Additions	Disposals/ write-offs
At cost:			
<i>Own use</i>			
Oil and gas properties	28,119	40	-
Buildings	207	1	-
Plant and equipment	4	-	-
Office equipment, furniture and fittings	95	-	(8)
Computer software and hardware	397	-	(22)
Motor vehicles	18	1	(4)
Projects-in-progress			
- oil and gas properties	174	106	-
- other projects	778	833	-
	29,792	981	(34)
<i>Right-of-use</i>			
Leasehold land	299	29	(4)
Lease properties	2,855	107	-
Plant and equipment	1,485	-	-
Vessels	4,974	-	(4,974)
	9,613	136	(4,978)
	39,405	1,117	(5,012)

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	At 31.12.2019
At cost:		
<i>Own use</i>		
Oil and gas properties	1,062	29,221
Buildings	69	277
Plant and equipment	-	4
Office equipment, furniture and fittings	-	87
Computer software and hardware	64	439
Motor vehicles	-	15
Projects-in-progress		
- oil and gas properties	(15)	265
- other projects	(520)	1,091
	660	31,399
<i>Right-of-use</i>		
Leasehold land	(2)	322
Lease properties	-	2,962
Plant and equipment	-	1,485
Vessels	-	-
	(2)	4,769
	^a 658	36,168

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company 2019 <i>In RM Mil</i>	At 1.1.2019	Charge for the year	Disposals/ write-offs	At 31.12.2019
Accumulated depreciation and impairment losses:				
<i>Own use</i>				
Oil and gas properties	14,562	2,176	-	16,738
Buildings	41	5	-	46
Plant and equipment	4	-	-	4
Office equipment, furniture and fittings	89	1	(8)	82
Computer software and hardware	324	40	(22)	342
Motor vehicles	16	1	(4)	13
Projects-in-progress				
- oil and gas properties	-	-	-	-
- other projects	-	-	-	-
	15,036	2,223	(34)	17,225
<i>Right-of-use</i>				
Leasehold land	26	5	(1)	30
Lease properties	72	356	-	428
Plant and equipment	510	219	-	729
Vessels	-	853	(853)	-
	608	1,433	(854)	1,187
	15,644	3,656	(888)	18,412

a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM787 million and transfer to subsidiaries of RM129 million.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Carrying amount				
<i>Own use</i>				
Freehold land	2,697	2,693	-	-
Oil and gas properties	97,742	112,189	11,159	12,483
Buildings	13,048	11,923	225	231
Plant and equipment	68,308	67,945	7	-
Office equipment, furniture and fittings	1,180	1,171	4	5
Computer software and hardware	1,051	936	84	97
Motor vehicles	135	144	2	2
Vessels	8,627	10,314	-	-
Projects-in-progress				
- oil and gas properties	24,186	28,353	279	265
- other projects	42,371	52,429	996	1,091
	259,345	288,097	12,756	14,174
<i>Leased to others as operating lease</i>				
Buildings	24	25	-	-
Vessels	14,662	12,482	-	-
Plant and equipment	20	18	-	-
	14,706	12,525	-	-
<i>Right-of-use</i>				
Leasehold land	7,853	7,841	313	292
Lease properties	377	738	5,793	2,534
Oil and gas properties	2,284	3,035	-	-
Buildings	525	755	-	-
Plant and equipment	2,083	2,181	538	756
Office equipment, furniture and fittings	-	1	-	-
Computer software and hardware	6	12	-	-
Motor vehicles	69	86	-	-
Vessels	4,469	3,933	-	-
	17,666	18,582	6,644	3,582
	291,717	319,204	19,400	17,756

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 As a lessee

Right-of-use assets

Depreciation of right-of-use assets

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Capitalised in property, plant and equipment	162	202	-	-
Recognised in profit or loss	2,425	2,477	576	1,433
Total depreciation	2,587	2,679	576	1,433

Extension options

Some lease contracts contain extension options exercisable only by the Group and the Company before the end of the non-cancellable contract period. Where practicable, the Group and the Company include extension options in lease contracts to provide operational flexibility. The discounted potential future lease payments arising from exercisable extension options has been included in the lease liabilities except for when the extension terms are uncertain as the Group is finalising the extension terms as at reporting date.

Significant judgments and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying significant judgment whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgment and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgment to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 As a lessor

Property, plant and equipment leased to others as operating lease

The Group leases out a number of vessels under operating leases. The leases typically run for a period range of 2 to 19 years (2019: 2 to 19 years).

The following are recognised in profit or loss:

In RM Mil	Group	
	2020	2019
Lease income	672	1,003

The operating lease payments to be received are as follows:

In RM Mil	Group	
	2020	2019
Less than one year	1,463	1,756
One to five years	5,303	3,734
More than five years	6,160	4,387
Total undiscounted lease payments	12,926	9,877

Security

Property, plant and equipment of certain subsidiaries costing RM10,132 million (2019: RM7,577 million) have been pledged as security for loan facilities as set out in Note 21 and Note 22 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress of the Group is borrowing costs capitalised during the year of RM1,195 million (2019: RM1,514 million) and capitalisation of depreciation charge for the year of right-of-use assets of RM162 million (2019: RM202 million). The interest rate on borrowing costs capitalised ranges from 2.8% - 5.2% (2019: 3.2% - 5.2%) per annum.

Restriction of land title

The titles to certain freehold and leasehold land are in the process of being registered in the subsidiaries' name. Certain long-term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

Change in estimates

During the year, the Group and the Company revised the estimated future cost of decommissioning of oil and gas properties. The revision was accounted for prospectively as a change in accounting estimates resulting in an increase in cost of oil and gas properties of the Group and the Company by RM2,670 million (2019: RM2,507 million) and RM2,126 million (2019: RM787 million) respectively (refer Note 23).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's and the Company's investment decision-making process. Estimation of oil and gas reserves is normally conducted using industry recognised method.

The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation.

Reserves estimates are normally presented alongside the range of level of certainties namely P1 (high level of certainty for proved reserves), P2 (mean level of certainty for probable reserves) and P3 (low level of certainty for possible reserves). The level of certainties depends on the availability and understanding of the geological and reservoir data available at the time of estimation and is normally represented in the form of a probability distribution.

The reserves are further subdivided into developed and undeveloped categories. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled, completed and production commences which would by then be classified as developed.

Estimation of reserves is reviewed annually. These estimates are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Such revisions will impact the Group's and the Company's reported financial position and results which include:

- (i) carrying value of oil and gas properties and their corresponding amortisation charges;
- (ii) carrying value of projects-in-progress;
- (iii) provisions for decommissioning and restoration; and
- (iv) carrying value of deferred tax assets/liabilities.

Impairment review of property, plant and equipment

As at 31 December 2020, the Group and the Company recognised impairment losses on certain property, plant and equipment amounting to RM25,702 million (2019: RM6,539 million) and RM2,092 million (2019: RM Nil) respectively. The impairment losses are primarily as a result of lower oil and gas price outlook.

In arriving at the impairment loss amounts, the carrying amount of each impaired cash-generating unit is compared with the recoverable amount of the cash-generating unit. The impairment write-back is limited only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's and the Company's recoverable amount for the relevant impaired and previously impaired cash-generating units of RM46,546 million (2019: RM41,193 million) and RM4,954 million (2019: RM7,110 million) respectively were determined from the value in use calculations using cash flow projections and fair value less cost to sell.

The Group and the Company use a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of market development. The projected cash flows were discounted using discount rates ranging between 5.1% and 17.4% (2019: 7.5% and 17.4%).

4. INVESTMENT PROPERTIES

Group 2020 <i>In RM Mil</i>	At 1.1.2020	Additions	Disposals
At cost:			
Freehold land	1,470	-	-
Leasehold land	-	-	-
Buildings	13,642	13	(2)
Projects-in-progress	443	101	(1)
	15,555	114	(3)

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	At 1.1.2020	Charge for the year	Disposals	Impairment loss
Accumulated depreciation and impairment losses:				
Buildings	6,841	431	(2)	12

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Group 2019 <i>In RM Mil</i>	At 1.1.2019	Additions
At cost:		
Freehold land	1,440	30
Buildings	13,599	42
Projects-in-progress	211	232
	15,250	304

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	At 1.1.2019	Charge for the year
Accumulated depreciation and impairment losses:		
Buildings	6,286	593

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4. INVESTMENT PROPERTIES (CONTINUED)

Group 2020 <i>In RM Mil</i>	Acquisition of a subsidiary	Translation exchange difference	At 31.12.2020
At cost:			
Freehold land	-	(1)	1,469
Leasehold land	990	-	990
Buildings	-	(65)	13,588
Projects-in-progress	1,127	-	1,670
	2,117	(66)	17,717

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	Acquisition of a subsidiary	Translation exchange difference	At 31.12.2020
Accumulated depreciation and impairment losses:			
Buildings	-	(33)	7,249

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Group 2019 <i>In RM Mil</i>	Transfers/ reclass	Translation exchange difference	At 31.12.2019
At cost:			
Freehold land	-	-	1,470
Buildings	-	1	13,642
Projects-in-progress	-	-	443
	-	1	15,555

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	Transfers/ reclass	Translation exchange difference	At 31.12.2019
Accumulated depreciation:			
Buildings	-	(38)	6,841

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4. INVESTMENT PROPERTIES (CONTINUED)

Group <i>In RM Mil</i>	Carrying amount	
	2020	2019
Freehold land	1,469	1,470
Leasehold land	990	-
Buildings	6,339	6,801
Projects-in-progress	1,670	443
	10,468	8,714

Fair value information

The Directors have estimated the fair value of investment properties as at 31 December 2020 to be RM19,905 million (2019: RM19,671 million).

The fair value of investment properties are categorised as follows:

Group <i>In RM Mil</i>	Level 3	
	2020	2019
Freehold land	1,815	1,850
Leasehold land	1,000	-
Buildings	17,090	17,821
	19,905	19,671

The Group uses various valuation techniques in determining the fair value of its investment properties. Such techniques include discounted cash flows method, investment method and market comparable method.

Leases as lessor

The Group via its subsidiary has entered into non-cancellable operating lease agreements for Government Office Buildings ("GOB") in accordance with the Concession Agreement ("CA") with the Government of Malaysia. Under the CA, the Group will construct various parcels of GOB on land belonging to the Government. Upon completion of each parcel, the Government will execute a 25-year lease agreement over the land of the said parcel to the Group. Simultaneously, the Group will sub-lease the same land and buildings to the Government for the same period in return for lease rentals based on predetermined rates per square foot per month. None of these leases include contingent rentals.

These leases have remaining period of non-cancellable lease terms between 6 and 22 years.

The future minimum lease receivable under non-cancellable operating leases contracted for a as at the reporting date but not recognised as receivables are as follows:

<i>In RM Mil</i>	Group	
	2020	2019
Less than one year	1,949	1,870
Between one and five years	10,353	10,727
More than five years	2,642	3,680
	14,944	16,277

5. LAND HELD FOR DEVELOPMENT

Included in land held for development is freehold land amounting to RM2,763 million (2019: RM2,776 million).

6. INVESTMENTS IN SUBSIDIARIES

<i>In RM Mil</i>	Company	
	2020	2019
Investments at cost		
- quoted shares	14,907	16,410
- unquoted shares	136,202	132,569
Fair value adjustments on loans and advances and financial guarantee	9,271	9,083
	160,380	158,062
Less: Impairment losses		
- unquoted shares	(4,884)	(4,833)
	155,496	153,229
Market value of quoted shares	85,385	93,800

Details of key subsidiaries are stated in Note 42 to the financial statements.

7. INVESTMENTS IN ASSOCIATES

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Investments at cost				
- quoted shares	263	263	302	302
- unquoted shares	6,220	6,440	-	-
Share of post-acquisition profits and reserves	2,034	2,261	-	-
	8,517	8,964	302	302
Less: Impairment losses				
- unquoted shares	(2,762)	(2,218)	-	-
	5,755	6,746	302	302
Market value of quoted shares	1,010	1,110	502	584

The Group's share of the current year losses and cumulative losses of certain associates amounting to RM32 million (2019: RM201 million) and RM132 million (2019: RM100 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates since the Group has no obligation in respect of these losses.

Summarised financial information has not been included as the associates are not individually material to the Group.

Details of key associates are stated in Note 43 to the financial statements.

8. INVESTMENT IN JOINT VENTURES

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Investments at cost				
- unquoted shares	5,009	6,737	475	624
Fair value adjustments on financial guarantee	377	377	377	377
Share of post-acquisition profits and reserves	1,544	2,131	-	-
	6,930	9,245	852	1,001
Less: Impairment losses	(86)	(89)	(9)	(9)
	6,844	9,156	843	992
Share of joint ventures' contingent liabilities:				
Claims filed by/disputes with various parties	(12)	(13)	(12)	(13)

The Group's share of the current year and cumulative losses of certain joint ventures amounting to RM48 million (2019: RM57 million) and RM584 million (2019: RM511 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these joint ventures exceeded the carrying amount of its investment in these joint ventures since the Group has no obligation in respect of these losses. The investments in these joint ventures have been fully impaired in the respective companies' financial statements.

The shares of a joint venture are pledged as a security for a borrowing taken by a joint arrangement entity.

Summarised financial information has not been included as the joint ventures are not individually material to the Group.

Details of key joint ventures are stated in Note 44 to the financial statements.

9. INTANGIBLE ASSETS

Group 2020 <i>In RM Mil</i>	At	Additions	Write-offs	Effect upon finalisation of purchase price allocation
	1.1.2020			
At cost:				
Goodwill	6,833	-	-	(327)
Exploration expenditure	25,001	2,095	(1,864)	-
Other intangible assets	35,990	992	(39)	498
	67,824	3,087	(1,903)	171

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	At	Charge for	Write-offs
Accumulated amortisation and impairment losses:	1.1.2020	the year	
Goodwill	552	-	-
Exploration expenditure	12,129	-	(143)
Other intangible assets	28,883	1,422	(19)
	41,564	1,422	(162)

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2019 <i>In RM Mil</i>	At	Additions	Disposals/ write-offs
	1.1.2019		
At cost:			
Goodwill	5,691	-	-
Exploration expenditure	24,426	1,985	(996)
Other intangible assets	31,017	5,048	(14)
	61,134	7,033	(1,010)

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	At	Charge for	Disposals/ write-offs
Accumulated amortisation and impairment losses:	1.1.2019	the year	
Goodwill	561	-	-
Exploration expenditure	11,828	-	-
Other intangible assets	26,232	2,778	(8)
	38,621	2,778	(8)

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9. INTANGIBLE ASSETS (CONTINUED)

Group 2020 In RM Mil	Acquisition of a subsidiary	Transfers	Translation exchange difference	At 31.12.2020
At cost:				
Goodwill	75	-	(36)	6,545
Exploration expenditure	-	(309)	(394)	24,529
Other intangible assets	-	-	(10)	37,431
	75	^(309)	(440)	68,505

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Accumulated amortisation and impairment losses:	Impairment loss	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2020
Goodwill	864	-	-	(28)	1,388
Exploration expenditure	3,973	-	-	36	15,995
Other intangible assets	1,336	-	-	(544)	31,078
	6,173	-	-	(536)	48,461

continued from previous page

2019 In RM Mil	Acquisition of a subsidiary	Transfers	Translation exchange difference	At 31.12.2019
At cost:				
Goodwill	1,129	36	(23)	6,833
Exploration expenditure	-	(540)	126	25,001
Other intangible assets	294	26	(381)	35,990
	1,423	^{b,c} (478)	(278)	67,824

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Accumulated amortisation and impairment losses:	Impairment loss	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2019
Goodwill	-	-	-	(9)	552
Exploration expenditure	328	-	-	(27)	12,129
Other intangible assets	154	12	21	(306)	28,883
	482	12	^{c,d} 21	(342)	41,564

continued from previous page

a Includes net transfer out to property, plant and equipment of RM309 million.
b Includes net transfer out to property, plant and equipment of RM531 million and transfer in from assets held for sale of RM18 million.
c Includes reclassification of certain assets from cost to accumulated depreciation of RM35 million.
d Includes transfer out to property, plant and equipment of RM14 million.

9. INTANGIBLE ASSETS (CONTINUED)

Company 2020 In RM Mil	At 1.1.2020	Transfers	Write-offs	At 31.12.2020
At cost:				
Other intangible assets	-	66	(20)	46

Accumulated amortisation:	At 1.1.2020	Charge for the year	Write-offs	At 31.12.2020
Other intangible assets	-	10	-	10

Carrying amount In RM Mil	Group			Company
	2020	2019	2020	2019
Goodwill	5,157	6,281	-	-
Exploration expenditure	8,534	12,872	-	-
Other intangible assets	6,353	7,107	36	-
	20,044	26,260	36	-

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units which represent the lowest level within the Group and at which the goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the value in use is deemed to be the recoverable amount.

Included in goodwill is an amount of RM3,987 million (2019: RM3,987 million) arising from the acquisition of PETRONAS Lubricants Italy S.p.A Group ("PLI Group"). The recoverable amount of PLI Group unit was based on its value in use and was determined with the assistance of an independent valuer. The value in use was determined by using the discounted cash flow method based on management's business plan cash flow projections for five financial years from 2021 to 2025, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of Nil (2019: Nil) and is discounted to present value using discount rate of between 6.7% and 7.2% (2019: 5.9% and 7.2%).

Based on the above, the carrying amount of the unit was determined to be higher than its recoverable amount and therefore, an impairment of RM864 million was recognised. The above estimates are sensitive in the following areas:

- A decrease of 0.5 percentage point in long term growth rate used would have increased the impairment by RM248 million.
- An increase of 0.5 percentage point in discount rate used would have increased the impairment by RM327 million.

9. INTANGIBLE ASSETS (CONTINUED)

Impairment review of goodwill (continued)

The value in use of other remaining goodwill is derived from the respective cash-generating units' business plan cash flow projections, adjusted with an estimated terminal value. The cash flows assumes a long term average growth rate of the respective industries those units are engaged in and are discounted to present value using discount rate of 6.9% (2019: 6.9%).

Based on the above, the recoverable amount of other goodwill of certain units were determined to be higher than their carrying amount, thus no impairment loss was recognised during the year.

Impairment review of exploration expenditure

As at 31 December 2020, the Group recognised net impairment losses on certain exploration expenditure amounting to RM3,973 million (2019: RM328 million) related to an oil and gas exploration cash-generating unit and certain wells no longer capable of commercial development. The impairment on well costs will be subsequently written off in accordance with the policy set out in Note 2.10.

10. LONG-TERM RECEIVABLES

In RM Mil	Note	Group		Company	
		2020	2019	2020	2019
Term loans and advances:					
Loans and advances due from subsidiaries	10.1	-	-	89,668	93,649
Loans and advances due from associates and joint ventures	10.2	7,138	6,225	5,795	5,061
		7,138	6,225	95,463	98,710
Contract assets	10.3	13	8	-	-
Net investment in lease	10.4	9,670	9,331	-	-
Other receivables and prepayments	10.5	5,450	5,869	25,482	23,284
Derivative assets	12	59	12	-	-
		22,330	21,445	120,945	121,994
Less: Allowance for impairment losses					
- Term loans and advances		(975)	(919)	(516)	(163)
- Other receivables and prepayments		(123)	(143)	-	-
		21,232	20,383	120,429	121,831

10.1 Included in the Company's loans and advances due from subsidiaries is an amount of RM88,049 million (2019: RM92,320 million), which bears interest at rates ranging from 0.46% - 5.20% (2019: 2.00% to 5.40%) per annum.

10.2 Included in the Group's and the Company's loans and advances due from associates and joint ventures is an amount of RM7,079 million (2019: RM6,225 million) and RM5,795 million (2019: RM5,061 million), which bear interest at rates ranging from 2.24% to 10.00% (2019: 3.91% to 10.00%) and 2.24% (2019: 3.91%) per annum respectively.

10. LONG-TERM RECEIVABLES (CONTINUED)

10.3 Contract assets represent revenue attributable to a concession arrangement entered into by a subsidiary of the Group with the Government of Malaysia to construct government buildings on a Build-Lease-Maintain-Transfer basis. The concession period is 28 years and six months commencing from the construction date.

The Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets is more than one year.

10.4 Net investment in lease

Net investment in lease represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets and office buildings, both entered by subsidiaries of the Group.

In RM Mil	2020	Group 2019
At 1 January	9,331	10,272
Addition	1,261	150
Interest income	5	7
Lease payments received	(927)	(1,341)
Others	-	243
At 31 December	9,670	9,331

In RM Mil	2020	Group 2019
Minimum lease receivables:		
Not later than 1 year	1,597	1,754
Later than 1 year and not later than 2 years	1,476	1,658
Later than 2 years and not later than 5 years	4,029	4,309
Later than 5 years	7,678	6,366
	14,780	14,087
Less: Future finance income	(4,079)	(3,669)
Less: Allowance for impairment losses	(55)	(10)
Present value of finance lease assets	10,646	10,408
Present value of finance lease assets:		
Not later than 1 year	976	1,077
Later than 1 year and not later than 2 years	923	1,115
Later than 2 years and not later than 5 years	2,697	3,061
Later than 5 years	6,105	5,165
	10,701	10,418
Less: Allowance for impairment losses	(55)	(10)
	10,646	10,408
Analysed as:		
Due within 12 months (Note 15)	976	1,077
Due after 12 months	9,670	9,331
	10,646	10,408

10. LONG-TERM RECEIVABLES (CONTINUED)

10.4 Net investment in lease (continued)

The following table sets out a maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

<i>In RM Mil</i>	Group	
	2020	2019
Less than one year	1,661	1,842
One to two years	1,510	1,658
Two to three years	1,472	1,456
Three to four years	1,405	1,462
Four to five years	1,994	2,063
More than five years	7,291	7,042
Total undiscounted lease payments	15,333	15,523
Unearned interest income	(4,074)	(3,672)
Net investment in lease	11,259	11,851

The effective interest rate of the Group's lease receivables is between 3.75% to 7.57% (2019: 4.10% to 7.60%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM32 million (2019: RM17 million).

10.5 Included in the Company's other receivables and prepayments is abandonment cess contribution to the Abandonment Cess Fund ("ACF"), which is reimbursable to the Company upon execution of the abandonment of the oil and gas properties in accordance with the terms of the production sharing contracts ("PSCs") as described in Note 38. The amount of cess payable to the PSC Contractors is disclosed in Note 23.

11. FUND AND OTHER INVESTMENTS

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Non-current				
Fair value through profit or loss				
Unquoted shares	63	65	-	-
Quoted securities	41	48	-	-
Other unquoted securities	191	57	-	-
	295	170	-	-
Fair value through other comprehensive income				
Quoted shares	-	418	-	-
Unquoted shares	187	178	73	73
	187	596	73	73
Amortised cost				
Long-term deposits	127	1,163	90	977
Unquoted securities	400	-	230	-
	527	1,163	320	977
Total non-current investments	1,009	1,929	393	1,050
Current				
Fair value through profit or loss				
Quoted securities	140	135	-	-
Quoted shares	1,106	739	6	7
Corporate Bonds and Sukuk	8,219	7,198	4,812	3,467
Malaysian Government Securities	290	610	254	518
	9,755	8,682	5,072	3,992
Fair value through other comprehensive income				
Quoted shares	24	28	-	-
Total current investments	9,779	8,710	5,072	3,992
Total fund and other investments	10,788	10,639	5,465	5,042
Representing items:				
At amortised cost	527	1,163	320	977
At fair value	10,261	9,476	5,145	4,065
	10,788	10,639	5,465	5,042

Included in fund and other investments of the Group is an amount of RM2,151 million (2019: RM2,122 million) which are held for the purpose of future decommissioning activities of oil and gas properties.

Included in Corporate Bonds and Sukuk of the Company are securities issued by subsidiaries and a joint venture amounting to RM381 million (2019: RM355 million).

12. DERIVATIVE ASSETS/(LIABILITIES)

In RM Mil	Note	Group		Company	
		2020	2019	2020	2019
Derivative assets					
Non-current					
Interest rate swaps		7	9	-	-
Forward foreign exchange contracts		52	3	-	-
		59	12	-	-
Current					
Commodity swaps		11	2	-	-
Forward gas contracts		327	585	-	-
Forward foreign exchange contracts		94	58	17	10
Forward oil/gas price swaps		34	142	-	-
		466	787	17	10
Included within:					
Long-term receivables	10	59	12	-	-
Trade and other receivables	15	466	787	17	10
		525	799	17	10
Derivative liabilities					
Non-current					
Interest rate swaps		(546)	(167)	-	-
Forward foreign exchange contracts		-	(19)	-	-
		(546)	(186)	-	-
Current					
Commodity swaps		(12)	(27)	-	-
Forward oil/gas contracts		(651)	(359)	-	-
Forward foreign exchange contracts		(53)	(55)	(21)	(18)
Forward oil/gas price swaps		(933)	(14)	-	-
		(1,649)	(455)	(21)	(18)
Included within:					
Other long-term liabilities and provisions	23	(546)	(186)	-	-
Trade and other payables	24	(1,649)	(455)	(21)	(18)
		(2,195)	(641)	(21)	(18)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

Certain subsidiaries of the Group adopt hedge accounting whereby hedges meeting the criteria for hedge accounting are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the profit or loss. As at 31 December 2020, the balance recognised under capital reserves in equity amounts to RM1,429 million (2019: RM73 million). As these amounts are not material to the Group, no full disclosure of hedge accounting is presented in the Group's financial statements.

13. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

In RM Mil	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Group						
Property, plant and equipment	9,511	1,577	(20,775)	(12,963)	(11,264)	(11,386)
Lease liabilities	2,023	455	-	-	2,023	455
Unused tax losses	10,765	7,532	-	-	10,765	7,532
Unabsorbed capital allowances	1,874	2,466	-	-	1,874	2,466
Unused reinvestment allowances	435	210	-	-	435	210
Unused investment tax allowances	5,254	4,044	-	-	5,254	4,044
Provision for decommissioning of oil and gas properties	3,834	4,543	-	-	3,834	4,543
Others	1,232	546	(1,986)	(435)	(754)	111
Tax assets/(liabilities)	34,928	21,373	(22,761)	(13,398)	12,167	7,975
Set off tax	(14,306)	(800)	14,306	800	-	-
Net tax assets/(liabilities)	20,622	20,573	(8,455)	(12,598)	12,167	7,975
Company						
Property, plant and equipment	225	224	(979)	(1,000)	(754)	(776)
Unused tax losses	2,692	6,303	-	-	2,692	6,303
Unabsorbed capital allowances	34	55	-	-	34	55
Provision for decommissioning of oil and gas properties	4,302	4,164	-	-	4,302	4,164
Others	169	181	-	-	169	181
Tax assets/(liabilities)	7,422	10,927	(979)	(1,000)	6,443	9,927
Set off tax	(979)	(1,000)	979	1,000	-	-
Net tax assets/(liabilities)	6,443	9,927	-	-	6,443	9,927

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

In RM Mil	Group		Company	
	2020	2019	2020	2019
Deductible temporary differences	1,430	431	-	-
Unabsorbed capital allowances	2,732	1,013	-	-
Unused tax losses	54,378	36,119	20,599	781
Unused reinvestment allowances	27	-	-	-
Unused investment tax allowances	163	267	-	-
	58,730	37,830	20,599	781

13. DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets (continued)

In accordance with the provision of Malaysian Finance Act 2018, the unused tax losses are available for utilisation in the next seven years. Any excess at the end of the seventh year will be disregarded. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefits.

Unabsorbed capital allowances and unused investment tax allowances do not expire under current tax legislation.

The Group and the Company have unused tax losses carried forward of approximately RM99,232 million (2019: RM67,502 million) and RM31,816 million (2019: RM27,044 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

The Group also has unabsorbed capital allowances, unused investment tax allowances and unused reinvestment allowances of approximately RM10,540 million (2019: RM11,288 million), RM22,055 million (2019: RM17,117 million) and RM1,840 million (2019: RM875 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Group 2020 <i>In RM Mil</i>	At 1.1.2020	Charged/ (credited) to profit or loss	Acquisition of subsidiaries	Equity	Translation exchange difference	At 31.12.2020
Deferred tax liabilities						
Property, plant and equipment	12,963	8,040	1	13	(242)	20,775
Others	435	1,674	-	3	(126)	1,986
	13,398	9,714	1	16	(368)	22,761
Deferred tax assets						
Property, plant and equipment	(1,577)	(7,844)	-	40	(130)	(9,511)
Lease liabilities	(455)	(1,514)	-	-	(54)	(2,023)
Unused tax losses	(7,532)	(3,548)	-	21	294	(10,765)
Unabsorbed capital allowances	(2,466)	571	-	16	5	(1,874)
Unused reinvestment allowances	(210)	(225)	-	-	-	(435)
Unused investment tax allowances	(4,044)	(1,249)	-	-	39	(5,254)
Provision for decommissioning of oil and gas properties	(4,543)	713	-	-	(4)	(3,834)
Others	(546)	(636)	(1)	3	(52)	(1,232)
	(21,373)	(13,732)	(1)	80	98	(34,928)
Total	(7,975)	(4,018)	-	96	(270)	(12,167)

a,b Includes reclassification between deferred tax liabilities and deferred tax assets.

13. DEFERRED TAX (CONTINUED)

Group 2019 <i>In RM Mil</i>	At 1.1.2019	Charged/ (credited) to profit or loss	Equity	Translation exchange difference	At 31.12.2019
Deferred tax liabilities					
Property, plant and equipment	14,773	(2,139)	386	(57)	12,963
Others	603	(18)	(163)	13	435
	15,376	(2,157)	223	(44)	13,398
Deferred tax assets					
Property, plant and equipment	(660)	(902)	(19)	4	(1,577)
Lease liabilities	(114)	(345)	-	4	(455)
Unused tax losses	(7,736)	202	-	2	(7,532)
Unabsorbed capital allowances	(2,459)	362	(373)	4	(2,466)
Unused reinvestment allowances	(218)	8	-	-	(210)
Unused investment tax allowances	(3,413)	(678)	47	-	(4,044)
Provision for decommissioning of oil and gas properties	(4,397)	(145)	-	(1)	(4,543)
Others	(648)	71	18	13	(546)
	(19,645)	(1,427)	(327)	26	(21,373)
Total	(4,269)	(3,584)	(104)	(18)	(7,975)

Company 2020 <i>In RM Mil</i>	At 1.1.2020	(Credited)/ charged to profit or loss	At 31.12.2020
Deferred tax assets			
Property, plant and equipment	776	(22)	754
Unused tax losses	(6,303)	3,611	(2,692)
Unabsorbed capital allowances	(55)	21	(34)
Provision for decommissioning of oil and gas properties	(4,164)	(138)	(4,302)
Others	(181)	12	(169)
	(9,927)	3,484	(6,443)

Company 2019 <i>In RM Mil</i>	At 1.1.2019	(Credited)/ charged to profit or loss	At 31.12.2019
Deferred tax assets			
Property, plant and equipment	1,041	(265)	776
Unused tax losses	(6,005)	(298)	(6,303)
Unabsorbed capital allowances	(79)	24	(55)
Provision for decommissioning of oil and gas properties	(4,019)	(145)	(4,164)
Others	(288)	107	(181)
	(9,350)	(577)	(9,927)

14. TRADE AND OTHER INVENTORIES

In RM Mil	Group		Company	
	2020	2019	2020	2019
Crude oil and condensates	2,252	2,723	21	22
Petroleum products	4,021	4,838	-	-
Petrochemical products	672	854	-	-
Liquefied natural gas	908	1,541	-	150
Stores, spares and others	2,563	2,415	1	1
Developed properties held for sale	712	547	-	-
Properties under development	1,363	1,529	-	-
	12,491	14,447	22	173
Recognised in profit or loss:				
Inventories recognised as cost of sales	63,884	83,771	-	-

15. TRADE AND OTHER RECEIVABLES

In RM Mil	Note	Group		Company	
		2020	2019	2020	2019
Trade					
Trade receivables		22,199	28,703	2,845	3,695
Amount due from:					
- subsidiaries		-	-	7,853	11,913
- associates and joint ventures		5,078	810	171	-
Contract assets		660	457	-	-
Less: Allowance for impairment losses					
- Trade receivables	39	(2,201)	(2,589)	(375)	(376)
- Amount due from subsidiaries		-	-	(3)	(8)
- Amount due from associates and joint ventures		(8)	(1)	-	-
		25,728	27,380	10,491	15,224
Non-trade					
Other receivables, deposits and prepayments		14,910	12,059	1,812	1,872
Amount due from:					
- subsidiaries		-	-	2,148	2,282
- associates and joint ventures		542	1,732	7	17
Tax recoverable		281	428	-	-
Net investment in lease	10	976	1,077	-	-
Derivative assets	12	466	787	17	10
Less: Allowance for impairment losses					
- Amount due from subsidiaries		-	-	(151)	(159)
- Other receivables, deposits and prepayments		(2,320)	(2,178)	(14)	(15)
		14,855	13,905	3,819	4,007
		40,583	41,285	14,310	19,231

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Amount due from subsidiaries, associates and joint ventures arose in the normal course of business.

Contract assets are mainly in relation to sale of property development whereby they represent the timing differences in revenue recognition and the milestone billings. The milestone billings are either governed by the relevant regulations or structured and/or negotiated with customers and stated in the contracts.

Tax recoverable is subject to the agreement with the relevant tax authorities.

16. ASSETS CLASSIFIED AS HELD FOR SALE

In RM Mil	Group	
	2020	2019
Vessels	5	125
Land and buildings	13	229
Plant and equipment	-	44
	18	398

The above amount represents carrying values of net assets owned by the Group with the intention of disposal in the immediate future.

Fair value information

In accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets classified as held for sale were written down to their fair value less costs to sell.

The fair value of assets classified as held for sale are categorised as level 3.

The assets classified as held for sale are stated at fair value, and are determined based on the following:

Vessels

The fair value of the vessels has been determined based on market comparable approach including the sale price offered by potential buyer.

Land and buildings

The fair value of land and buildings has been generally derived using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Plant and equipment

The fair value of plant and equipment is determined based on the contracted price agreed with potential purchaser.

17. CASH AND CASH EQUIVALENTS

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Cash and bank balances	9,094	12,721	2,228	3,359
Deposits placed	121,429	128,901	92,457	103,342
	130,523	141,622	94,685	106,701
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	-	-	(40,574)	(50,740)
	130,523	141,622	54,111	55,961

The Company manages the cash and cash equivalents on behalf of certain subsidiaries through its Integrated Financial Shared Service Centre in order to allow for more efficient management of cash. The cash and cash equivalents reported in the Company's financial statements do not include the amounts managed on behalf of the subsidiaries.

Included in cash and bank balances of the Group and the Company are interest-bearing balances amounting to RM7,504 million (2019: RM10,779 million) and RM2,228 million (2019: RM3,359 million) respectively.

Included in cash and bank balances of the Group is the retention account of RM1,303 million (2019: RM1,290 million) which is restricted for use because it is pledged to the bank for the purpose of acquisition of vessels.

Included in cash and bank balances of the Group are RM21 million (2019: RM Nil) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

Included in deposits with banks of the Group is an amount of RM21,062 million (2019: RM18,063 million) which is held for the purpose of future decommissioning activities of oil and gas properties.

Included in deposits placed with banks of the Group is an amount of RM1 million (2019: RM2 million) being deposits held under designated accounts for redemption of Islamic Financing Facilities.

Included in deposits placed with banks of the Group is an amount of RM335 million (2019: RM70 million) which is restricted for certain payments under the requirements of the borrowing facilities agreement.

18. SHARE CAPITAL

<i>In RM Mil</i>	Company	
	2020	2019
Issued and fully paid shares with no par value classified as equity instrument:		
100,000 ordinary shares of RM1,000 each	100	100

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Ordinary share has no par value.

19. RESERVES

The Company has sufficient retained profits to distribute the following dividends:

- Dividends paid out of income derived from petroleum operations which are not chargeable to tax pursuant to the Petroleum (Income Tax) Act, 1967.
- Single tier dividends paid out of income derived from other operations other than petroleum which are exempt in the hands of shareholder pursuant to Paragraph 12B, Schedule 6 of the Income Tax Act, 1967.
- Exempt dividends paid out of income which are exempt pursuant to Section 12 of Income Tax (Amendment) Act, 1999, Paragraph 28, Schedule 6 and Schedule 7A of the Income Tax Act, 1967.

Capital and other reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries. Other reserves comprise primarily gain or loss on the hedging instrument in the cash flow hedge that is determined to be an effective hedge and the Group's share of its associate and joint venture companies' reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

Fair value through other comprehensive income reserve

This reserve records the changes in fair value of equity securities designated at fair value through other comprehensive income. On disposal or impairment of equity securities, the cumulative changes in fair value are transferred to the retained profits.

General reserve

General reserve represents appropriation of retained profits for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

20. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

21. BORROWINGS

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Non-current				
Secured				
Term loans	14,097	9,749	-	-
Islamic financing facilities	1,547	1,750	-	-
Lease liabilities	11,324	12,603	7,268	4,417
Total non-current secured borrowings	26,968	24,102	7,268	4,417
Unsecured				
Term loans	768	4,812	-	-
Notes and Bonds	45,014	21,371	45,014	21,371
Islamic financing facilities	4,058	3,137	-	-
Total non-current unsecured borrowings	49,840	29,320	45,014	21,371
Total non-current borrowings	76,808	53,422	52,282	25,788
Current				
Secured				
Term loans	1,923	3,699	-	-
Islamic financing facilities	776	644	-	-
Lease liabilities	1,405	1,063	572	344
Total current secured borrowings	4,104	5,406	572	344
Unsecured				
Term loans	2,809	2,051	-	-
Islamic financing facilities	770	5,654	-	5,121
Revolving credits	1,384	1,347	-	-
Bankers' acceptances	1,656	449	-	-
Bank overdrafts	698	409	-	-
Total current unsecured borrowings	7,317	9,910	-	5,121
Total current borrowings	11,421	15,316	572	5,465
Total borrowings	88,229	68,738	52,854	31,253

21. BORROWINGS (CONTINUED)

Terms and debt repayment schedule

Group <i>In RM Mil</i>	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Term loans	16,020	1,923	2,203	4,669	7,225
Islamic financing facilities	2,323	776	196	614	737
Lease liabilities	12,729	1,405	1,555	2,667	7,102
	31,072	4,104	3,954	7,950	15,064
Unsecured					
Term loans	3,577	2,809	122	498	148
Notes and Bonds	45,014	-	7,044	6,009	31,961
Islamic financing facilities	4,828	770	574	1,909	1,575
Revolving credits	1,384	1,384	-	-	-
Bankers' acceptances	1,656	1,656	-	-	-
Bank overdrafts	698	698	-	-	-
	57,157	7,317	7,740	8,416	33,684
	88,229	11,421	11,694	16,366	48,748
Company					
Secured					
Lease liabilities	7,840	572	442	1,505	5,321
Unsecured					
Notes and Bonds	45,014	-	7,044	6,009	31,961
	52,854	572	7,486	7,514	37,282

Islamic financing facilities

Details of Islamic financing facilities are included in Note 22.

21. BORROWINGS (CONTINUED)

Secured term loans

The secured term loans obtained by the subsidiaries and joint operation company primarily comprise:

In Mil	Securities	2020	2019
USD Term loans	Secured by way of a charge over certain vessels, property, plant and equipment, together with charter agreements and insurance of the relevant assets of certain subsidiaries, as well as ordinary shares and land lease rights of joint arrangement entities.	US\$4,715	US\$2,364
RM Term loans	Secured by way of a charge over certain property, plant and equipment and investment properties and insurance of the relevant property, plant and equipment of certain subsidiaries.	RM877	RM477

The secured term loans bear interest at rates ranging from 0.84% to 4.49% (2019: 1.10% to 4.49%) per annum and are fully repayable at their various due dates from 2021 to 2034.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

In Mil	2020	2019
USD Term loans	US\$1,277	US\$3,490
EUR Term loans	€436	€436

These unsecured term loans bear interest at rates ranging from 0.30% to 5.40% (2019: 0.39% to 6.50%) per annum and are fully repayable at their various due dates from 2021 to 2023.

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprises:

In Mil	2020	2019
USD Notes and Bonds:		
7 7/8% Notes due 2022 [^]	US\$1,000	US\$1,000
3 1/8% Guaranteed Notes due 2022 [^]	US\$750	US\$750
3 1/2% Guaranteed Notes due 2025 [^]	US\$1,500	US\$1,500
7 5/8% Bonds due 2026 [#]	US\$500	US\$500
4 1/2% Guaranteed Notes due 2045 [^]	US\$1,500	US\$1,500
3 1/2% Guaranteed Notes due 2030 [^]	US\$2,250	-
4 4/5% Guaranteed Notes due 2060 [^]	US\$1,000	-
4 11/20% Guaranteed Notes due 2050 [^]	US\$2,750	-

Obtained by the Company.

[^] Obtained by the Company via a subsidiary.

21. BORROWINGS (CONTINUED)

Unsecured revolving credits and bank overdrafts

The unsecured revolving credits and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 2.19% to 7.60% (2019: 1.00% to 7.60%) per annum.

Unsecured Notes and Bonds

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the bondholders:

- (i) not to allow any material indebtedness (the minimum aggregate amount exceeding USD30,000,000 for seven 7/8% Guaranteed Notes due 2022 and USD200,000,000 for the remaining Guaranteed Notes or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any guarantee of the Company for material indebtedness of any other person is not discharged at maturity or when validly called or the Company goes into default;
- (ii) the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed 10% of the consolidated net tangible assets;
- (iii) the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstanding would not exceed 10% of the Company's consolidated net tangible assets provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations hereunder and which are not secured by any security interest, an amount to the greater of:
 - the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or
 - the fair market value of the property or other assets so leased as determined by the Company;
- (iv) neither the Company nor PETRONAS Capital Limited ("PCL"), without consent of a majority bondholders may consolidate with, or merge into, or sell, transfer, lease or convey substantially all of its assets to any corporation unless any successor corporation expressly assumes the obligations of the Company or PCL, as the case may be under the Notes and Bonds.

22. ISLAMIC FINANCING FACILITIES

Secured Islamic financing facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

<i>In RM Mil</i>	2020	2019
Al Bai' bithaman Ajil Facilities	300	300
Bai' Al-Dayn Note Issuance Facilities	206	206
Murabahah Medium Term Notes	1,510	1,510

The secured Islamic financing facilities bear a yield payable/profit rate ranging from 4.15% to 7.25% (2019: 4.15% to 7.25%) per annum and are fully repayable at their various due dates from 2021 to 2026.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured Islamic financing facilities

The unsecured Islamic financing facilities obtained by the subsidiaries comprise:

<i>In Mil</i>	2020	2019
Murabahah Note Issuance Facilities	-	RM5
Murabahah Note Issuance Facilities	RMB216	RMB216
Sukuk Musyarakah	RM5,682	RM3,982
Bai' Al-Dayn Note Issuance Facilities	-	RM25
Trust Certificates [^]	-	US\$1,250

[^] Obtained by the Company via a subsidiary.

The unsecured Islamic financing facilities bear a yield payable ranging from 3.50% to 6.17% (2019: 2.71% to 6.17%) per annum and are fully repayable at their various due dates from 2021 to 2040.

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Provision for decommissioning of:				
- oil and gas properties	39,764	36,663	17,159	15,740
- other property, plant and equipment	1,364	407	-	-
Financial guarantees	-	-	-	16
Derivative liabilities (Note 12)	546	186	-	-
Contract liabilities	1,201	1,585	8,016	8,792
Others	8,181	5,645	11,631	9,761
	51,056	44,486	36,806	34,309

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS (CONTINUED)

Provision for decommissioning of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to abandon a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. In the case of provision for decommissioning of oil and gas properties, the obligation is stipulated in production sharing contracts ("PSC") as described in Note 38.

Included in other long-term liabilities of the Group and the Company are amount of abandonment cess payable to the PSC Contractors of RM3,834 million and RM11,471 million (2019: RM3,143 million and RM9,743 million) respectively as described in Note 38.

The provision recognised is the present value of the Group's and the Company's obligations of the estimated future costs determined in accordance with current conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in Note 2.4. The increase in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Most of these removal events are many years in the future and precise requirements that will have to be met when the removal events actually occur are uncertain. The actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, therefore, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes. The interest rate and inflation rate used to determine the significant obligations as at 31 December 2020 range from 0.88% to 7.17% (2019: 0.41% to 8.00%) and 0.90% to 4.31% (2019: 1.15% to 4.67%) respectively.

Changes in the expected future costs are reflected in both the provision and the asset.

The movements of provision for decommissioning during the financial year are as follows:

<i>In RM Mil</i>	Group	Company
At 1 January 2020	37,070	15,740
Addition	1,410	17
Net changes in provision	2,301	1,031
Transfer to current liabilities	(472)	-
Provision utilised	(463)	(161)
Unwinding of discount	1,282	532
At 31 December 2020	41,128	17,159

Net changes in provision include foreign exchange gains or losses arising from retranslation of the provision and are adjusted against the carrying amount of the corresponding asset accordingly.

During the year, the Group and the Company revised the provision for decommissioning of oil and gas properties resulting from changes in estimated cash flows. The adjustment was accounted for prospectively as a change in accounting estimates resulting in the following:

<i>In RM Mil</i>	Group	Company
Increase in provision for decommissioning	2,301	1,031
Increase in cost of property, plant and equipment	2,670	2,126
Increase in profits	369	1,095

24. TRADE AND OTHER PAYABLES

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Trade payables	9,489	16,884	1,272	1,843
Other payables	31,327	35,511	7,110	9,700
Contract liabilities	8	2	-	-
Amount due to:				
- subsidiaries	-	-	3,541	5,844
- associates and joint ventures	1,255	1,116	10	11
Derivative liabilities (Note 12)	1,649	455	21	18
	43,728	53,968	11,954	17,416

Included in other payables of the Group are amounts owing to suppliers, contractors and joint operation partners mainly arose in the normal course of business as well as purchase of property, plant and equipment and cash payment to Federal and State Governments of Malaysia.

Included in other payables of the Company are financial guarantees amounting to RM32 million (2019: RM Nil).

Amount due to subsidiaries, associates and joint ventures arose in the normal course of business.

25. REVENUE

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Revenue from contracts with customers	168,436	226,439	58,597	85,109
Other revenue				
- shipping and shipping related services	2,577	2,780	-	-
- rental of properties	2,090	2,372	-	-
- rendering of services	1,044	1,105	404	1,275
- others	448	1,266	1,172	2,877
	6,159	7,523	1,576	4,152
- dividend income				
Quoted				
- subsidiaries	-	-	3,252	3,754
- associates	-	-	13	24
- investments	23	23	1	1
Unquoted				
- subsidiaries	-	-	7,752	24,910
- associates and joint ventures	22	521	130	142
- investments	-	19	-	19
	45	563	11,148	28,850
- interest income	4,101	5,738	2,139	3,091
Total revenue	178,741	240,263	73,460	121,202

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets and major products/services lines.

Group 2020 <i>In RM Mil</i>	Upstream	Gas and New Energy	Downstream	Corporate and others	Total
Primary geographical markets					
- Asia	11,467	19,684	23,950	-	55,101
- Malaysia	2,875	13,150	29,532	4,209	49,766
- Japan	606	16,203	776	-	17,585
- South Africa	-	-	14,894	-	14,894
- Rest of the world ^a	12,216	4,305	14,569	-	31,090
	27,164	53,342	83,721	4,209	168,436
Major products/services lines					
- Petroleum products	251	-	62,454	-	62,705
- Crude oil and condensates	19,147	227	4,336	-	23,710
- Liquefied natural gas	-	37,668	1	-	37,669
- Natural and processed gas	7,377	14,871	57	-	22,305
- Petrochemical products	-	-	14,177	-	14,177
- Construction contracts	-	-	-	1,125	1,125
- Sales of properties	-	-	-	117	117
- Others	389	576	2,696	2,967	6,628
	27,164	53,342	83,721	4,209	168,436
Revenue from contracts with customers	27,164	53,342	83,721	4,209	168,436
Other revenue	1,570	1,279	462	6,994	10,305
Total revenue	28,734	54,621	84,183	11,203	178,741

a Comprises revenue individually not material.

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Group 2019 In RM Mil	Upstream	Gas and New Energy	Downstream	Corporate and others	Total
Primary geographical markets					
- Asia	15,139	27,461	27,511	-	70,111
- Malaysia	5,465	20,644	43,185	5,276	74,570
- Japan	525	18,871	1,319	-	20,715
- South Africa	-	-	21,922	-	21,922
- Rest of the world ^a	13,877	5,605	19,639	-	39,121
	35,006	72,581	113,576	5,276	226,439
Major products/services lines					
- Petroleum products	313	-	85,249	-	85,562
- Crude oil and condensates	25,480	147	10,165	-	35,792
- Liquefied natural gas	-	51,298	-	-	51,298
- Natural and processed gas	8,511	20,453	118	-	29,082
- Petrochemical products	-	-	16,022	-	16,022
- Construction contracts	-	-	-	738	738
- Sales of properties	-	-	-	232	232
- Others	702	683	2,022	4,306	7,713
	35,006	72,581	113,576	5,276	226,439
Revenue from contracts with customers	35,006	72,581	113,576	5,276	226,439
Other revenue	2,760	2,085	581	8,398	13,824
Total revenue	37,766	74,666	114,157	13,674	240,263

a Comprises revenue individually not material.

25. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (continued)

Company In RM Mil	2020	2019
Primary geographical markets		
- Asia	6,160	10,608
- Malaysia	49,246	70,225
- Japan	530	606
- South Africa	-	362
- Rest of the world	2,661	3,308
	58,597	85,109
Major products/services lines		
- Crude oil and condensates	23,921	39,402
- Liquefied natural gas	3,269	4,146
- Natural and processed gas	31,407	41,561
	58,597	85,109
Revenue from contracts with customers	58,597	85,109
Other revenue	14,863	36,093
Total revenue	73,460	121,202

Nature of goods and services

Sales of oil and gas products

Revenue from sales of oil and gas products namely petroleum products, crude oil and condensates, liquefied natural gas, natural gas, processed gas and petrochemical products is recognised when control of the goods has transferred to the customers. Depending on the terms of the contract with the customer, controls transfer either upon delivery of the goods to a location specified by the customers or upon delivery of the goods on board vessels or tankers for onward delivery to the customers. There is no significant financing element present as the Group's and the Company's sales of oil and gas products are made either on cash or credit terms as per the industry practices.

Construction contracts

Revenue from construction contracts is recognised progressively based on percentage of completion method determined by reference to the completion of the physical proportion of contract work to date. The amount receivable from the customers is based on agreed milestones as per the terms of the contract.

Sales of properties

Revenue from sales of properties is recognised when control of the properties has been transferred to the buyer. There is no significant financing element present as the Group's sales of properties are made on credit terms as per the industry practices.

25. REVENUE (CONTINUED)

Transaction price allocated to remaining performance obligations

The Group and the Company entered into long-term contracts for the sales of various oil and gas products with remaining tenures ranging between 2 to 22 years. The future revenue of the Group and of the Company is dependent on the prevailing market price, exchange rate on the transaction date as well as production volume, which is based on contractual requirements.

In addition to the above, the Group and the Company entered into spot and short term contracts for the sales of various oil and gas products with remaining tenures less than 1 year.

The Group also entered into long-term construction contracts. The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2020. The disclosure is only providing information for contracts that have a duration of more than one year.

Group <i>In RM Mil</i>	Under 1 year	1-5 years	Total
Construction contracts	2,812	5,137	7,949

26. OPERATING (LOSS)/PROFIT

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Included in operating profit are the following charges:				
Audit fees	40	38	2	2
Amortisation of:				
- intangible assets	1,422	2,778	10	-
- contract costs	24	-	-	-
Bad debts written off:				
- trade and other receivables	65	18	12	7
Intangible asset written off	20	-	20	-
Contribution to Tabung Amanah Negara	100	600	100	600
Depreciation of property, plant and equipment and investment properties	34,580	35,900	2,114	3,656
Net impairment losses on:				
- property, plant and equipment	25,702	6,539	2,092	-
- investment properties	12	-	-	-
- intangible assets	5,648	204	-	-
- investment in an associate	151	230	-	-
- receivables	-	69	-	-
- loan and advances to subsidiaries	-	-	353	-
- loan and advances to joint ventures	71	62	-	-
- investments in subsidiaries	-	-	51	2,889
- other investments	-	251	-	-
Net impairment/write-off on well costs	2,246	1,248	-	-
Net inventories written down to net realisable value/ written off	37	35	-	-
Loss on disposal of:				
- property, plant and equipment	19	69	-	-
Property, plant and equipment written off	234	136	-	-
Rental of facilities and equipments	220	296	51	52
Research and development expenditure	3	132	2	11
Staff costs:				
- wages, salaries and others	10,080	11,488	2,281	2,523
- contributions to pension fund	1,184	1,145	344	331
Write-off trade receivables and loss of remeasurement of finance lease receivables	846	-	-	-
Net loss on:				
- derivatives	275	64	-	-
- foreign exchange	1,093	235	1,162	458

26. OPERATING (LOSS)/PROFIT (CONTINUED)

<i>In RM Mil and credits:</i>	Group		Company	
	2020	2019	2020	2019
Gain on bargain purchase	247	-	-	-
Gain on disposal/partial disposal of:				
- other investments	-	19	-	-
- property, plant and equipment	236	61	2	430
- joint venture	-	100	-	-
- subsidiaries	171	282	1,546	5,403
Bad debts recovered	21	-	-	-
Interest income - others	737	1,151	3,189	3,648
Rental income on land and buildings	495	236	468	214
Net write-back of impairment losses on:				
- receivables	37	-	13	93
- loan and advances to subsidiaries	-	-	-	10
Net change in fair value of cess receivables	-	-	694	666
Net change in contract liabilities	481	422	858	1,691

27. FINANCING COSTS

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Recognised in profit or loss:				
Interest expense of financial liabilities that are at amortised cost	2,781	2,624	1,872	1,696
Interest expense on lease liabilities	845	596	273	511
Other finance costs	507	514	1,390	2,242
	4,133	3,734	3,535	4,449
Capitalised into qualifying assets:				
- Term borrowings	1,023	1,213	-	-
- Lease liabilities	172	301	-	-
	1,195	1,514	-	-
Total financing cost	5,328	5,248	3,535	4,449

28. TAX EXPENSE

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Current tax expenses				
Malaysia				
Current year	10,177	18,435	3,771	7,421
Prior year	1,664	438	1,690	1,014
Overseas				
Current year	791	1,222	-	-
Prior year	94	(13)	-	-
Total current tax expenses	12,726	20,082	5,461	8,435
Deferred tax expenses				
Origination and reversal of temporary differences	(2,977)	(2,991)	3,484	(1,349)
(Over)/under provision in prior year	(1,041)	(593)	-	772
Total deferred tax expenses	(4,018)	(3,584)	3,484	(577)
Total tax expenses	8,708	16,498	8,945	7,858

28. TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

<i>In RM Mil</i>				
Group	%	2020	%	2019
(Loss)/Profit before taxation		(12,321)		56,970
Taxation at Malaysian statutory tax rate	24	(2,957)	24	13,673
Effect of different tax rates in foreign jurisdictions	9	(1,142)	(1)	(766)
Effect of different tax rates between corporate income tax and petroleum income tax	(10)	1,260	4	2,530
Effect of changes in tax rates	-	21	-	(84)
Non deductible expenses, net of non assessable income	(64)	7,945	6	3,137
Tax exempt income	5	(575)	(2)	(922)
Tax incentives	14	(1,729)	(1)	(464)
Effect of deferred tax benefits not recognised	(27)	3,364	-	-
Effect of deferred tax benefits previously not recognised	22	(2,731)	(1)	(481)
Reversal of deferred tax benefits previously recognised	(36)	4,383	-	-
Foreign exchange translation difference	(1)	152	-	43
	(64)	7,991	29	16,666
Under/(Over) provision in prior years		717		(168)
Tax expense		8,708		16,498
Company				
Profit before taxation		17,655		49,452
Taxation at Malaysian statutory tax rate	24	4,237	24	11,868
Effect of different tax rates between corporate income tax and petroleum income tax	6	1,072	6	2,985
Non deductible expenses, net of non assessable income	2	379	(3)	(1,303)
Effect of deferred tax benefits not recognised	2	373	-	188
Reversal of deferred tax benefits previously recognised	25	4,383	-	-
Tax exempt income	(18)	(3,189)	(16)	(7,666)
	41	7,255	11	6,072
Under provision in prior years		1,690		1,786
Tax expense		8,945		7,858

In measuring the provision for taxation and deferred taxation at reporting date, the management applied judgments and estimates in relation to certain interpretation of tax legislation in arriving at the Company's tax position. Judgments and estimates are based on the current tax legislation and best available information as at the reporting date. The management continuously reassesses its judgments and estimates whenever there is a change in circumstances.

29. DIVIDENDS

2020

In RM Mil

	Total
In respect of financial year ended 31 December 2019	
Final dividend of RM240,000 per ordinary share	24,000
In respect of financial year ended 31 December 2020	
Dividend of RM100,000 per ordinary share	10,000
Total	34,000

2019

In RM Mil

In respect of financial year ended 31 December 2018	
Final dividend of RM240,000 per ordinary share	24,000
Total	24,000

The Directors had on 25 February 2021 declared a dividend of RM180,000 per ordinary share amounting to RM18 billion. This dividend has not been accounted for in the financial statements for the year ended 31 December 2020.

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Acquisition of:				
- subsidiaries, net of cash acquired (Note 32)	(158)	(1,763)	-	-
- additional shares in subsidiaries	-	-	(5,008)	(5,193)
Dividends received	1,279	1,666	11,148	28,850
Investment in:				
- associates, joint ventures and unquoted companies	(82)	(807)	-	-
- securities and other investments	(4,237)	(5,269)	(2,572)	(3,124)
Long-term receivables and advances (to)/repaid from:				
- subsidiaries	-	-	4,235	(2,934)
- a joint venture	(861)	(3,547)	(861)	(3,547)
Proceeds from disposal/partial disposal of:				
- investment in subsidiaries, net of cash disposed (Note 33)	64	187	3,048	6,227
- investment in a joint venture	-	687	-	-
- property, plant and equipment	584	617	2	-
- securities and other investments	2,944	1,295	1,284	889
Proceeds from redemption of preference shares in joint ventures	670	-	150	-
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(33,117)	(45,243)	(486)	(936)
Redemption of preference shares in subsidiaries	-	-	1,374	1,335
	(32,914)	(52,177)	12,314	21,567

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Dividends paid	(34,000)	(54,000)	(34,000)	(54,000)
Dividends paid to non-controlling interests	(4,703)	(5,638)	-	-
Drawdown of:				
- Islamic financing facilities	1,691	275	-	-
- term loans	11,247	9,270	-	-
- Notes and Bonds	26,097	-	26,097	-
- bankers' acceptances	1,311	447	-	-
- revolving credits	2,738	210	-	-
Payment of lease liabilities (Note (a))	(4,232)	(2,921)	(805)	(1,851)
Repayment of:				
- Islamic financing facilities	(5,983)	(691)	(5,368)	-
- term loans	(11,916)	(9,479)	-	-
- Notes and Bonds	-	(12,569)	-	(12,569)
- bankers' acceptances	(117)	(116)	-	-
- revolving credits	(2,677)	(822)	-	-
Payment to non-controlling interests on redemption of redeemable preference shares	-	(73)	-	-
Proceeds from partial disposal of equity interest to non-controlling interests	3,077	6,227	-	-
	(17,467)	(69,880)	(14,076)	(68,420)

(a) Payment of lease liabilities comprises mainly of principal and interest paid in relation to lease liabilities.

31. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

Reconciliation of movement of liabilities to cash flows arising from financing activities:

2020 <i>In RM Mil</i>	Borrowings	Group Dividends	Borrowings	Company Dividends
Balance at 1 January 2020	68,738	-	31,253	-
Changes from financing cash flows				
(Repayment)/Drawdown of:				
Term loans	(669)	-	-	-
Islamic financing facilities	(4,292)	-	(5,368)	-
Revolving credits	61	-	-	-
Notes and Bonds	26,097	-	26,097	-
Bankers' acceptances	1,194	-	-	-
Lease liabilities	(3,384)	-	(805)	-
Bank overdrafts	247	-	-	-
Dividends paid	-	(34,000)	-	(34,000)
Total changes from financing cash flows	19,254	(34,000)	19,924	(34,000)
Changes arising from obtaining or losing control of subsidiaries or other business				
Lease liabilities	37	-	-	-
The effect of changes in foreign exchange rates				
Islamic financing facilities	266	-	247	-
Term loans	(111)	-	-	-
Lease liabilities	(736)	-	(15)	-
Bankers' acceptances	13	-	-	-
Bank overdrafts	1	-	-	-
Notes and Bonds	(2,459)	-	(2,454)	-
Revolving credits	(23)	-	-	-
	(3,049)	-	(2,222)	-
Liability-related other changes				
Dividend declared	-	34,000	-	34,000
Acquisition of new leases	1,655	-	-	-
Re-measurement of lease liabilities	760	-	3,611	-
Financing costs	834	-	288	-
Total liability-related other changes	3,249	34,000	3,899	34,000
Balance at 31 December 2020	88,229	-	52,854	-

31. NET CASH USED IN FINANCING ACTIVITIES (CONTINUED)

2019 <i>In RM Mil</i>	Borrowings	Group Dividends	Borrowings	Company Dividends
Balance at 1 January 2019	79,343	30,000	49,734	30,000
Changes from financing cash flows				
(Repayment)/Drawdown of:				
Term loans	(209)	-	-	-
Islamic financing facilities	(416)	-	-	-
Revolving credits	(728)	-	-	-
Notes and Bonds	(12,569)	-	(12,569)	-
Bankers' acceptances	447	-	-	-
Lease liabilities	(2,324)	-	(1,851)	-
Bank overdrafts	(85)	-	-	-
Dividends paid	-	(54,000)	-	(54,000)
Total changes from financing cash flows	(15,884)	(54,000)	(14,420)	(54,000)
Changes arising from obtaining or losing control of subsidiaries or other business				
Term loans	536	-	-	-
Lease liabilities	82	-	-	-
Bank overdrafts	34	-	-	-
	652	-	-	-
The effect of changes in foreign exchange rates				
Islamic financing facilities	(56)	-	78	-
Term loans	(255)	-	-	-
Lease liabilities	(440)	-	117	-
Bankers' acceptances	2	-	-	-
Bank overdrafts	3	-	-	-
Notes and Bonds	(239)	-	(233)	-
	(985)	-	(38)	-
Liability-related other changes				
Dividend declared	-	24,000	-	24,000
Acquisition of new leases	4,754	-	-	-
Termination of lease	(2)	-	(4,553)	-
Financing costs	860	-	530	-
Total liability-related other changes	5,612	24,000	(4,023)	24,000
Balance at 31 December 2019	68,738	-	31,253	-

32. ACQUISITION OF SUBSIDIARIES

Acquisition of a Subsidiary

On 4 September 2020, PETRONAS via its wholly-owned subsidiary, Amplus Energy Solutions Pte. Ltd. ("AESPL"), has fulfilled all the conditions of its Sale and Purchase Agreement entered with ACME Solar Holding Private Limited for the acquisition of 100% equity interest in Acme Rewari Solar Private Limited and Acme Kurukshetra Solar Private Limited ("ACME"). ACME are operating utility-based plants in the state of Karnataka, India. Following this acquisition, ACME has become a wholly-owned subsidiary of AESPL.

The results contributed by ACME from the date of acquisition is not material in relation to the Group's financial statements.

Step up acquisition of a Joint Venture

On 15 June 2020, PETRONAS via its wholly-owned subsidiary, KLCC Holdings Sdn. Bhd. ("KLCCCH"), has fulfilled all the conditions of the Third Supplemental Joint Venture Agreement signed with QD Asia Pacific Ltd. for the subscription of additional 18.75% equity interests in Cititower Sdn. Bhd. ("CTSB"). With the completion of the transaction, KLCCCH now holds 68.75% equity interests in CTSB which has become a partly-owned subsidiary of KLCCCH. The principal activity of CTSB is property investment.

The results contributed by this subsidiary from the date of acquisition is not material in relation to the Group's financial statements.

33. DISPOSAL/PARTIAL DISPOSAL OF SUBSIDIARIES AND EQUITY INTERESTS

Disposal of Subsidiaries

PETRONAS via its wholly-owned subsidiary, PETRONAS Energy Trading Limited ("PETL"), disposed off Humbly Grove Energy Limited and its subsidiaries. The results of these subsidiaries from 1 January 2020 to the date of disposal is not material in relation to the Group's financial statements.

Partial Disposal of Equity Interests in MISC Berhad ("MISC") and KLCC Property Holdings Berhad ("KLCCP")

On 10 December 2020, PETRONAS has partially disposed off its equity interests in MISC Berhad ("MISC") and KLCC Property Holdings Berhad ("KLCCP") of 6.56% and 8.53% respectively. With the completion of the transaction, the Group now holds 51.00% and 66.94% equity interests in MISC and KLCCP respectively.

34. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

In RM Mil	Group		Company	
	2020	2019	2020	2019
Capital expenditure				
<i>Approved and contracted for</i>				
Less than one year	11,740	18,832	477	176
Between one and five years	21,032	24,833	3,149	2,744
More than five years	82	-	-	-
	32,854	43,665	3,626	2,920
<i>Approved but not contracted for</i>				
Less than one year	13,395	20,723	-	1
Between one and five years	61,968	57,085	84	4
More than five years	1,380	-	-	-
	76,743	77,808	84	5
	109,597	121,473	3,710	2,925
Share of capital expenditure of joint venture				
<i>Approved and contracted for</i>				
Less than one year	8,432	3,565	-	-
Between one and five years	10,833	19,192	-	-
More than five years	898	2,117	-	-
	20,163	24,874	-	-
<i>Approved but not contracted for</i>				
Less than one year	3,498	1,947	-	-
Between one and five years	23,530	23,310	-	-
More than five years	9,248	188	-	-
	36,276	25,445	-	-
	56,439	50,319	-	-
	166,036	171,792	3,710	2,925

35. CONTINGENT LIABILITIES

Material litigation

In 2019, the State of Sarawak brought a legal suit against PETRONAS in the Kuching High Court, alleging that PETRONAS failed to make payments of RM1,345 million for the state sales tax ("SST") imposed on petroleum products including interests and penalties under the Sarawak Sales Tax Ordinance 1998 (as amended in 2018). In response, PETRONAS had filed a judicial review to challenge the jurisdiction of the State of Sarawak over the imposition of sales tax on petroleum products. At the same time, PETRONAS filed a defence against the civil suit and a stay of proceedings of the civil suit pending the disposal of the judicial review and determination of certain points of law to the Federal Court.

Notwithstanding PETRONAS' legal position, in order to achieve mutual benefit to PETRONAS and State of Sarawak and to create a stable environment for investment in Sarawak, PETRONAS on 3 August 2020, withdrew its appeal against the High Court of Kuching's decision in relation to the judicial review. On 6 August 2020, Sarawak State also withdrew their civil suit against PETRONAS. PETRONAS and the affected subsidiaries have accordingly submitted their respective SST returns. On 15 September 2020, PETRONAS and the affected subsidiaries paid a total of RM2,957 million to the State of Sarawak, being the final and full settlement for the financial year 2019. In addition, PETRONAS has achieved a commercial resolution with the State of Sarawak on the SST and other matters raised by the State of Sarawak with the entry into the Commercial Settlement Agreement between PETRONAS and the State of Sarawak on 7 December 2020.

There were no other material contingent liabilities or contingent assets since the last audited consolidated statement of financial position as at 31 December 2019.

Other guarantees

Other than those disclosed elsewhere in the financial statements, the Group and the Company had entered into agreements which may include agreements to provide guarantees to third parties for the benefit of subsidiaries, associates and joint ventures ("Guaranteed Entities"). Such unsecured guarantees are normally provided in support of the Guaranteed Entities' normal and on-going business requirements, consistent with generally acceptable and recognised industry practices. The liability of the Group and the Company is therefore contingent and would only trigger upon the default of the Guaranteed Entities' obligation under the guarantee.

36. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and an entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Company.

The Company's related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

36. RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel compensation

In RM Mil	Group and Company	
	2020	2019
Director fees, emoluments, remuneration and gratuity	26	19

The estimated monetary value of Directors' benefits-in-kind is RM78,000 (2019: RM100,000).

Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group	2020	2019
In RM Mil		
Federal and State Governments of Malaysia:		
Petroleum proceeds	(6,404)	(9,826)
Lease income	1,286	1,420
Sales of petroleum products	228	307
Sales of utilities	179	160
Building maintenance income	342	100
Government of Malaysia's related entities:		
Sales of petroleum products and processed gas	5,490	11,369
Associate companies:		
Sales of petrochemical products and processed gas	7,617	8,247
Joint arrangements:		
Sales of industrial utilities	1,640	1,200
Allocated expenses charged out	641	804
Site services charges	414	290
Sales of petrochemical products	308	299
Project expenses	(310)	(230)
Other expenses	(166)	(170)

36. RELATED PARTY DISCLOSURES (CONTINUED)

Significant transactions with related parties (continued)

Company <i>In RM Mil</i>	2020	2019
Federal and State Governments of Malaysia:		
Petroleum proceeds	(6,404)	(9,826)
Government of Malaysia's related entities:		
Sales of processed gas	-	33
Subsidiaries:		
Sales of crude oil, petroleum products, processed gas and natural gas	46,909	68,688
Interest income from subsidiaries	3,104	3,598
Purchase of crude oil, natural gas and liquefied natural gas ("LNG")	(27,639)	(41,377)
Gas processing and transportation fee payable	(2,373)	(2,355)
LNG cancellation fee	-	(379)
Centralised head office services charges	1,050	1,224
Research cess	120	184
Supplemental payments and signature bonus	113	1,362
Abandonment cess		
- paid	(2,519)	(2,852)
- received	2,740	3,826
Joint ventures:		
Gas processing fee	(36)	(39)

Information regarding outstanding balances arising from related party transactions as at 31 December 2020 are disclosed in Note 10, Note 15 and Note 24.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in Note 26.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION

The Group's reportable segments comprise Upstream, Gas and New Energy, and Downstream. Each reportable segment offers different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

The following summary describes the operations in each of the Group's reportable segments:

- Upstream - activities include oil and natural gas exploration, development and production, together with related pipeline and transportation activities.
- Gas and New Energy - activities include purchase of natural gas from Upstream, liquefaction and processing of natural gas, marketing and trading of liquefied natural gas ("LNG") and processed gas as well as power and new energy business.
- Downstream - activities include the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum and petrochemical products.

Corporate and others comprise primarily logistic and maritime segment, property segment and central treasury and project delivery and technology function.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, reviews internal management reports at least on a quarterly basis.

There are varying levels of integration between Upstream segment, Gas and New Energy segment, Downstream segment and others. This integration includes transfers of products and services between segments.

Inter-segment pricing is established on a commercial basis.

Inter-segment revenues include sales of crude oil and condensates, petroleum products, sales gas and shipping services between business segments. These transactions are eliminated on consolidation.

Performance is measured based on segment profit after tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the Executive Leadership Team believes that such information is the most relevant in evaluating the results of the segments.

Segment assets are measured based on total assets (including goodwill) of a segment, as included in the internal management reports and are used to measure the return of assets of each segment.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Leadership Team. Hence, no disclosure is made on segment liability.

Segment capital expenditure is the total cost incurred during the financial year to acquire non-current assets other than financial instruments and deferred tax assets.

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Group 2020 <i>In RM Mil</i>				Consolidation		Total
	Upstream	Gas and New Energy	Downstream	Corporate and others	adjustments and eliminations	
Revenue						
Third parties	28,734	54,621	84,183	11,203	-	178,741
Inter-segment	42,033	7,566	1,194	5,124	(55,917)	-
Total revenue	70,767	62,187	85,377	16,327	(55,917)	178,741
Reportable segment (loss)/ profit	(10,218)	(9,983)	(3,458)	242	2,388	(21,029)
Included in the measure of segment (loss)/profit are:						
Depreciation and amortisation	(22,728)	(4,983)	(4,724)	(3,591)	-	(36,026)
Net impairment losses on assets and write-off on well costs	(17,845)	(13,568)	(1,673)	(707)	-	(33,793)
Interest income	1,493	251	405	5,848	(3,159)	4,838
Interest expense	(4,533)	(1,941)	(325)	(2,606)	5,272	(4,133)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	261	52	(384)	399	-	328
Tax expense	(2,985)	(3,416)	(479)	(1,175)	(653)	(8,708)
Segment assets	245,163	101,748	123,788	162,194	(58,822)	574,071
Included in the measure of segment assets are:						
Investments in associates and joint ventures	4,719	756	6,322	802	-	12,599
Additions to non-current assets other than financial instruments and deferred tax assets	14,351	7,637	4,965	6,404	-	33,357

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Group 2019 <i>In RM Mil</i>				Consolidation		Total
	Upstream	Gas and New Energy	Downstream	Corporate and others	adjustments and eliminations	
Revenue						
Third parties	37,766	74,666	114,157	13,674	-	240,263
Inter-segment	64,826	8,652	1,328	4,211	(79,017)	-
Total revenue	102,592	83,318	115,485	17,885	(79,017)	240,263
Reportable segment profit	22,199	9,780	5,166	4,675	(1,348)	40,472
Included in the measure of segment profit are:						
Depreciation and amortisation	(26,320)	(4,824)	(3,799)	(3,735)	-	(38,678)
Impairment losses on assets and write-off on well costs	(2,366)	(5,780)	(216)	(241)	-	(8,603)
Interest income	2,128	516	725	7,379	(3,859)	6,889
Interest expense	(4,526)	(2,254)	(294)	(2,453)	5,793	(3,734)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	330	368	42	279	-	1,019
Tax expense	(11,947)	(3,971)	(302)	(495)	217	(16,498)
Segment assets	258,218	120,580	131,014	171,035	(58,426)	622,421
Included in the measure of segment assets are:						
Investments in associates and joint ventures	5,355	841	7,492	2,214	-	15,902
Additions to non-current assets other than financial instruments and deferred tax assets	23,984	8,416	11,005	4,408	-	47,813

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (CONTINUED)

Products and services information

The following are revenue from external customers by products and services:

Group In RM Mil	2020	2019
Petroleum products	62,705	85,562
Crude oil and condensates	23,710	35,792
Liquefied natural gas	37,669	51,298
Natural and processed gas	22,305	29,082
Petrochemical products	14,177	16,022
Shipping services	2,577	2,780
Investment income	4,101	5,738
Others	11,497	13,989
	178,741	240,263

Geographical information

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments (including investments in associates and joint ventures) nor deferred tax assets.

Group In RM Mil	Revenue	
	2020	2019
Asia	54,006	70,113
Malaysia	56,098	79,433
Japan	17,608	20,760
South Africa	14,873	23,993
Rest of the world ^a	36,156	45,964
	178,741	240,263

Group In RM Mil	Non-current assets	
	2020	2019
Malaysia	238,264	248,619
Rest of the world ^a	86,951	108,553
	325,215	357,172

Major customers

As at 31 December 2020 and 31 December 2019, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

^a Comprises revenue and non-current assets individually not material.

38. PETROLEUM ARRANGEMENTS

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. In addition, the Group via its subsidiaries participated in various petroleum arrangements outside Malaysia as contractors.

Production sharing contracts ("PSCs")

Malaysia

The monetisation of petroleum resources is carried out primarily by means of PSCs between PETRONAS, its subsidiaries and other oil and gas companies ("PSC Contractors"). Under the terms of the various PSCs, the PSC Contractors shall bear all the costs and may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

- i. Research cess, supplemental payments and crude oil or gas entitlement

The determination of research cess, supplemental payments, and PETRONAS' and the PSC Contractors' entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by PSC Contractors and is dependent on agreement being reached on the method of valuation of crude oil or gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the respective PSCs for the year. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company. Research cess and supplemental payment are not applicable for certain PSCs that are reaching tail end of production life cycle.

- ii. Property, plant and equipment and intangible assets

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, is vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of PETRONAS other than:

- the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- the estimated costs of decommissioning and removing the assets and restoring the site on which they are located where there is an obligation to do so.

- iii. Inventories

Title to all crude oil held in inventories by the PSC Contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export.

- iv. Abandonment

The PSCs stipulate the rights and obligation of PETRONAS and the PSC Contractors ("PSC Parties") in relation to the abandonment of the oil and gas properties. The PSC Contractors have the obligation to undertake abandonment activities during the PSC period except for certain PSCs or facilities where the abandonment obligation lies with PETRONAS.

In addition, the PSC Contractors are also required to make abandonment cess contribution to Abandonment Cess Fund via PETRONAS in accordance with the terms of the PSCs. The PSC Contractors have the rights to request PETRONAS to reimburse the abandonment cess up to the cumulative amount paid upon the execution of the abandonment activities.

38. PETROLEUM ARRANGEMENTS (CONTINUED)

Production sharing contracts ("PSCs") (continued)

Outside Malaysia

In the international PSC arrangements, where the Group acts as a contractor, has largely similar arrangements as per Malaysia PSCs subject to the relevant laws and regulations in the respective countries. In respect of abandonment for most of the countries, the Group makes contribution into escrow accounts/any other approved accounts.

Service contracts

Risk Service Contract ("RSCs") Malaysia

Under the terms of the RSC, RSC Contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS, in return of cost reimbursement upon commercial production and performance based remuneration fees. PETRONAS retains ownership of the assets and crude oil and gas produced.

Development and Production Service Contracts ("DPSCs")

Under the terms of DPSC, the subsidiaries of the Group act as contractors that provide services for development and production of oil and gas resources on behalf of host authority.

Certain terms of DPSCs are:

i. Crude oil and gas entitlement

DPSC contractors shall incur all upfront costs during the initial period of investment and will be reimbursed once the contractual obligation upon production of crude oil and gas is met. Under the terms of DPSCs, the host authority own the title to all equipment and other assets acquired by the contractors during the contractual period of the DPSCs.

Contractors are entitled to recover their expenditure incurred in relation to the petroleum operations of the DPSCs, based on the provisions stipulated in the DPSCs.

Contractors are also entitled to remuneration fees which commensurate with their performance as stipulated in the provision of the DPSCs.

All barrels of crude oil and gas produced belong to the host authority. The Group's entitlements to oil and gas are recognised as revenue based on two elements, costs reimbursement and remuneration fees.

ii. Intangible assets and other financial assets

Title to all equipment and other assets constructed belong to the host authority and contractually, the contractors acquire the right to use these assets for the duration specified under the DPSCs. The right to use these assets is recognised in the financial statements of the Group as intangible assets, as per accounting policies set out in Note 2.9.

In circumstances where the contractors have the right to receive cash or other financial assets for their services from or at the discretion of the host authority, these assets are recognised as trade receivables.

38. PETROLEUM ARRANGEMENTS (CONTINUED)

Concession agreement

Under the terms of Concession Agreements, the subsidiaries of the Group participate in Consortium Agreements for the rights to carry out exploration and exploitation activities. The Consortium bears all costs as outlined in the Annual Work Programme and Budget. Title to all equipment and other assets purchased and acquired by the consortium for the purpose of petroleum operations will remain with the consortium for the duration of the Concession Agreements and the equity value of the assets is recognised in the financial statements of the relevant subsidiaries of the Group as property, plant and equipment as per accounting policies set out in Note 2.4.

Upon production, the title to the crude oil produced to which the consortium is entitled to, shall pass to the consortium at the point of production at the wellhead. Each member of the consortium shall own and may separately take or dispose of its own share of the crude oil.

The consortium shall pay the host authority a royalty on the consortium's total production of the crude oil for each calendar month in-kind or in-cash. By virtue of its petroleum operations, the consortium is subject to direct tax on profits, where each member of the consortium shall separately calculate its taxable income and shall remain responsible for its own corporate income tax return.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL")
 - Mandatorily required by MFRS 9
 - Designated upon initial recognition ("DUIR")
- (ii) Fair value through other comprehensive income ("FVOCI")
 - Debt instrument ("DI")
 - Equity instrument designated upon initial recognition ("EIDUIR")
- (iii) Amortised cost ("AC")

39. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Group 2020 <i>In RM Mil</i>	Note	FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	59	-	11,298	11,357
Fund and other investments	11	10,050	211	527	10,788
Trade and other receivables	*	466	-	34,086	34,552
Cash and cash equivalents	17	-	-	130,523	130,523
		10,575	211	176,434	187,220
Financial liabilities					
Borrowings	*	-	-	(75,500)	(75,500)
Other long-term liabilities	*	(546)	-	(3,834)	(4,380)
Trade and other payables	*	(1,649)	-	(34,995)	(36,644)
		(2,195)	-	(114,329)	(116,524)

2019	Note	FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	12	-	10,784	10,796
Fund and other investments	11	8,852	624	1,163	10,639
Trade and other receivables	*	787	-	38,510	39,297
Cash and cash equivalents	17	-	-	141,622	141,622
		9,651	624	192,079	202,354
Financial liabilities					
Borrowings	*	-	-	(55,072)	(55,072)
Other long-term liabilities	*	(186)	-	(3,143)	(3,329)
Trade and other payables	*	(455)	-	(45,573)	(46,028)
		(641)	-	(103,788)	(104,429)

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments (continued)

Company 2020 <i>In RM Mil</i>	Note	FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	24,851	-	94,947	119,798
Fund and other investments	11	5,072	73	320	5,465
Trade and other receivables	*	17	-	13,006	13,023
Cash and cash equivalents	17	-	-	54,111	54,111
		29,940	73	162,384	192,397
Financial liabilities					
Borrowings	*	-	-	(45,014)	(45,014)
Other long-term liabilities	*	-	-	(11,471)	(11,471)
Trade and other payables	*	(21)	-	(11,793)	(11,814)
		(21)	-	(68,278)	(68,299)

2019	Note	FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	22,653	-	98,547	121,200
Fund and other investments	11	3,992	73	977	5,042
Trade and other receivables	*	10	-	17,702	17,712
Cash and cash equivalents	17	-	-	55,961	55,961
		26,655	73	173,187	199,915
Financial liabilities					
Borrowings	*	-	-	(26,492)	(26,492)
Other long-term liabilities	*	-	-	(9,759)	(9,759)
Trade and other payables	*	(18)	-	(16,793)	(16,811)
		(18)	-	(53,044)	(53,062)

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business of upstream and downstream operations. These risks, which arise in the normal course of the Group's and of the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates, equity prices and commodity prices.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the PETRONAS Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

Credit risk

Credit risk is the potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group's and the Company's exposures to credit risk arise principally from their receivables from customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled by individual subsidiaries in line with PETRONAS' policies and guidelines.

Receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; or
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets as at the reporting date which are grouped together as they are expected to have similar risk nature.

Group 2020 <i>In RM Mil</i>	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		787	-	787
Excellent		2,144	(14)	2,130
Good		11,757	(65)	11,692
Fair		6,120	(71)	6,049
		20,808	(150)	20,658
Credit impaired				
Individually impaired		2,051	(2,051)	-
		22,859	(2,201)	20,658
Representing				
Trade receivables	15	22,199	(2,201)	19,998
Contract assets	15	660	-	660
		22,859	(2,201)	20,658

Group 2019 <i>In RM Mil</i>	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		607	-	607
Excellent		4,439	(49)	4,390
Good		19,295	(1,180)	18,115
Fair		4,055	(598)	3,457
		28,396	(1,827)	26,569
Credit impaired				
Individually impaired		764	(762)	2
		29,160	(2,589)	26,571
Representing				
Trade receivables	15	28,703	(2,589)	26,114
Contract assets	15	457	-	457
		29,160	(2,589)	26,571

39. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

Company 2020 <i>In RM Mil</i>	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		122	-	122
Excellent		519	-	519
Good		1,314	(1)	1,313
Fair		519	(3)	516
		2,474	(4)	2,470
Credit impaired				
Individually impaired		371	(371)	-
		2,845	(375)	2,470
Representing				
Trade receivables	15	2,845	(375)	2,470

Company 2019 <i>In RM Mil</i>	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		168	-	168
Excellent		343	-	343
Good		2,046	(3)	2,043
Fair		767	(2)	765
		3,324	(5)	3,319
Credit impaired				
Individually impaired		371	(371)	-
		3,695	(376)	3,319
Representing				
Trade receivables	15	3,695	(376)	3,319

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

In RM Mil	Group		Company	
	2020	2019	2020	2019
At net				
Current	16,412	23,850	1,084	3,012
Past due 1 to 30 days	859	973	1,332	64
Past due 31 to 60 days	421	146	-	-
Past due 61 to 90 days	439	105	2	2
Past due more than 90 days	1,867	1,040	52	241
	19,998	26,114	2,470	3,319

The Group and the Company have not recognised any loss allowance for trade receivables that are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

In RM Mil	Group		Company	
	2020	2019	2020	2019
Opening balance	2,589	3,376	376	763
Impairment losses/(write-back) recognised	3	(760)	(1)	(104)
Impairment written-off	(56)	(4)	-	(283)
Translation exchange difference	(335)	(23)	-	-
Closing balance	2,201	2,589	375	376

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions, government and corporate counterparties through fund and other investment activities comprising primarily money market placement and investments in bonds and equities. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by a counterparty credit risk management framework.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company assume that there is a significant increase in credit risk when it is past due.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Fund and other investments (continued)

As at the reporting date, the Group and the Company have invested 99% (2019: 99%) and 100% (2019: 100%) of the investments in domestic securities respectively.

The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Financial guarantees

The Group and the Company provide financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, joint ventures and associates ("Group entities"). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

The Group's certain joint arrangement entities have undertaken project financing facilities (the "Borrower"), under an integrated borrowing structure for the repayment of bridge loan facilities and other expenditures. Under the integrated borrowing structure, the Borrowers provide cross guarantee to the project financing lenders on each other's loan. Upon failure to pay by a Borrower, the project financing lenders would have primary recourse to that Borrower as well as to the other Borrower under the cross-guarantee.

The Group's share of maximum exposure to credit risk relating to the cross-guarantee provided by the joint operation company to a joint venture amounts to RM16,688 million (2019: RM16,897 million), which represents the outstanding loans of the joint venture as at financial year end. Similarly, the cross-guarantee provided by the joint venture to the Group's joint operation company as at financial year end is RM1,965 million (2019: RM1,983* million), being the Group's share in the joint operation company.

The maximum exposure to credit risk for the Company amounted to RM3,834 million (2019: RM2,314 million), which represents the outstanding banking facilities of the Group entities as at reporting date. As at reporting date, there was no indication that any entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in Note 23 and Note 24.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their trade and other payables, and borrowings. In managing its liquidity risk, the Group and the Company maintains sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and of the Company. The Group's and the Company's borrowing power is not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

Maturity analysis

The following table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

* The amount excludes transaction costs

39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2020 <i>In RM Mil</i>	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost		
Lease liabilities	12,729	1.00 - 13.80
Secured term loans		
USD floating rate loans	11,452	1.16
USD fixed rate loans	3,166	3.22
RM floating rate loans	390	4.37
Other floating rate loans	1,012	2.41
Unsecured term loans		
USD floating rate loans	402	4.65
USD fixed rate loans	498	2.19
EUR floating rate loans	2,153	0.30
Other fixed rate loans	444	5.31
Other floating rate loans	80	2.07
Unsecured Notes and Bonds		
USD Notes	4,029	7.88
USD Guaranteed Notes	38,971	4.10
USD Bonds	2,014	7.63
Unsecured revolving credits		
USD floating revolving credits	355	1.33
USD fixed revolving credits	804	2.19
RM floating revolving credits	10	2.89
RM fixed revolving credits	65	2.68
Other floating revolving credits	150	3.90
Unsecured bankers' acceptances		
CAD fixed bankers' acceptances	1,656	2.00

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2020 <i>In RM Mil</i>	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost (continued)		
Unsecured bank overdrafts		
ZAR bank overdrafts	695	7.60
Other bank overdrafts	3	5.18
Secured Islamic financing facilities		
RM Islamic financing facilities	2,323	4.52
Unsecured Islamic financing facilities		
RM Islamic financing facilities	4,695	3.41
RMB Islamic financing facilities	133	6.17
Other long-term liabilities	3,834	-
Financial guarantee	-	-
Trade and other payables	34,995	-
Fair value through profit or loss		
Derivative liabilities	2,195	-
	129,253	189,427

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2020 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Lease liabilities	1,949	2,125	4,049	12,921
Secured term loans				
USD floating rate loans	1,655	2,021	3,588	5,176
USD fixed rate loans	283	287	867	1,729
RM floating rate loans	12	19	357	2
Other floating rate loans	276	35	435	266
Unsecured term loans				
USD floating rate loans	-	-	254	149
USD fixed rate loans	756	-	-	-
EUR floating rate loans	2,195	-	-	-
Other fixed rate loans	77	-	366	-
Other floating rate loan	87	-	-	-
Unsecured Notes and Bonds				
USD Notes	331	4,313	-	-
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Unsecured revolving credits				
USD floating revolving credits	355	-	-	-
USD fixed revolving credits	804	-	-	-
RM floating revolving credits	10	-	-	-
RM fixed revolving credits	65	-	-	-
Other floating revolving credits	150	-	-	-
Unsecured bankers' acceptances				
CAD fixed bankers' acceptance	1,656	-	-	-

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2020 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Unsecured bank overdrafts				
ZAR bank overdrafts	695	-	-	-
Other bank overdrafts	4	-	-	-
Secured Islamic financing facilities				
RM Islamic financing facilities	946	331	907	849
Unsecured Islamic financing facilities				
RM Islamic financing facilities	934	676	1,940	1,585
RMB Islamic financing facilities	8	6	133	-
Other long-term liabilities	114	-	955	3,986
Financial guarantee	16,747	-	-	-
Trade and other payables	34,995	-	-	-
Fair value through profit or loss				
Derivative liabilities	2,195	-	-	-
	69,119	14,675	24,936	80,697

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2019 <i>In RM Mil</i>	Carrying amount	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost			
Lease liabilities	13,666	0.42 - 13.80	16,274
Secured term loans			
USD floating rate loans	11,874	1.49	12,194
USD fixed rate loans	514	2.33	514
RM floating rate loans	387	4.39	387
Other fixed rate loans	8	12.50	8
Other floating rate loans	665	5.97	664
Unsecured term loans			
USD floating rate loans	3,489	2.87	3,643
USD fixed rate loans	518	6.18	525
EUR floating rate loans	1,994	0.40	2,013
Other fixed rate loans	862	5.56	868
Unsecured Notes and Bonds			
USD Notes	4,100	7.88	4,907
USD Guaranteed Notes	15,221	3.83	22,944
USD Bonds	2,050	7.63	3,111
Unsecured revolving credits			
USD revolving credits	808	2.53	808
GBP revolving credits	263	1.14	263
RM revolving credits	242	4.55	247
Other revolving credits	34	7.14	34
Unsecured bankers' acceptances			
CAD bankers' acceptances	399	2.01	399
Other bankers' acceptances	50	3.92	51

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2019 <i>In RM Mil</i>	Carrying amount	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost (continued)			
Unsecured bank overdrafts			
ZAR bank overdrafts	393	7.63	393
Other bank overdrafts	16	6.25	17
Secured Islamic financing facilities			
RM Islamic financing facilities	2,394	4.52	3,262
Unsecured Islamic financing facilities			
USD Islamic financing facilities	5,121	2.71	5,151
RM Islamic financing facilities	3,543	3.79	4,143
RMB Islamic financing facilities	127	6.30	156
Other long-term liabilities	3,143	-	4,728
Financial guarantee	-	-	16,966
Trade and other payables	45,573	-	45,573
Fair value through profit or loss			
Derivative liabilities	641	-	641
	118,095		150,884

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2019 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Lease liabilities	1,675	2,638	5,591	6,370
Secured term loans				
USD floating rate loans	3,456	816	2,755	5,167
USD fixed rate loans	48	48	156	262
RM floating rate loans	18	14	30	325
Other fixed rate loans	2	2	4	-
Other floating rate loans	197	122	342	3
Unsecured term loans				
USD floating rate loans	1,258	71	2,314	-
USD fixed rate loans	82	92	165	186
EUR floating rate loans	8	2,005	-	-
Other fixed rate loans	816	46	6	-
Unsecured Notes and Bonds				
USD Notes	323	323	4,261	-
USD Guaranteed Notes	588	588	4,598	17,170
USD Bonds	156	156	469	2,330
Unsecured revolving credits				
USD revolving credits	808	-	-	-
GBP revolving credits	263	-	-	-
RM revolving credits	247	-	-	-
Other revolving credits	34	-	-	-
Unsecured bankers' acceptances				
CAD fixed bankers' acceptance	399	-	-	-
Other bankers' acceptances	51	-	-	-

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Group 2019 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Unsecured bank overdrafts				
ZAR bank overdrafts	393	-	-	-
Other bank overdrafts	17	-	-	-
Secured Islamic financing facilities				
RM Islamic financing facilities	830	353	1,028	1,051
Unsecured Islamic financing facilities				
USD Islamic financing facilities	5,151	-	-	-
RM Islamic financing facilities	725	786	1,653	979
RMB Islamic financing facilities	8	8	140	-
Other long-term liabilities	-	-	147	4,581
Financial guarantee	16,966	-	-	-
Trade and other payables	45,573	-	-	-
Fair value through profit or loss				
Derivative liabilities	455	186	-	-
	80,547	8,254	23,659	38,424

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2020 <i>In RM Mil</i>	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost		
Lease liabilities	7,840	12,365
Unsecured Notes and Bonds		
USD Notes	4,029	4,644
USD Guaranteed Notes	38,971	68,808
USD Bonds	2,014	2,993
Unsecured Islamic financing facilities		
USD Islamic financing facilities	-	-
Other long-term liabilities	11,471	16,256
Financial guarantee	-	3,834
Trade and other payables	11,793	11,793
Fair value through profit or loss		
Derivative liabilities	21	21
	76,139	120,714

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2019 <i>In RM Mil</i>	Contractual interest/profit rates per annum %	Contractual cash flows
Amortised cost		
Lease liabilities	4,761	5,865
Unsecured Notes and Bonds		
USD Notes	4,100	4,907
USD Guaranteed Notes	15,221	22,944
USD Bonds	2,050	3,111
Unsecured Islamic financing facilities		
USD Islamic financing facilities	5,121	5,151
Other long-term liabilities	9,759	14,941
Financial guarantee	-	2,314
Trade and other payables	16,793	16,793
Fair value through profit or loss		
Derivative liabilities	18	18
	57,823	76,044

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2020 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Lease liabilities	826	848	2,495	8,196
Unsecured Notes and Bonds				
USD Notes	331	4,313	-	-
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Unsecured Islamic financing facilities				
USD Islamic financing facilities	-	-	-	-
Other long-term liabilities	159	95	1,971	14,031
Financial guarantee	3,834	-	-	-
Trade and other payables	11,793	-	-	-
Fair value through profit or loss				
Derivative liabilities	21	-	-	-
	18,784	10,118	15,551	76,261

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2019 <i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
Amortised cost (continued)				
Lease liabilities	802	819	2,464	1,780
Unsecured Notes and Bonds				
USD Notes	323	323	4,261	-
USD Guaranteed Notes	588	588	4,598	17,170
USD Bonds	156	156	469	2,330
Unsecured Islamic financing facilities				
USD Islamic financing facilities	5,151	-	-	-
Other long-term liabilities	14	470	498	13,959
Financial guarantee	2,314	-	-	-
Trade and other payables	16,793	-	-	-
Fair value through profit or loss				
Derivative liabilities	18	-	-	-
	26,159	2,356	12,290	35,239

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39. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long-term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Fixed rate instruments				
Financial assets	141,463	152,655	103,729	109,601
Financial liabilities	(78,529)	(52,617)	(52,854)	(31,253)
	62,934	100,038	50,875	78,348
Floating rate instruments				
Financial assets	3,616	2,404	49,101	48,710
Financial liabilities	(9,700)	(16,121)	-	-
	(6,084)	(13,717)	49,101	48,710

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

The Group has entered into an interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of the USD term loan of USD322 million. The interest rate swaps have the same nominal value of USD322 million and is settled every quarter, consistent with the interest repayment schedule of the term loan. During the year, the interest risk swaps was discontinued as the Group had fully settled the USD term loan.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group	2020	2019
<i>In RM Mil</i>		
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	75,418	76,082
Cash and cash equivalents	25,469	1,629
Trade and other receivables	6,639	7,211
Long-term receivables	23	175
Fund and other investments	101	297
Other financial assets	10	67
	107,660	85,461
Financial liabilities		
Loan and advances from holding company	(8,282)	(4,348)
Borrowings	(45,213)	(32,968)
Trade and other payables	(6,466)	(5,688)
Other financial liabilities	(2,708)	(2,633)
	(62,669)	(45,637)
Net exposure	44,991	39,824
Denominated in RM		
Financial assets		
Cash and cash equivalents	781	1,220
Trade and other receivables	1,778	2,938
Long-term receivables	16	10
	2,575	4,168
Financial liabilities		
Borrowings	(191)	(276)
Trade and other payables	(5,416)	(5,213)
	(5,607)	(5,489)
Net exposure	(3,032)	(1,321)

39. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

Company <i>In RM Mil</i>	2020	2019
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	66,981	70,427
Cash and cash equivalents	47,346	28,613
Trade and other receivables	5,941	5,489
	120,268	104,529
Financial liabilities		
Cash and cash equivalents - subsidiaries' cash with PETRONAS		
Integrated Financial Shared Service Centre	(22,377)	(27,817)
Borrowings	(45,014)	(26,492)
Trade and other payables	(4,902)	(1,562)
Other financial liabilities	(1,118)	(1,336)
	(73,411)	(57,207)
Net exposure	46,857	47,322

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2020 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2020 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2020 <i>In RM Mil</i>	Appreciation in foreign currency rate %	Group		Company	
		Equity	Profit or loss	Equity	Profit or loss
USD	10	3,179	1,320	-	4,686
MYR	10	-	(303)	-	-
2019					
USD	10	3,300	535	-	4,732
MYR	10	-	(132)	-	-

A depreciation in foreign currency rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Equity price risk

Equity price risk arises from the Group's and the Company's investments in equity securities. Exposures to equity price risk are managed in accordance with the Group's existing policies and guidelines. The Group and the Company monitor the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio giving consideration to portfolio objectives and return expectation. All buy and sell decisions are monitored by the Group Treasury Division.

The Group and the Company also hold equity investments for strategic purposes, that are classified as FVTPL and FVOCI financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

<i>In RM Mil</i>	Group		Company	
	2020	2019	2020	2019
Local equities	960	543	6	7
Foreign equities	170	642	-	-
	1,130	1,185	6	7

39. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Equity price risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following equities:

2020 In RM Mil	Increase in price based on average change in index rate %	Group		Company	
		Equity	Profit or loss	Equity	Profit or loss
Local equities	10	-	154	-	1
Foreign equities	15 to 20	15	-	-	-
2019					
Local equities	10	1	151	-	1
Foreign equities	15 to 20	20	-	-	-

A decrease in price based on average change in index rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Commodity price risk

The Group is exposed to changes in crude oil, gas and petroleum products prices which may affect the value of the Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, the Group enters into various financial instruments. In effecting these transactions, the Group operates within policies, guidelines and procedures designed to ensure that risks are minimised. All financial instruments positions are marked-to-market by independent risk management department and reported to management for performance monitoring and risk management purposes on a daily basis.

Since the Group undertakes hedging using commodity derivatives for the majority of its transactions, a change in commodity price is not likely to result in a significant impact on the Group's profit or loss and equity.

Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings, reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Group 2020 In RM Mil	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,130	-	-	1,130
Quoted securities	181	-	-	181
Unquoted shares	-	-	250	250
Commodity swaps	-	11	-	11
Malaysian Government Securities	-	290	-	290
Corporate Bonds and Sukuk	-	8,219	-	8,219
Forward foreign exchange contracts	-	146	-	146
Forward gas contracts	327	-	-	327
Forward oil/gas price swaps	34	-	-	34
Interest rate swaps	-	7	-	7
	1,672	8,673	250	10,595
Financial liabilities				
Commodity swaps	-	(12)	-	(12)
Forward foreign exchange contracts	-	(53)	-	(53)
Forward oil/gas contracts	(651)	-	-	(651)
Forward oil/gas price swaps	(933)	-	-	(933)
Interest rate swaps	-	(546)	-	(546)
	(1,584)	(611)	-	(2,195)
Group 2020 In RM Mil	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted securities	-	400	400	400
Deposits with licensed bank	-	127	127	127
Long-term receivables	-	11,298	11,298	11,298
Finance lease receivables	-	9,670	9,670	9,670
	-	21,495	21,495	21,495
Financial liabilities				
Notes and Bonds	(56,156)	-	(56,156)	(45,014)
Term loans	-	(14,868)	(14,868)	(14,865)
Islamic financing facilities	-	(5,605)	(5,605)	(5,605)
Other long-term liabilities	-	(3,834)	(3,834)	(3,834)
	(56,156)	(24,307)	(80,463)	(69,318)

39. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Group 2019 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	780	35	-	815
Quoted securities	135	-	-	135
Unquoted shares	-	-	292	292
Commodity swaps	-	2	-	2
Malaysian Government Securities	-	610	-	610
Corporate Bonds and Sukuk	-	7,198	-	7,198
Forward foreign exchange contracts	-	58	-	58
Forward gas contracts	427	158	-	585
Forward oil/gas price swaps	142	-	-	142
Interest rate swaps	-	2	-	2
	1,484	8,063	292	9,839
Financial liabilities				
Commodity swaps	-	(27)	-	(27)
Forward foreign exchange contracts	-	(74)	-	(74)
Forward gas contracts	(352)	(7)	-	(359)
Forward oil/gas price swaps	(14)	-	-	(14)
Interest rate swaps	-	(160)	-	(160)
	(366)	(268)	-	(634)
Group 2019 <i>In RM Mil</i>				
	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	-	11,897	11,897	11,897
Finance lease receivables	-	8,525	8,525	8,525
	-	20,422	20,422	20,422
Financial liabilities				
Notes and Bonds	(24,074)	-	(24,074)	(21,371)
Term loans	-	(20,297)	(20,297)	(20,311)
Islamic financing facilities	(5,141)	(11,432)	(16,573)	(11,185)
Other long-term liabilities	-	(3,143)	(3,143)	(3,143)
	(29,215)	(34,872)	(64,087)	(56,010)

39. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Company 2020 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	6	-	-	6
Unquoted shares	-	-	73	73
Malaysian Government Securities	-	254	-	254
Corporate Bonds and Sukuk	-	4,812	-	4,812
Forward foreign exchange contracts	-	17	-	17
Long-term receivables	-	-	24,851	24,851
	6	5,083	24,924	30,013
Financial liabilities				
Forward foreign exchange contracts	-	(21)	-	(21)
Company 2020 <i>In RM Mil</i>				
	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	-	104,107	104,107	94,947
Unquoted securities	-	230	230	230
Deposits with licensed bank	-	90	90	90
	-	104,427	104,427	95,267
Financial liabilities				
Notes and Bonds	(56,156)	-	(56,156)	(45,014)
Other long-term liabilities	-	(11,471)	(11,471)	(11,471)
	(56,156)	(11,471)	(67,627)	(56,485)

39. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information (continued)

Company 2019 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	7	-	-	7
Unquoted shares	-	-	73	73
Malaysian Government Securities	-	518	-	518
Corporate Bonds and Sukuk	-	3,467	-	3,467
Forward foreign exchange contracts	-	10	-	10
Long-term receivables	-	-	22,653	22,653
	7	3,995	22,726	26,728
Financial liabilities				
Forward foreign exchange contracts	-	(18)	-	(18)

Company 2019 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	-	101,961	101,961	98,547
Deposits with licensed bank	-	977	977	977
	-	102,938	102,938	99,524
Financial liabilities				
Notes and Bonds	(24,074)	-	(24,074)	(21,371)
Islamic financing facilities	(5,125)	-	(5,125)	(5,121)
Other long-term liabilities	-	(9,795)	(9,795)	(9,759)
	(29,199)	(9,795)	(38,994)	(36,251)

Derivatives

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign currency exchange contracts is based on the fair value difference between forward exchange rates and the contracted rate. The fair value of commodity swap and commodity forward contracts is based on the fair value difference between market price at the date of measurement and the contracted price.

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

39. FINANCIAL INSTRUMENTS (CONTINUED)

Income/(expense), net gains and losses arising from financial instruments

Group 2020 <i>In RM Mil</i>	Interest income	Interest expense	Net impairment losses/write-off	Others	Total
2020					
Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	458	-	-	234	692
Financial assets at fair value through OCI:					
- recognised in equity	-	-	-	13	13
Financial assets at amortised cost:					
- recognised in profit or loss	4,380	-	78	(3,287)	1,171
- recognised in equity	-	-	-	(308)	(308)
Financial liabilities at amortised cost	-	(2,781)	-	2,194	(587)
Total	4,838	(2,781)	78	(1,154)	981
2019					
Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	334	-	-	158	492
Financial assets at fair value through OCI:					
- recognised in equity	-	-	-	40	40
Financial assets at amortised cost:					
- recognised in profit or loss	6,555	-	28	(233)	6,350
- recognised in equity	-	-	-	(38)	(38)
Financial liabilities at amortised cost	-	(2,427)	-	195	(2,232)
Total	6,889	(2,427)	28	122	4,612

39. FINANCIAL INSTRUMENTS (CONTINUED)

Income/(expense), net gains and losses arising from financial instruments (continued)

Company 2020 In RM Mil	Interest income	Interest expense	Net impairment losses/ write-back	Others	Total
Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	306	-	-	1,552	1,858
Financial assets at amortised cost:	5,022	-	(340)	(3,356)	1,326
Financial liabilities at amortised cost	-	(2,733)	-	2,194	(539)
Total	5,328	(2,733)	(340)	390	2,645

2019

Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	164	-	-	2,357	2,521
Financial assets at amortised cost:	6,575	-	103	(653)	6,025
Financial liabilities at amortised cost	-	(3,387)	-	195	(3,192)
Total	6,739	(3,387)	103	1,899	5,354

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

40. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long-term business sustainability as outlined in the PETRONAS Financial Policy (formerly known as Group Corporate Financial Policy). The Group's capital structure consists of consolidated equity plus debt, defined as the current and long-term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of total debt to total assets ratio so as to enable compliance with all covenants.

There were no changes in the Group's approach to capital management during the year.

41. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB

Adoption of new and revised pronouncements

As of 1 January 2020, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*
Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*
and MFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*
Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)*
Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

The Group and the Company have early adopted the Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

Pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform - Phase 2)*

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018-2020)*
Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*
Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)*
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*
Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*

41. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB (CONTINUED)

Pronouncements yet in effect (continued)

Effective for a date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

New pronouncements not applicable to the Group and the Company

The MASB has issued pronouncements which is not relevant to the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)

Amendments to MFRS 141 Agriculture (Annual Improvements to MFRS Standards 2018–2020)

42. KEY SUBSIDIARIES AND ACTIVITIES

The subsidiary undertakings of the Company at 31 December 2020 and 2019 and the Group percentage of share capital are set out below.

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
* PETRONAS Carigali Sdn. Bhd.	100	100	Malaysia	Petroleum exploration, development and production
PC JDA Limited	100	100	Republic of Mauritius	Petroleum operations
PETRONAS Carigali Overseas Sdn. Bhd.	100	100	Malaysia	Investment holding and petroleum operations
E&P Malaysia Venture Sdn. Bhd.	100	100	Malaysia	Petroleum operations
Vestigo Petroleum Sdn. Bhd.	100	100	Malaysia	Petroleum operations
∞* PETRONAS International Corporation Ltd.	100	100	Malaysia	Investment holding

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
PETRONAS Carigali Iraq Holding B.V.	100	100	Netherlands	Petroleum operations
PETRONAS Carigali Chad Exploration & Production Inc.	100	100	Cayman Islands	Investment holding
PETRONAS Carigali (Chad EP) Inc.	100	100	Cayman Islands	Petroleum operations
PETRONAS Chad Marketing Inc.	100	100	Cayman Islands	Marketing and selling of crude oil
PETRONAS Australia Pty Limited	100	100	Australia	Investment holding
PAPL (Upstream) Pty Limited	100	100	Australia	Exploration and production of coal seam gas
PAPL (Downstream) Pty Limited	100	100	Australia	Production and transportation of liquefied natural gas for export
PETRONAS Carigali (Jabung) Ltd.	100	100	Bahamas	Petroleum operations
PETRONAS Carigali Nile Ltd.	100	100	Republic of Mauritius	Petroleum operations
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding
Natuna 1 B.V.	100	100	Netherlands	Petroleum operations
PETRONAS Carigali Canada B.V.	100	100	Netherlands	Investment holding
PETRONAS Energy Canada Ltd.	100	100	Canada	Petroleum and gas exploration, development and production
North Montney LNG Limited Partnership	100	100	Canada	Participation in LNG Canada construction and operations activities, liquefaction of natural gas as LNG, storage, marketing of LNG
PETRONAS E&P Argentina S.A.	100	100	Argentina	Petroleum and gas exploration, development and production
PETRONAS South Caucasus S.à r.l.	100	100	Luxembourg	Investment holding
PETRONAS Azerbaijan (Shah Deniz) S.à r.l.	100	100	Luxembourg	Petroleum operations
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100	100	Malaysia	Petroleum operations
∞ PICL (Egypt) Corporation Ltd.	100	100	Malaysia	Investment holding, exploration and production of oil and gas
PC Oman Ventures Ltd.	100	100	Mauritius	Petroleum operations
PETRONAS Petróleo Brasil Ltda.	100	100	Brazil	Petroleum operations
PETRONAS Power Sdn. Bhd.	100	100	Malaysia	Investment holding
PETRONAS LNG Sdn. Bhd.	100	100	Malaysia	Investment holding
∞ PETRONAS LNG Ltd.	100	100	Malaysia	Trading of natural gas and LNG

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
PETRONAS Energy Trading Limited	100	100	United Kingdom	Trading of energy and gas marketing
* PETRONAS Gas & New Energy Sdn.Bhd. (f.k.a. PETRONAS eLearning Solutions Sdn. Bhd.)	100	100	Malaysia	Investment holding
* Malaysia LNG Sdn. Bhd.	90	90	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Dua Sdn. Bhd.	80	80	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Tiga Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* PETRONAS LNG 9 Sdn. Bhd.	65	65	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
∞* PETRONAS Floating LNG 1 (L) Ltd.	100	100	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
∞* PETRONAS Floating LNG 2 (L) Ltd.	100	100	Malaysia	Developing, constructing, owning, operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility
* PETRONAS Energy & Gas Trading Sdn. Bhd.	100	100	Malaysia	Trading and marketing of processed gas
* PETRONAS International Power Corporation (Mauritius) Ltd.	100	100	Mauritius	Investment holding
* PETRONAS International Power Corporation B.V.	100	100	Netherlands	Investment holding
Amplus Energy Solutions Pte. Ltd. (Singapore)	100	100	Singapore	Investment holding of solar power generation entities in India
* PETRONAS Marketing International Sdn. Bhd.	100	100	Malaysia	Investment holding
Engen Limited	74	74	South Africa	Refining of crude oil and marketing of refined petroleum products
@* PETRONAS Dagangan Berhad	63.9	63.9	Malaysia	Domestic marketing of petroleum products
@* PETRONAS Gas Berhad	51	51	Malaysia	Processing and transmission of natural gas
Regas Terminal (Sg. Udang) Sdn. Bhd.	51	51	Malaysia	Manage and operate LNG regasification terminal

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
Pengerang LNG (Two) Sdn. Bhd.	33.2	33.2	Malaysia	Manage and operate LNG regasification terminal
* PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.	100	100	Malaysia	Development and ownership of Refinery and Petrochemical Integrated Complex
PRPC Utilities & Facilities Sdn. Bhd.	100	100	Malaysia	Supply and service of utilities and common facilities and infrastructures
Pengerang Power Sdn. Bhd.	100	100	Malaysia	Developing and operating a power generation plant and distribution of electricity and steam
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* Malaysian Refining Company Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Trading Corporation Sdn. Bhd.	100	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products and investment holding
∞ PETCO Trading Labuan Company Ltd.	100	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading (UK) Limited	100	100	United Kingdom	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading DMCC	100	100	United Arab Emirates	Trading of petroleum products
@* PETRONAS Chemicals Group Berhad	64.3	64.3	Malaysia	Investment holding
PETRONAS Chemical Isononanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of processed chemicals and all petrochemicals and chemicals products
∞ PETRONAS Chemicals Marketing (Labuan) Ltd.	64.3	64.3	Malaysia	Marketing and trading of petrochemical products
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Marketing Sdn. Bhd.	64.3	64.3	Malaysia	Investment holding

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
PETRONAS Chemicals Methanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methanol
PETRONAS Chemicals MTBE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methyl tertiary butyl ether and propylene
PETRONAS Chemicals Olefins Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ethylene, propylene and other hydrocarbon by-products
Asean Bintulu Fertilizer Sdn. Bhd.	40.8	40.8	Malaysia	Processing of natural gas into urea and ammonia
PETRONAS Chemicals Derivatives Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ethylene oxide derivatives, propylene derivatives and related chemical products
PETRONAS Chemicals Polyethylene Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of polyethylene
PETRONAS Chemicals Ethylene Sdn. Bhd.	56.3	56.3	Malaysia	Production and sale of ethylene
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ammonia and urea
PETRONAS Chemicals LDPE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of low-density polyethylene pellets ("LDPE")
PETRONAS Chemicals International B.V.	64.3	64.3	Netherlands	Investment holding
Da Vinci Group B.V.	64.3	64.3	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals
* PrimeSourcing International Sdn. Bhd.	100	100	Malaysia	Marketing and trading of steel, mechanical and electrical instrumentation, chemical and catalyst
* PETRONAS Lubricants International Sdn. Bhd.	100	100	Malaysia	Investment holding, manufacturing and trading of lubricant products
PLI (Netherlands) B.V.	100	100	Netherlands	Investment holding
PETRONAS Lubricants Italy S.p.A	100	100	Italy	Manufacturing and marketing of lubricant products
PETRONAS Lubrificantes Brasil S.A.	100	100	Brazil	Manufacturing and marketing of lubricant products

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
PETRONAS Lubricants China Co.,Ltd	100	100	Hong Kong	Investment holding
@* MISC Berhad	51	57.6	Malaysia	Shipping and shipping related activities
AET Tanker Holdings Sdn. Bhd.	51	57.6	Malaysia	Investment holding
@ Malaysia Marine and Heavy Engineering Holdings Berhad	33.9	38.3	Malaysia	Investment holding
Malaysia Marine and Heavy Engineering Sdn. Bhd.	33.9	38.3	Malaysia	Provision of oil and gas engineering and construction works, and marine conversion and repair services
∞ Gas Asia Terminal (L) Pte. Ltd.	51	57.6	Malaysia	Development and ownership of LNG floating storage units
∞ MISC Capital (L) Ltd.	51	57.6	Malaysia	Special purpose vehicle for financing arrangement
∞ MISC Offshore Floating Terminals (L) Ltd.	51	57.6	Malaysia	Offshore floating terminals ownership
∞ Gumusut-Kakap Semi-Floating Production System (L) Limited	51	57.6	Malaysia	Owning and leasing of semi-submersible floating production system
MISC Tankers Sdn. Bhd.	51	57.6	Malaysia	Investment holding and provision of management services
MISC Tanker Holdings Sdn. Bhd.	51	57.6	Malaysia	Investment holding
MISC Tanker Holdings (Bermuda) Limited	51	57.6	Malaysia	Investment holding
* KLCC (Holdings) Sdn. Bhd.	100	100	Malaysia	Investment holding, property development management and provision of management services
Rantau Recreation Sdn. Bhd. (f.k.a. KLCC Convention Centre Sdn. Bhd.)	100	100	Malaysia	Property investment
Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property development and investment
# Cititower Sdn. Bhd.	68.8	50	Malaysia	Property investment
@ KLCC Property Holdings Berhad	66.9	75.5	Malaysia	Investment holding, property investment and provision of management services
^@ KLCC Real Estate Investment Trust ("KLCC REIT")	-	-	Malaysia	To invest in a Shariah compliant portfolio of real estate assets and real estate related assets
Suria KLCC Sdn. Bhd.	39	45.3	Malaysia	Property investment
Putrajaya Homes Sdn. Bhd.	64.4	64.4	Malaysia	General construction and property development

42. KEY SUBSIDIARIES AND ACTIVITIES (CONTINUED)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
Putrajaya Ventures Sdn. Bhd.	64.4	64.4	Malaysia	Property development
Putrajaya Bina Sdn. Bhd.	64.4	64.4	Malaysia	Leasing of building and property management
* Institute of Technology PETRONAS Sdn. Bhd.	100	100	Malaysia	Institute of higher learning
∞* Energas Insurance (L) Limited	100	100	Malaysia	Offshore captive insurance business
∞* PETRONAS Capital Limited	100	100	Malaysia	Investment holding
∞ PETRONAS Global Sukuk Limited	-	-	Malaysia	Investment holding
β Petroleum Research Fund	-	-	Malaysia	Providing financial contributions to research activities relating to petroleum and other energy sources industry
β Abandonment Cess Fund	-	-	Malaysia	Manage, hold and utilise the trust fund to discharge obligations for the Abandonment of Petroleum Facilities in Malaysia
* PETRONAS Assets Sdn. Bhd.	100	100	Malaysia	Owning and leasing of assets
* PETRONAS Hartabina Sdn. Bhd.	100	100	Malaysia	Property holding
* PETRONAS Technical Training Sdn. Bhd.	100	100	Malaysia	Provision of training services
* PETRONAS Management Training Sdn. Bhd.	100	100	Malaysia	Provision of training services
* PETRONAS NGV Sdn. Bhd.	100	100	Malaysia	Promoting and retailing of natural gas for vehicles
* PETRONAS Research Sdn. Bhd.	100	100	Malaysia	Provision of research, advisory and technology development services
* PETRONAS Technical Services Sdn. Bhd.	100	100	Malaysia	Provision of technical and project management services
* Petrosains Sdn. Bhd.	100	100	Malaysia	Management of a petroleum discovery centre
* Sanzbury Stead Sdn. Bhd.	100	100	Malaysia	Property holding
* OGP Technical Services Sdn. Bhd.	100	100	Malaysia	Provision of technical and project management services
* Marmel Incorporated	100	100	Republic of Liberia	Investment holding

* Subsidiaries held directly by the Company.

∞ Companies incorporated under the Labuan Companies Act 1990.

@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.

^ The Group does not hold any ownership interest in KLCC Real Estate Investment Trust ("KLCC REIT"). However, the Group exercises power by virtue of its control over KLCC REIT Management Sdn. Bhd., the manager of KLCC REIT. KLCC REIT units are stapled to the ordinary shares of KLCC Property Holdings Berhad ("KLCCP") such that the shareholders of KLCCP are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT. Consequently, KLCC REIT is regarded as a subsidiary of the Group.

β The Group does not hold any ownership interest in these funds/entities. However, the Group has the rights to appoint and remove members of Board of Trustees funds/Directors, which is the decision making body of the funds/entities and able to determine the manner in which balance of the funds, after fulfilment of certain obligation, should be distributed upon dissolution. Consequently, the funds/entities is regarded as subsidiaries of the Group.

Further details are disclosed in Note 32.

43. KEY ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
BASF PETRONAS Chemicals Sdn. Bhd.	25.7	25.7	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products
Bintulu Port Holdings Berhad	28.5	28.5	Malaysia	Port management
Cameroon Oil Transportation Company - S.A.	29.8	29.8	Republic of Cameroon	Pipeline operations
El Behera Natural Gas Liquefaction Company S.A.E.	35.5	35.5	Egypt	Manufacturing and production of LNG for the purpose of export
# Gas Malaysia Berhad	8.9	8.9	Malaysia	Selling, marketing, distribution and promotion of natural gas
IDKU Natural Gas Liquefaction Company S.A.E.	38	38	Egypt	Manufacturing and production of LNG for the purpose of export
Tchad Oil Transportation Company - S.A.	30.2	30.2	Republic of Chad	Pipeline operations
The Egyptian LNG Company S.A.E.	35.5	35.5	Egypt	Owning, managing and developing the land and the common facilities related to the Egyptian LNG facility
# South Caucasus Pipeline Holding Company	15.5	15.5	Cayman Islands	Investment holding
# South Caucasus Pipeline Company	15.5	15.5	Cayman Islands	Pipeline operations
# Azerbaijan Gas Supply Company Ltd.	12.4	12.4	Cayman Islands	Marketing and selling of natural gas

Although the Group has less than 20% of the ownership in the equity interest of these associates, the Group has determined that it has significant influence over the financial and operating policy of the associate through representation on the said associate's Board of Directors.

44. KEY JOINT ARRANGEMENTS AND ACTIVITIES

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2020 %	2019 %		
BP PETRONAS Acetyls Sdn. Bhd.	19.3	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Trans Thai-Malaysia (Thailand) Ltd.	50	50	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	50	50	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	50	50	India	Manufacture and bottling services of Liquid Petroleum Gas ("LPG")
Kimanis Power Sdn. Bhd.	30.6	30.6	Malaysia	Generation and sale of electricity
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Transportation of gas
∞ Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	26.0	29.4	Malaysia	Floating production storage and off-loading ("FPSO") owner
Guangxi Beihai Yuchai High Quality Lube Co., Ltd.	50	50	China	Manufacturing and marketing of lubricant products
Guangxi Nanning Yuchai Lube Co., Ltd.	50	50	China	Manufacturing and marketing of lubricant products
Pengerang Terminals (Two) Sdn. Bhd.	40	40	Malaysia	Undertake activities related to terminal storage facilities for petroleum and petrochemical products
Pengerang Refining Company Sdn. Bhd.	50	50	Malaysia	Undertake blending, processing or cracking of crude, condensates, feedstock or intermediate feedstock
Pengerang Petrochemical Company Sdn. Bhd.	32	32	Malaysia	Sales of products within ethane and propane chains and ethane derivatives to the joint operators

∞ Company incorporated under the Labuan Companies Act 1990.

Independent Auditors' Report

To the Members of Petroleum Nasional Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Petroleum Nasional Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 156.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Impairment of property, plant and equipment ("PPE") and intangible assets ("IA")	
Refer to Note 3 - Property, Plant and Equipment and Note 9 - Intangible Assets.	
The key audit matter	How the matter was addressed in our audit
<p>The Group operates in the oil and gas sector which has been affected by the continued fluctuation in the oil and gas prices. This gives rise to a risk that the carrying amount of the Group's property, plant and equipment and intangible assets consisting of goodwill, exploration expenditures and other intangible assets, especially in the Upstream operating segment might exceed their recoverable amount, and therefore the carrying amount needs to be impaired.</p> <p>The Group has estimated the recoverable amount for each cash generating unit ("CGU") by forecasting and discounting future cash flows relevant to the CGU. As a result, net impairment loss of RM25,702 million (2019: RM6,539 million) for PPE and net impairment loss of RM5,648 million (2019: RM204 million) for IA (refer Note 26) were recognised in the current financial year.</p> <p>We have identified the evaluation of the carrying amount of the Group's PPE and IA of RM291,717 million (2019: RM319,204 million) (refer Note 3) and RM20,044 million (2019: RM26,260 million) (refer Note 9) respectively at 31 December 2020 as a key audit matter because:</p> <ul style="list-style-type: none"> it is material in the consolidated financial statements and represents 54% (2019: 56%) of Group's total assets; and the estimation of recoverable amounts involves a significant degree of judgment exercised and assumptions made by the Group. Key judgmental aspects include assumptions of oil and gas prices, expenditures, production profile and the use of an appropriate discount rate. 	<p>We performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> Considered the appropriateness of Group's determination of CGUs based on our knowledge of the Group's business and its internal reporting. Evaluated key assumptions used in the estimation of recoverable amount, among others: <ul style="list-style-type: none"> production profile - assessed whether the production profile is within the field/reserve lives; long term outlook of prices - compared to information published by external analysts; expenditures - compared to information included in the Group's approved budget and actual historical information; and discount rate - challenged the appropriateness of the discount rate used. Performed stress test over the projected oil price. Reviewed component auditor's testing on projected capital expenditure against actual incurred. Considered the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment assessment is most sensitive. <p>Based on the above procedures, the carrying amount of the Group's PPE and IA is appropriate.</p>

Key Audit Matters

Measurement of provision for decommissioning, dismantling, removal and restoration ("DDRR")	
Refer to Note 23 - Other Long-term Liabilities and Provisions.	
The key audit matter	How the matter was addressed in our audit
<p>The provision outstanding for DDRR of the Group and the Company amounts to RM41,128 million (2019: RM37,070 million) and RM17,159 million (2019: RM15,740 million) (refer Note 23) respectively as at the end of current financial year, which represents 30% (2019: 33%) and 19% (2019: 26%) of the Group's and Company's non - current liabilities.</p> <p>The estimation of DDRR provision, especially for assets under Upstream operating segment ("Upstream assets"), involves a high level of judgment, complex calculations and estimation uncertainty.</p> <p>Furthermore, DDRR activity of the Group and the Company especially on Upstream assets is rather preliminary, where majority of the assets are still in production stage. As such, there is limited historical precedent which the Group and the Company can benchmark against on the expected future costs to be incurred. These factors increase the degree of complexity in estimating the DDRR provision.</p> <p>The Group reviews the DDRR provision on an annual basis, of which key components in the computation include the interest rate, inflation rate and expected future costs.</p>	<p>We performed the following audit procedures, among others:</p> <ol style="list-style-type: none"> Assessed the appropriateness of data used in the calculation of the DDRR provision to the originating source. Evaluated key assumptions used in the DDRR provision calculation, among others: <ul style="list-style-type: none"> interest and inflation rates - compared to information from external sources; and expected future costs - compared to costs incurred on recent similar transactions. Performed consistency testing on the application of key assumptions to respective oil fields. Re-performed the calculation of the DDRR provision for mathematical accuracy. <p>Based on the above procedures, the measurement of provision for DDRR of the Group and the Company are appropriate.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

When we read remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Appendix I.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia

Date: 25 February 2021

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2022 J
Chartered Accountant

Appendix I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

• Putrajaya Homes Sdn. Bhd.	• Rantau Land Sdn. Bhd.
• Convex Malaysia Sdn. Bhd.	• Gagasan Ria Sdn. Bhd.
• Gas District Cooling (M) Sdn. Bhd.	• Gas District Cooling (Putrajaya) Sdn. Bhd.
• Gilang Cendana Sdn. Bhd.	• Heritage Lane Sdn. Bhd.
• Hasrat Intisari (M) Sdn. Bhd.	• Ilham Merpati Sdn. Bhd.
• Putrajaya Bina Sdn. Bhd.	• Idaman Putrajaya Sdn. Bhd.
• Midciti Sukuk Berhad	• Impian Moden Sdn. Bhd.
• Kenyalang Murni Sdn. Bhd.	• Kelana Perkasa Sdn. Bhd.
• KLCC Projek Sdn. Bhd.	• Rantau Recreation Sdn. Bhd.
• Rantau Properties Sdn. Bhd.	• KLCC Properties Sdn. Bhd.
• KLCC Projek Services Sdn. Bhd.	• Komponen Abadi Sdn. Bhd.
• Kuala Lumpur City Park Berhad	• Rantau Homes Sdn. Bhd.
• Layar Intan Sdn. Bhd.	• Kuala Lumpur Convention Centre Sdn. Bhd.
• KLCC Real Estate Investment Trust(@)	• KLCC REIT Management Sdn. Bhd.
• Menara Putrajaya Sdn. Bhd.	• Lembah Putrajaya Sdn. Bhd.
• Purnama Sepi Sdn. Bhd.	• Metro Kemasik Sdn. Bhd.
• Putrajaya Development Sdn. Bhd.	• Pedoman Semarak Sdn. Bhd.
• Putrajaya Group Sdn. Bhd.	• Putrajaya Holdings Sdn. Bhd.
• Putrajaya Projects Sdn. Bhd.	• Putrajaya Management Sdn. Bhd.
• Putrajaya Resources Sdn. Bhd.	• Putrajaya Properties Sdn. Bhd.
• Senandung Asli Sdn. Bhd.	• Putrajaya Ventures Sdn. Bhd.
• Tapak Senja Sdn. Bhd.	• Serba Harapan (M) Sdn. Bhd.
• Gas District Cooling (KLIA) Sdn. Bhd.	• Gas District Cooling (Holdings) Sdn. Bhd.
• Arah Moden Sdn. Bhd.	• Gas District Cooling (UTP) Sdn. Bhd.
• Quantum Panorama Sdn. Bhd.	• Indah Putrajaya Sdn. Bhd.
• Arena Johan Sdn. Bhd.	• Suria KLCC Sdn. Bhd.
• Asas Klasik Sdn. Bhd.	• Arena Merdu Sdn. Bhd.
• KLCC Parking Management Sdn. Bhd.	• Impian Cemerlang Sdn. Bhd.
• Kompleks Dayabumi Sdn. Bhd.	• KLCC Urusharta Sdn. Bhd.
• Midciti Resources Sdn. Bhd.	• KLCC Property Holdings Bhd. (@)

Marmel Incorporated and its subsidiaries:

• Darton Ltd.	• WG Parcel B, LLC
• GCB Associates, LLC	• Darton U.S. Holdings, Inc.
• Sparknight, LLC	• Grabhorn Properties, LLC
• Paterson, LLC	• World Gateway Investments, Inc.

Appendix I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries:

• AET Agencies Inc.	• AET Lightering Services LLC
• AET Inc. Limited	• AET Petroleum Tanker (M) Sdn. Bhd.
• AET Offshore Services Inc.	• AET Shipmanagement (Malaysia) Sdn. Bhd.
• Eaglestar Marine B.V.	• AET Tankers India Pte. Ltd.
• Eaglestar Shipmanagement (S) Pte. Ltd.	• AET UK Ltd.
• AET Tanker Holdings Sdn. Bhd.	• AET Tankers Pte. Ltd.
• Asia LNG Transport Sdn. Bhd.	• FPSO Ventures Sdn. Bhd.
• MISC Nigeria Ltd.	• Malaysia Marine and Heavy Engineering Sdn. Bhd.
• Malaysian Maritime Academy Sdn. Bhd.	• Atenea Services S.A.
• AET STS Limited Inc.	• Hendham Enterprises Ltd.
• MISC Offshore Floating Terminals Dua (L) Ltd.	• AET Azerbaijan Limited
• Asia LNG Transport Dua Sdn. Bhd.	• MISC Agencies Sdn. Bhd.
• MISC Agencies India Pvt. Ltd.	• MISC Enterprises Holdings Sdn. Bhd.
• MISC Berhad (UK) Ltd.	• Malaysia Offshore Mobile Production (Labuan) Ltd.
• MISC Capital (L) Ltd.	• MISC Offshore Floating Terminals (L) Ltd.
• AET Bermuda One Limited	• MISC Tanker Holdings Sdn. Bhd.
• MISC Ferry Services Sdn. Bhd.	• MMHE LNG Sdn. Bhd.
• MISC International (L) Ltd.	• AET Sea Shuttle AS
• MISC Offshore Holdings (Brazil) Sdn. Bhd.	• Oldson Ventures Ltd.
• MISC Ship Management Sdn. Bhd.	• Gas Asia Terminal (L) Pte. Ltd.
• Seri Cemara (L) Private Limited	• MISC Tankers Sdn. Bhd.
• MISC Tanker Holdings (Bermuda) Limited	• Puteri Delima Sdn. Bhd.
• Malaysia Marine and Heavy Engineering Holdings Berhad (@)	• MISC do Brasil Services de Energia Ltd.
• Puteri Delima Satu (L) Pte. Ltd.	• Puteri Firus Sdn. Bhd.
• Puteri Firus Satu (L) Pte. Ltd.	• Puteri Intan Sdn. Bhd.
• Puteri Intan Satu (L) Pte. Ltd.	• Puteri Mutiara Satu (L) Pte. Ltd.
• Puteri Nilam Satu (L) Pte. Ltd.	• Puteri Nilam Sdn. Bhd.
• Puteri Zamrud Satu (L) Pte. Ltd.	• Techno Indah Sdn. Bhd.
• Puteri Zamrud Sdn. Bhd.	• MISC PNG Shipping Ltd.
• AET Tankers Kazakhstan LLP	• AET MCV Delta Sdn. Bhd.
• Eaglestar Shipmanagement (USA) LLC	• AET MCV Beta L.L.C.
• AET Shipmanagement (USA) LLC	• AET Brasil Services STS Ltda.
• AET Tankers (Suezmax) Pte. Ltd.	• Paramount Tankers Corporation
• AET Shuttle Tankers Sdn. Bhd.	• MISC Maritime Services Sdn. Bhd.
• AET MCV Alpha L.L.C.	• Sungai Udang Port Sdn. Bhd.
• AET MCV Gamma L.L.C.	• MISC Agencies (Netherlands) B.V.
• AET Brasil Services Maritamos Ltda.	• AET Singapore One Pte. Ltd.
• AET Holdings (L) Pte. Ltd.	• Zangwill Business Corp.
• Seri Camellia (L) Private Limited	• Odley Worldwide Inc.
• Seri Cempaka (L) Private Limited	• AET Product Tankers Sdn. Bhd.
• Seri Cenderawasih (L) Private Limited	• Twyford International Business Corp.

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries (continued):

• Seri Camar (L) Private Limited	• Eaglestar Shipmanagement (L) Pte. Ltd.
• MMHE International Sdn. Bhd.	• Eaglestar Marine (S) Pte. Ltd.
• MMHE EPIC Marine & Services Sdn. Bhd.	• Portovenere and Lerici (Labuan) Pte. Ltd.
• Eaglestar Marine Holdings (L) Pte. Ltd.	• Portovenere and Lerici (Singapore) Pte. Ltd.
• Gumusut-Kakap Semi-Floating Production System (L) Limited	• Malaysia Offshore Mobile Production Dua (Labuan) Ltd.
• AET Labuan One Pte. Ltd.	• AET Shutter Tankers II Pte Ltd.
• Malaysia Marine and Heavy Engineering Saudi Limited	• AET Pte Ltd
• Mekar Bergading Offshore Floating (L) Limited	• AET Brasil Services Maritamos Ltda
• AET Labuan Pte. Ltd	• AET Tanker India Pte. Ltd.
• AET Bermuda Holding Ltd	• SOL-X Pte Ltd
• AET Singapore Holding Pte Ltd	• Spares CNX Pte. Ltd.
• Eaglestar Marine India Private Limited	• Chord X Pte. Ltd.
• AET Sea Shuttle II AS	
• Malaysia Marine & Heavy Engineering Sdn. Bhd.	

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

• E&P Venture Solutions Co. Sdn. Bhd.	• E&P Malaysia Venture Sdn. Bhd.
• PC JDA Ltd.	• PC Randugunting Ltd.
• PETRONAS Carigali (Australia) Pty. Ltd.	• PETRONAS Carigali Overseas Sdn. Bhd.
• PETRONAS Carigali (Ketapang) Ltd.	• PC Ketapang II Ltd.
• PETRONAS Carigali (Surumana) Ltd.	• PETRONAS Carigali Nigeria Limited
• E&P O&M Services Sdn. Bhd.	• PETRONAS Carigali (West Glagah Kambuna) Ltd.
• Vestigo Petroleum Sdn. Bhd.	
• PETRONAS Carigali White Nile (5B) Ltd.	

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries:

• PETRONAS Lubricants Italy S.p.A (a)	• PETRONAS Lubricants Poland Sp. Zo.o (a)
• PETRONAS Lubricants Africa Ltd. (a)	• PETRONAS Lubricants Argentina S.A. (a)
• PETRONAS Lubrificantes Brasil S.A. (a)	• PETRONAS Lubricants Great Britain Limited (a)
• PETRONAS Lubricants France S.a.s. (a)	• PETRONAS Lubricants Deutschland GmbH (a)
• PT PLI Indonesia	• PLAL Egypt LLC
• PETRONAS Lubricants Netherlands B.V. (a)	• PETRONAS Marketing China Company Limited (a)
• PETRONAS Lubricants Belgium N.V. (a)	• PETRONAS Lubricants (India) Private Limited (a) (Y)
• PETRONAS Madeni Yaglar TIC Limited STI (a)	• PETRONAS Lubricants Shandong Company Limited (a)
• PETRONAS Lubricants Spain S.L.U. (a)	• PLI Australia Pty. Limited (Y)
• Arexons Srl. (a)	• PETRONAS Lubricants Africa Limited (a)
• PETRONAS Lubricants Portugal Lda (a)	• PLI (Netherlands) B.V
• PLI (Netherlands) B.V.	
• PETRONAS Lubricants China Company Limited (a)	
• PLAL Dubai Multi Commodities Centre (PLAL DMCC) (a)	

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries:

• PETRONAS Carigali Brunei Ltd.	• PETRONAS LNG Ltd.
• Labuan Energy Corporation Limited	• MITCO Labuan Co. Limited
• PETRONAS Suriname E&P B.V.	• Myanmar PETRONAS Trading Co. Ltd.
• PAPL (Upstream) Pty. Ltd.	• LEC Ireland Employment Ltd.
• PC North Madura II Ltd	• Nada Properties Company Ltd.
• PC Muriah Ltd.	• Natuna 1 B.V.
• PC Myanmar (Hong Kong) Limited	• PC Gabon Upstream S.A
• PAPL Services Pty. Limited	• PETRONAS LNG (UK) Limited
• PAPL (Upstream 11) Pty. Ltd.	• Parsi International Ltd.
• PSE Kinsale Energy Limited	• PC Madura Ltd.
• PETRONAS Energy Trading Limited	• PAPL (Downstream) Pty. Ltd.
• PETRONAS Carigali Myanmar Inc.	• PC (Myanmar) Holdings Limited (Y)
• PETRONAS Carigali Nile Ltd.	• PC Vietnam Ltd.
• PC Carigali Mexico Oil and Gas Holding S.A. de C.V.	• PETRONAS Angola E&P Ltd.
• PETRONAS Carigali Myanmar III Inc.	• PETRONAS Carigali (Chad EP) Inc.
• PETRONAS Philippines Inc. (a) (Y)	• PETRONAS Australia Pty. Ltd.
• Doba Pipeline Investment Inc.	• PETRONAS Carigali (Jabung) Ltd.
• North Montney LNG Ltd. Partnership	• PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
• Argentinean Pipeline Holding Company S.A.(a) (Y)	• PETRONAS (E&P) Overseas Ventures Sdn. Bhd.
• PETRONAS Thailand Co. Ltd. (a)	• PC Kuala Kurun Ltd
• Japan Malaysia LNG Co. Ltd.	• PETRONAS Brasil E&P Limitada
• PETRONAS LNG Sdn. Bhd.	• PC Sakakemang Ltd.
• PETRONAS Carigali Canada B.V.	• PETRONAS Energy Canada Ltd. (a)
• PETRONAS Carigali International E&P B.V.	• PETRONAS Azerbaijan Upstream Sdn. Bhd.
• PICL (Egypt) Corporation Ltd.	• PETRONAS South Caucasus S.a.r.l.
• PSE Seven Head Limited	• PETRONAS Azerbaijan Shah Deniz S.a.r.l.
• PETRONAS Carigali Chad Exploration & Production Inc.	• PC Mauritania II B.Y. (a)
• PETRONAS Carigali Carigali Holding B.V.	• Petroliam Manpower Support Services Mexico S.A. de C.V.
• PETRONAS Carigali International Sdn. Bhd.	• PC Gabon Upstream S.A.
• PICL Marketing Thailand Ltd.	• PETRONAS West Papua IV Indonesia B.V.
• PETRONAS Gebang Indonesia B.V.	• Labuan Energy Corporation Ltd.
• PETRONAS Aru Indonesia B.V.	• PCM (Thailand) Co Ltd
• LNG Investments Europe Limited	• PC Mauritania 1 Pty. Ltd. (a)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Dagangan Berhad and its subsidiary:

- PETRONAS International Marketing (Thailand) Co. Ltd.

PETRONAS Marketing International Sdn. Bhd. and its subsidiaries:

- | | |
|----------------------------------------|--------------------------------------|
| • Azania Petroleum (Pty.) Ltd. | • Engen Company (Mauritius) Ltd. |
| • Citycat Properties (Pty.) Ltd. | • Engen Botswana Limited (β) |
| • Petroleum Investment Holding Ltd. | • Engen Holdings (Pty.) Ltd. |
| • Engen Holdings (Ghana) Ltd. | • Engen Limited |
| • Engen Lesotho (Pty.) Ltd. | • Engen Marketing Ltd. |
| • Engen Marketing Botswana (Pty.) Ltd. | • Engen Namibia (Pty.) Ltd. |
| • Engen (Nigeria) Ltd. (a) | • Engen Producing (Nigeria) Ltd. (a) |
| • Engen Swaziland (Pty.) Ltd. | • Engen Petroleum (DRC) Ltd. |
| • Enpet Insurance Ltd. | • Renaissance Petroleum (Pty.) Ltd. |
| • Imtrasel (Pty.) Ltd. | • Enpet Africa Insurance Ltd. |
| • Trek Petroleum (Pty.) Ltd. | • Engen Oil Lesotho (Pty.) Ltd. |
| • Engen Petroleum (Mauritius) Ltd. | • Zenex Oil (Pty.) Ltd. |
| • Pakenzyl (Pty.) Ltd. | • Engen Petroleum Ltd. |
| • Engen DRC SARL | |

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- PETRONAS Digital Sdn. Bhd. (f.k.a PETRONAS ICT Sdn. Bhd.)
- Petrofibre Network (M) Sdn. Bhd.
- Virtus iP Sdn. Bhd.

PETRONAS Trading Corporation Sdn. Bhd.'s subsidiaries:

- PETCO Trading (UK) Limited (a)
- PT PETRONAS Niaga Indonesia
- PETCO Trading DMCC (a)

PETRONAS Technical Services Sdn. Bhd. 's subsidiary:

- PTSSB DMCC

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- | | |
|----------------------------------------|--------------------------------------------|
| • PCM (Thailand) Company Limited (Y) | • PCM Chemical India Private Limited |
| • PCM (China) Company Limited (a) | • PT PCM Kimia Indonesia |
| • Kertih Port Sdn. Bhd. | • Vinyl Chloride (Malaysia) Sdn. Bhd. |
| • Polypropylene Malaysia Sdn. Bhd. | • PETRONAS Chemicals Derivatives Sdn. Bhd. |
| • PETRONAS Chemicals Olefins Sdn. Bhd. | • PETRONAS Chemicals Glycols Sdn. Bhd. |
| • PETRONAS Chemicals LDPE Sdn. Bhd. | |

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

Da Vinci Group B.V. and its subsidiaries:

- | | |
|------------------------------------------------------------------------|------------------------------------------|
| • BRB Central Eastern Europe Sp. z.o.o. | • BRB Hong Kong Limited |
| • BRB SIL Invest B.V. (f.k.a BRB Invest B.V.and merge with Karan B.V.) | • BRB North America Inc. |
| • BRB International B.V. | • BRB Real Estate Canada Inc. |
| • BRB LAC Invest B.V. | • BRB Silicones South Africa Pty. Ltd. |
| • BRB LAC Singapore Pte. Ltd. | • BRB Singapore Pte. Ltd. |
| • BRB Lube Oil Additives & Chemicals B.V. | • BRB Malaysia Sdn. Bhd. |
| • BRB South America Representacao | • Qingdao BRB Trading Co. Ltd. |
| • Viscotech Asia Pte. Ltd. | • BRB ST Kimyasal Sanayl ve Ticaret A.S. |

PETRONAS International Power Corporation BV's subsidiaries:

- | | |
|--------------------------------------------|-----------------------------------------------|
| • Amplus Energy Solutions Pvt. Ltd (India) | • Amplus Power Solutions Pte Ltd |
| • Amplus Solar Power Pte Ltd | • Amplus KN Solar Pte Ltd |
| • Amplus Solar Solutions Pte Ltd | • Amplus KN One Power Pte Ltd |
| • Amplus Andhra Power Pte Ltd | • Amplus Management Svcs Pte Ltd |
| • Amplus Sun Solutions Pte Ltd | • Amplus Solar Power MH Pte Ltd |
| • Amplus Coastal Power Pte Ltd | • Amplus RJ Solar Pte Ltd |
| • Amplus Green Power Pte Ltd | • Amplus Power Supply Pte Ltd |
| • Solbridge Energy Pte Ltd | • Ananth Solar Power Maharashtra |
| • Amplus Jyotimangal Energy Pte Ltd | • Amplus Sunshine Pte Ltd |
| • Amplus Green One Power Pte Ltd | • Amplus Sunlight Pte Ltd |
| • Sunterrace Energy One Pte Ltd | • Amplus Superior Solar Pte Ltd |
| • Wednesday Solar Pte Ltd | • Wattvolt Energy Pte Ltd |
| • Fourvolt Solar Pte Ltd | • Sungaze Power Pte Ltd |
| • Amplus Energy Solutions FZE | • Amplus Energy Solutions (Thailand) Co. Ltd. |

Institute of Technology PETRONAS Sdn. Bhd. and its other subsidiary:

- UTP Futuretech Sdn Bhd

Subsidiaries held directly by the Company:

- | | |
|------------------------------------------|--------------------------------------------------------------------------|
| • Energas Insurance (L) Limited | • PETRONAS Capital Limited |
| • PETRONAS NGV Sdn. Bhd. | • PETRONAS Hartabina Sdn. Bhd |
| • PETRONAS Management Training Sdn. Bhd. | • PETRONAS Technical Training Sdn. Bhd. |
| | • PETRONAS Gas & New Energy Sdn Bhd (f.k.a. eLearning Solutions Sdn Bhd) |

a Audited by affiliates of KPMG.

@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.

Y Consolidated based on management financial statements.

β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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Petroleum Nasional Berhad (PETRONAS) 197401002911 (20076-K)
Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia