

PETRONAS DAGANGAN BERHAD

(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**

Domiciled in Malaysia
Registered Office:
Tower 1
PETRONAS TWIN TOWERS
Kuala Lumpur City Centre
50088 Kuala Lumpur

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2021**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

There have been no significant changes in the nature of principal activities of the Company during the financial year, which is domestic marketing of petroleum products.

Subsequent to year end, the Company has expanded its principal activities to include non-fuel business.

The principal activities of the subsidiaries, associates and joint ventures are stated in Note 33, Note 34 and Note 35 to the financial statements respectively.

ULTIMATE HOLDING COMPANY

The holding and ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia. The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 33 to the financial statements.

RESULTS

In RM'000

	Group	Company
Profit for the year	531,231	678,959
Attributable to:		
Shareholders of the Company	529,754	678,959
Non-controlling interests	1,477	—
	<u>531,231</u>	<u>678,959</u>

DIVIDENDS

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

- a) In respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year:
 - i. an interim dividend of 17.0 sen per ordinary share amounting to RM168,887,180 declared on 19 February 2021 and paid on 19 March 2021; and
- b) In respect of the financial year ended 31 December 2021:
 - i. an interim dividend of 14.0 sen per ordinary share amounting to RM139,083,560 declared on 25 May 2021 and paid on 24 June 2021;
 - ii. an interim dividend of 10.0 sen per ordinary share amounting to RM99,345,400 declared on 23 August 2021 and paid on 22 September 2021; and
 - iii. an interim dividend of 20.0 sen per ordinary share amounting to RM198,690,800 declared on 26 November 2021 and paid on 24 December 2021.

The Directors have on 22 February 2022 declared an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 in respect of the financial year ended 31 December 2021. The financial statements for the current financial year do not reflect this declared interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

Further details on dividends are disclosed in Note 25.

RESERVES AND PROVISIONS

There were no material movements to or 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:

Datuk Anuar bin Ahmad (Chairman)
Azrul bin Osman Rani
Shafie bin Shamsuddin
Alvin Michael Hew Thai Kheam
Nirmala a/p Doraisamy
Tang Saw Hua
Ahmad Adly bin Alias
Arni Laily binti Anwarrudin (appointed on 1 June 2021)
Datuk Md Arif bin Mahmood (resigned on 1 January 2022)
Lim Beng Choon (retired on 12 August 2021)
Nuraini binti Ismail (resigned on 31 May 2021)

DIRECTORS (continued)

In accordance with Article 107 of the Company's Constitution, Azrul bin Osman Rani and Nirmala a/p Doraisamy are due for retirement by rotation at the forthcoming Annual General Meeting (AGM) of the Company. Azrul bin Osman Rani and Nirmala a/p Doraisamy, being eligible for re-election have given their consent for re-election at the forthcoming AGM.

In accordance with Article 100 of the Company's Constitution, Arni Laily binti Anwarrudin, who was appointed as Director during the year shall hold office until the conclusion of the forthcoming AGM, and being eligible, offer herself for re-election.

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 names of Directors of subsidiaries are available on the Company's corporate website that the 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.

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 Chemicals Group Berhad			
	Balance at 1.1.2021/ Date of appointment	Bought	Sold	Balance at 31.12.2021
Datuk Md Arif bin Mahmood	20,000	—	—	20,000
Azrul bin Osman Rani - spouse	1,000	—	—	1,000
Arni Laily binti Anwarrudin	6,000	—	—	6,000
Ahmad Adly bin Alias	6,000	—	—	6,000

None of the other Directors holding office at 31 December 2021 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 26 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations), 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, Petroliam 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 (2020: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Group and the Company is RM112,300 (2020: RM112,300) and RM108,300 (2020: RM108,300) 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:

- (i) that 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) that 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.

OTHER STATUTORY INFORMATION (continued)

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

- (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 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 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature 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 26 Related Parties Disclosures.

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.

SIGNIFICANT EVENTS

On 8 July 2021, the Group incorporated a wholly-owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. (“MESRA”) and on 10 September 2021, the Group acquired 100% equity interests in Setel Express Sdn. Bhd. (“Setel Express”) (formerly known as D-Two Couriers (M) Sdn. Bhd.) which has subsequently become a wholly-owned subsidiary of the Group, as disclosed in Note 22.

On 29 October 2021, the Group completed its divestment of 100% equity interests in a subsidiary, PETRONAS International Marketing (Thailand) Co., Ltd. (“PIMTCL”) to PETRONAS Lubricants International Sdn. Bhd. (“PLISB”) as disclosed in Note 23.

AUDITORS

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

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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



.....
DATUK ANUAR BIN AHMAD
Chairman



.....
AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 22 February 2022

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 9 to 104, 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 2021 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:


.....
DATUK ANUAR BIN AHMAD
Chairman


.....
AZRUL BIN OSMAN RANI
Director

Kuala Lumpur,
Date: 22 February 2022

PETRONAS DAGANGAN BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION

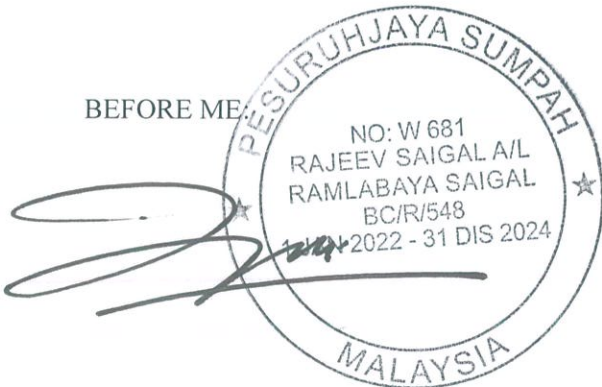
I, **FARZLINA BINTI AHMAD MURAD**, the officer primarily responsible for the financial management of **PETRONAS Dagangan Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 9 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration 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

FARZLINA BINTI AHMAD MURAD,
at Kuala Lumpur in Wilayah Persekutuan
on 22 February 2022



BEFORE ME



NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
ASSETS			
Property, plant and equipment	3	4,017,549	4,067,023
Intangible asset	4	806	—
Investments in associates	6	2,008	1,665
Investments in joint ventures	7	20,327	19,449
TOTAL NON-CURRENT ASSETS		4,040,690	4,088,137
Trade and other inventories	8	158,866	410,229
Trade and other receivables	9	3,490,185	1,169,444
Cash and cash equivalents	10	1,911,062	2,691,820
TOTAL CURRENT ASSETS		5,560,113	4,271,493
TOTAL ASSETS		9,600,803	8,359,630
EQUITY			
Share capital	11	993,454	993,454
Reserves	12	4,588,619	4,650,291
Total equity attributable to shareholders of the Company		5,582,073	5,643,745
Non-controlling interests	13	33,378	31,901
TOTAL EQUITY		5,615,451	5,675,646
LIABILITIES			
Borrowings	14	92,166	96,778
Deferred tax liabilities	15	102,723	104,609
Other long term liabilities and provisions	16	31,272	30,328
TOTAL NON-CURRENT LIABILITIES		226,161	231,715
Trade and other payables	17	3,645,060	2,342,061
Borrowings	14	24,266	81,392
Taxation		89,865	28,816
TOTAL CURRENT LIABILITIES		3,759,191	2,452,269
TOTAL LIABILITIES		3,985,352	2,683,984
TOTAL EQUITY AND LIABILITIES		9,600,803	8,359,630

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
Revenue	18	22,505,326	18,710,947
Cost of revenue		(19,936,900)	(16,439,243)
Gross profit		2,568,426	2,271,704
Selling and distribution expenses		(998,424)	(1,066,348)
Administration expenses		(1,160,826)	(1,166,613)
Other income		342,011	363,791
Operating profit	19	751,187	402,534
Financing costs	20	(11,640)	(16,035)
Share of profit/(loss) after tax of equity accounted associates and joint ventures		1,221	(78)
Profit before taxation		740,768	386,421
Tax expense	21	(209,537)	(114,007)
Profit for the year		531,231	272,414
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of financial statements of foreign operation		5,802	(2,156)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiary		8,779	—
Total other comprehensive income/(loss) for the year, net of tax		14,581	(2,156)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		545,812	270,258

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2021****(continued)**

<i>In RM'000</i>	Note	2021	2020
Profit/(loss) attributable to:			
Shareholders of the Company		529,754	275,964
Non-controlling interests		1,477	(3,550)
PROFIT FOR THE YEAR		<u>531,231</u>	<u>272,414</u>
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		544,335	273,808
Non-controlling interests		1,477	(3,550)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>545,812</u>	<u>270,258</u>
Basic earnings per ordinary share	24	<u>53.3 sen</u>	<u>27.8 sen</u>

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		
		<i>Non-distributable</i>		
		Share Capital	Foreign Currency Translation Reserve	Capital Reserves
Balance at 1 January 2021		993,454	(21,091)	(18,732)
Exchange difference arising from translation of financial statements of foreign operation		—	5,802	—
Disposal of subsidiary acquired under common control	23	—	8,779	18,427
Total other comprehensive income/ (loss) for the year		—	14,581	18,427
Profit for the year		—	—	—
Total comprehensive income for the year		—	14,581	18,427
<i>Distribution to shareholders of the Company</i>				
Dividends to shareholders of the Company	25	—	—	—
Total transactions with owners of the Group		—	—	—
Balance at 31 December 2021		993,454	(6,510)	(305)
		Note 11	Note 12	Note 12

continue to next page

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(continued)

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		Non- controlling Interests	Total Equity
		<i>Distributable</i>			
		Retained Profits	Total		
Balance at 1 January 2021		4,690,114	5,643,745	31,901	5,675,646
Exchange difference arising from translation of financial statements of foreign operation		—	5,802	—	5,802
Disposal of subsidiary acquired under common control	23	(18,427)	8,779	—	8,779
Total other comprehensive income/ (loss) for the year		(18,427)	14,581	—	14,581
Profit for the year		529,754	529,754	1,477	531,231
Total comprehensive income for the year		511,327	544,335	1,477	545,812
<i>Distribution to shareholders of the Company</i>					
Dividends to shareholders of the Company	25	(606,007)	(606,007)	—	(606,007)
Total transactions with owners of the Group		(606,007)	(606,007)	—	(606,007)
Balance at 31 December 2021		4,595,434	5,582,073	33,378	5,615,451

Note 13

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The notes set out on pages 23 to 104 are an integral part of these financial statements

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(continued)

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		
		<i>Non-distributable</i>		
		Share Capital	Foreign Currency Translation Reserve	Capital Reserves
Balance at 1 January 2020		993,454	(18,935)	(18,732)
Exchange difference arising from translation of financial statements of foreign operations		—	(2,156)	—
Total other comprehensive loss for the year		—	(2,156)	—
Profit/(loss) for the year		—	—	—
Total comprehensive (loss)/income for the year		—	(2,156)	—
<i>Distribution to shareholders of the Company</i>				
Dividends to shareholders of the Company	25	—	—	—
Total transactions with owners of the Group		—	—	—
Balance at 31 December 2020		993,454	(21,091)	(18,732)
		Note 11	Note 12	Note 12

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The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

(continued)

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		Non- controlling Interests	Total Equity
		<i>Distributable</i>			
		Retained Profits	Total		
Balance at 1 January 2020		5,020,157	5,975,944	35,451	6,011,395
Exchange difference arising from translation of financial statements of foreign operations		—	(2,156)	—	(2,156)
Total other comprehensive loss for the year		—	(2,156)	—	(2,156)
Profit/(loss) for the year		275,964	275,964	(3,550)	272,414
Total comprehensive (loss)/income for the year		275,964	273,808	(3,550)	270,258
<i>Distribution to shareholders of the Company</i>					
Dividends to shareholders of the Company	25	(606,007)	(606,007)	—	(606,007)
Total transactions with owners of the Group		(606,007)	(606,007)	—	(606,007)
Balance at 31 December 2020		4,690,114	5,643,745	31,901	5,675,646

Note 13

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The notes set out on pages 23 to 104 are an integral part of these financial statements

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		740,768	386,421
Adjustments for:			
Depreciation and amortisation		412,155	497,839
Net impairment losses on:			
- Trade and other receivables		12,351	5,530
- Property, plant and equipment		4,124	—
Share of (profit)/loss after tax of equity accounted associates and joint ventures		(1,221)	78
Net loss on disposal of property, plant and equipment		1,710	4,199
Interest income		(61,265)	(71,270)
Financing costs		11,640	16,035
Net inventories written off		346	37
Net inventories written-back to net realisable value		(4,088)	(302)
Property, plant and equipment written off		1,096	1,393
Property, plant and equipment expensed off		2,627	7,119
Net unrealised foreign exchange gain		(1,045)	(2,255)
Operating profit before changes in working capital		1,119,198	844,824
Changes in working capital:			
Trade and other receivables		(2,332,048)	392,040
Inventories		255,106	386,553
Trade and other payables		1,305,223	(1,097,988)
Cash generated from operations		347,479	525,429
Taxation paid		(150,374)	(162,600)
Net cash generated from operating activities		197,105	362,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		61,265	71,270
Net withdrawal of fund investment		—	51,004
Purchase of property, plant and equipment		(374,313)	(443,231)
Acquisition of subsidiary, net of cash acquired	22	(713)	—
Proceeds from disposal of subsidiary, net of cash disposed	23	7,278	—
Proceeds from disposal of property, plant and equipment		9,471	1,565
Net cash used in investing activities		(297,012)	(319,392)

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The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(continued)

<i>In RM'000</i>	Note	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(606,007)	(606,007)
Net drawdown of revolving credits		6,500	4,114
Repayment of Islamic financing facilities		(9,880)	(19,876)
Repayment of lease liabilities		(63,842)	(141,163)
Interest paid on revolving credits		(423)	(40)
Profit margin paid for Islamic financing facilities		(139)	(788)
Interest paid on lease liabilities		(8,968)	(14,047)
Net cash used in financing activities	14	<u>(682,759)</u>	<u>(777,807)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(782,666)	(734,370)
NET FOREIGN EXCHANGE DIFFERENCES		1,908	690
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>2,691,820</u>	<u>3,425,500</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>1,911,062</u>	<u>2,691,820</u>
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		1,813,765	2,467,302
Cash and bank balances		68,862	135,264
Deposits placed with licensed banks		—	68,485
Restricted cash		28,435	20,769
	10	<u>1,911,062</u>	<u>2,691,820</u>

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Total cash outflows for leases amounts to RM236,892,000 (2020: RM401,885,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
ASSETS			
Property, plant and equipment	3	3,756,521	3,781,623
Investments in subsidiaries	5	177,325	173,010
Investments in associates	6	530	530
Investments in joint ventures	7	25	25
TOTAL NON-CURRENT ASSETS		3,934,401	3,955,188
Inventories	8	157,478	402,411
Trade and other receivables	9	3,364,798	1,052,969
Cash and cash equivalents	10	1,737,014	2,311,097
TOTAL CURRENT ASSETS		5,259,290	3,766,477
TOTAL ASSETS		9,193,691	7,721,665
EQUITY			
Share capital	11	993,454	993,454
Reserves	12	4,431,503	4,358,551
TOTAL EQUITY		5,424,957	5,352,005
LIABILITIES			
Borrowings	14	14,717	21,717
Deferred tax liabilities	15	81,718	81,761
Other long term liabilities and provisions	16	31,272	29,495
TOTAL NON-CURRENT LIABILITIES		127,707	132,973
Trade and other payables	17	3,547,161	2,152,887
Borrowings	14	7,464	60,302
Taxation		86,402	23,498
TOTAL CURRENT LIABILITIES		3,641,027	2,236,687
TOTAL LIABILITIES		3,768,734	2,369,660
TOTAL EQUITY AND LIABILITIES		9,193,691	7,721,665

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
Revenue	18	22,005,563	18,254,411
Cost of revenue		(19,555,604)	(16,088,620)
Gross profit		<u>2,449,959</u>	<u>2,165,791</u>
Selling and distribution expenses		(980,507)	(1,042,173)
Administration expenses		(1,128,306)	(1,098,125)
Other income		541,433	479,534
Operating profit	19	<u>882,579</u>	<u>505,027</u>
Financing costs	20	(4,745)	(8,698)
Profit before taxation		<u>877,834</u>	<u>496,329</u>
Tax expense	21	(198,875)	(103,328)
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>678,959</u></u>	<u><u>393,001</u></u>

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	<i>Attributable to shareholders of the Company</i>		
		<i>Non-distributable</i>	<i>Distributable</i>	Total Equity
		Share Capital	Retained Profits	
Balance at 1 January 2021		993,454	4,358,551	5,352,005
Profit for the year representing total comprehensive income for the year		—	678,959	678,959
Dividends paid	25	—	(606,007)	(606,007)
Balance at 31 December 2021		993,454	4,431,503	5,424,957
Balance at 1 January 2020		993,454	4,571,557	5,565,011
Profit for the year representing total comprehensive income for the year		—	393,001	393,001
Dividends paid	25	—	(606,007)	(606,007)
Balance at 31 December 2020		993,454	4,358,551	5,352,005

Note 11

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In RM'000</i>	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		877,834	496,329
Adjustments for:			
Depreciation and amortisation		413,333	454,581
Net impairment losses on:			
- Trade and other receivables		9,845	2,532
- Property plant and equipment		4,124	—
Net loss on disposal of property, plant and equipment		1,384	4,175
Interest income		(58,059)	(66,009)
Dividend income		(193,165)	(121,770)
Property, plant and equipment written off		6	1,299
Property, plant and equipment expensed off		2,546	7,075
Net unrealised foreign exchange gain		(998)	(2,272)
Inventories (written back)/written down to net realisable value		(4,088)	4,088
Financing costs		4,745	8,698
Operating profit before changes in working capital		1,057,507	788,726
Changes in working capital:			
Trade and other receivables		(2,320,676)	322,690
Inventories		249,021	387,283
Trade and other payables		1,393,941	(1,095,632)
Cash generated from operations		379,793	403,067
Taxation paid		(136,014)	(149,418)
Net cash generated from operating activities		243,779	253,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		193,165	121,770
Interest income		58,059	66,009
Investment in subsidiaries		(4,315)	(113,000)
Purchase of property, plant and equipment		(401,757)	(411,561)
Proceeds from disposal of property, plant and equipment		7,572	599
Net cash used in investing activities		(147,276)	(336,183)

continue to next page

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

(continued)

<i>In RM'000</i>	Note	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	25	(606,007)	(606,007)
Repayment of lease liabilities		(61,944)	(139,556)
Interest paid on lease liabilities		(2,635)	(7,538)
Net cash used in financing activities		<u>(670,586)</u>	<u>(753,101)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(574,083)	(835,635)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>2,311,097</u>	<u>3,146,732</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10	<u>1,737,014</u>	<u>2,311,097</u>
CASH AND CASH EQUIVALENTS			
Cash with PETRONAS Integrated Financial Shared Services Centre		1,698,348	2,273,559
Cash and bank balances		38,666	37,538
	10	<u>1,737,014</u>	<u>2,311,097</u>

continued from previous page

Total cash outflows for leases amounts to RM228,356,000 (2020: RM393,228,000) which comprise repayment and interest paid in relation to lease liabilities, short-term lease, low-value assets and variable lease payments.

The notes set out on pages 23 to 104 are an integral part of these financial statements.

PETRONAS DAGANGAN BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2021

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.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

As of 1 January 2021, 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 36.

MASB has also issued 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 are set out in Note 37. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 38.

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2022.

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 Group’s and the Company’s financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency.

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

1. BASIS OF PREPARATION (continued)

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.

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 4 : Intangible assets;
- (iii) Note 14 : Borrowings;
- (iv) Note 15 : Deferred tax;
- (v) Note 21 : Tax expense; and
- (vi) Note 30 : 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

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.

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 the 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 statement of financial position. 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, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Associates (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any accumulated impairment losses.

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 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.

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 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.

Buildings are depreciated over 20 to 30 years or over the remaining land lease year, whichever is shorter.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation (continued)

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

Plant, machinery, tankage and pipeline	6 - 20 years
Office equipment, furniture and fittings	3 - 7 years
Computer software and hardware	5 - 8 years
Motor vehicles	4 - 10 years

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.

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.

2.5 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(i) Definition of a lease (continued)

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

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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

(iii) Subsequent measurement

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. 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 estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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.

2.7 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.

2.8 Financial instruments

Recognition and initial measurement

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

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 trade receivable that does not contain a significant financing component is initially measured at the transaction price.

Interest rate benchmark reform

The Group and the Company will apply the practical expedients provided in the 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) in future periods if they become applicable.

As of 31 December 2021, the Group and the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate and therefore have not yet applied the practical expedients provided in the amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost.

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 2.8 (iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

(ii) Financial liabilities

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

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (Note 2.8 (iv)).

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

(iii) Derivative financial instruments

The Group and the Company use derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Derivative financial instruments (continued)

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.

(iv) 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.

(v) 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.

(vi) 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 2.9 (i)) where effective interest rate is applied to the amortised cost.

(vii) Derecognition of financial instruments

Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial instruments (continued)

(vii) *Derecognition of financial instruments (continued)*

Financial liabilities

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. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

2.9 Impairment

(i) *Financial assets*

The Group and the Company recognise loss allowances for expected credit losses (“ECL”) on financial assets measured at amortised cost.

Loss allowances for trade receivables 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. This includes 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 and the Company in full, without recourse by the Group and the Company 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 and the Company are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment (continued)

(ii) *Other assets*

The carrying amounts of other assets, other than inventories and deferred tax assets 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.

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.

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.

2.10 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.

Restricted cash in relation to a subsidiary, consist of deposit held by licensed banks and deposits held in trust by licensed banks, which have an insignificant risk of changes in fair value.

Deposit held in trust by licensed banks are funds collected from users which are deposited and managed separately in a trust account. The subsidiary is required to maintain at least the amount of the Company's e-Money liabilities in the trust account at all times in compliance with the Guideline on Electronic money issued by Bank Negara Malaysia ("BNM").

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Contract liability - PETRONAS Mesra Loyalty Programme

PETRONAS Mesra Loyalty Programme is an in-house loyalty programme where members are awarded with PETRONAS Mesra points at the point of sale made at PETRONAS stations and Kedai Mesra. The monetary value attributed to the awarded points is treated as contract liability and only recognised as revenue in the profit or loss upon redemption, cancellation and expiration of the points. Currently, members can redeem the awarded points for purchase of fuel at PETRONAS stations, items at Kedai Mesra or with selected partners.

Fair value of the contract liability is determined by reference to the monetary value attributable to the awarded points and the redemption expiry dates.

2.12 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 petroleum products includes direct costs and transportation charges necessary to bring the inventories to their present locations and condition and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers.

2.13 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.

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.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 16.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

(i) *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.

(ii) *Defined contribution plans*

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

A foreign subsidiary of the Group make contributions to its country’s statutory pension scheme 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.

2.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss.

(i) *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.

(ii) *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 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 tax losses and other unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Taxation (continued)

(ii) Deferred tax (continued)

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.

2.16 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.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 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.

2.18 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and exclude 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Financing costs

Financing costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities as well as accretion in provision of dismantling, removal and restoration costs 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 2.17. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.5. The financing costs on borrowings are recognised using the effective profit/interest method.

2.20 Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares.

Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilute potential ordinary shares.

2.21 Operating segments

An operating segment is a component of the Group and of 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 Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess the Group’s performance.

2.22 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 bid 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Fair value measurement (continued)

(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 uses 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 recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT**Group
2021***In RM'000*

	At 1.1.2021	Additions	Disposals/ write-offs	Transfers/ adjustment
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At cost:Own use

Freehold land	1,041,008	—	(5,265)	12,797
Buildings	2,193,934	—	(892)	35,050
Plant, machinery, tankage and pipeline	2,655,700	7,546	(4,227)	128,470
Office equipment, furniture and fittings	573,653	4,105	(2,070)	17,796
Computer hardware and software	679,430	12,979	(49,010)	86,589
Motor vehicles	112,486	1,654	(289)	17,702
Projects-in-progress	233,329	411,372	(2,552)	(397,211)
	<u>7,489,540</u>	<u>437,656</u>	<u>(64,305)</u>	<u>(98,807)</u>

Right-of-use

Leasehold land	1,222,498	—	—	35,464
Buildings	6,522	7,473	(4,657)	—
Other plant and equipment	3,360	—	—	—
Vessels	279,148	—	—	—
Motor vehicles	4,675	2,106	—	—
	<u>1,516,203</u>	<u>9,579</u>	<u>(4,657)</u>	<u>35,464</u>
	<u>9,005,743</u>	<u>447,235</u>	<u>(68,962)</u>	<u>(63,343)*</u>

continue to next page

* Mainly relates to discount obtained in 2021 for property, plant and equipment (“PPE”) acquired in prior year upon finalisation of cost.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2021	Acquisition of	Disposal of	At
<i>In RM'000</i>	subsidiary	subsidiary	31.12.2021
At cost:			
<u>Own use</u>			
Freehold land	—	—	1,048,540
Buildings	—	—	2,228,092
Plant, machinery, tankage and pipeline	—	—	2,787,489
Office equipment, furniture and fittings	17	(8,019)	585,482
Computer hardware and software	2	(1,954)	728,036
Motor vehicles	—	(3,744)	127,809
Projects-in-progress	—	—	244,938
	19	(13,717)	7,750,386
<u>Right-of-use</u>			
Leasehold land	—	—	1,257,962
Buildings	—	(728)	8,610
Other plant and equipment	—	—	3,360
Vessels	—	—	279,148
Motor vehicles	—	—	6,781
	—	(728)	1,555,861
	19	(14,445)	9,306,247
	Note 22	Note 23	

continued from previous page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2021		Charge for the year	Disposals/ write-offs	Impairment loss
<i>In RM'000</i>	At 1.1.2021			
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	809	—	(193)	—
Buildings	1,607,061	82,509	(643)	—
Plant, machinery, tankage and pipeline	1,900,465	156,354	(2,869)	—
Office equipment, furniture and fittings	449,092	32,661	(1,754)	—
Computer hardware and software	492,909	35,036*	(45,526)	—
Motor vehicles	84,753	7,337	(161)	—
Projects-in-progress	—	—	—	4,124
	4,535,089	313,897	(51,146)	4,124
<u>Right-of-use</u>				
Leasehold land	176,071	40,185	—	—
Buildings	3,037	2,040	(2,912)	—
Other plant and equipment	2,068	1,034	—	—
Vessels	218,949	53,479	—	—
Motor vehicles	3,506	1,520	—	—
	403,631	98,258	(2,912)	—
	4,938,720	412,155	(54,058)	4,124

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* Charge for the year includes adjustment on discount obtained in 2021 for PPE acquired in prior year upon finalisation of cost.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2021 <i>In RM'000</i>	Acquisition of subsidiary	Disposal of subsidiary	At 31.12.2021
Accumulated depreciation and impairment losses:			
<u>Own use</u>			
Freehold land	—	—	616
Buildings	—	—	1,688,927
Plant, machinery, tankage and pipeline	—	—	2,053,950
Office equipment, furniture and fittings	11	(7,456)	472,554
Computer hardware and software	1	(1,981)	480,439
Motor vehicles	—	(2,166)	89,763
Projects-in-progress	—	—	4,124
	12	(11,603)	4,790,373
<u>Right-of-use</u>			
Leasehold land	—	—	216,256
Buildings	—	(652)	(652)
Other plant and equipment	—	—	3,102
Vessels	—	—	272,428
Motor vehicles	—	—	5,026
	—	(652)	498,325
	12	(12,255)	5,288,698
	Note 22	Note 23	

continued from previous page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	At 1.1.2020	Additions	Disposals/ write-offs
<i>In RM'000</i>			
At cost:			
<u>Own use</u>			
Freehold land	1,027,567	—	—
Buildings	2,163,062	—	(23,536)
Plant, machinery, tankage and pipeline	2,613,165	12,282	(84,113)
Office equipment, furniture and fittings	556,901	8,006	(12,192)
Computer hardware and software	724,882	15,093	(168,752)
Motor vehicles	106,894	1,938	(5,210)
Projects-in-progress	191,898	403,962	(9,374)
	<u>7,384,369</u>	<u>441,281</u>	<u>(303,177)</u>
<u>Right-of-use</u>			
Leasehold land	1,189,426	2,988	(2,748)
Buildings	6,616	—	(94)
Other plant and equipment	3,360	—	—
Vessels	279,148	—	—
Motor vehicles	4,675	—	—
	<u>1,483,225</u>	<u>2,988</u>	<u>(2,842)</u>
	<u>8,867,594</u>	<u>444,269</u>	<u>(306,019)</u>

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020		Translation exchange difference	At 31.12.2020
<i>In RM'000</i>	Transfers		
At cost:			
<u>Own use</u>			
Freehold land	13,441	—	1,041,008
Buildings	54,408	—	2,193,934
Plant, machinery, tankage and pipeline	114,366	—	2,655,700
Office equipment, furniture and fittings	20,956	(18)	573,653
Computer hardware and software	108,261	(54)	679,430
Motor vehicles	8,893	(29)	112,486
Projects-in-progress	(353,157)	—	233,329
	<u>(32,832)</u>	<u>(101)</u>	<u>7,489,540</u>
<u>Right-of-use</u>			
Leasehold land	32,832	—	1,222,498
Buildings	—	—	6,522
Other plant and equipment	—	—	3,360
Vessels	—	—	279,148
Motor vehicles	—	—	4,675
	<u>32,832</u>	<u>—</u>	<u>1,516,203</u>
	<u>—</u>	<u>(101)</u>	<u>9,005,743</u>

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3. PROPERTY, PLANT AND EQUIPMENT (continued)**Group
2020***In RM'000***Accumulated depreciation and impairment losses:**Own use

	At 1.1.2020	Charge for the year	Disposals/ write-offs
Freehold land	809	—	—
Buildings	1,537,484	92,795	(23,218)
Plant, machinery, tankage and pipeline	1,827,108	154,585	(81,228)
Office equipment, furniture and fittings	423,678	37,501	(12,077)
Computer hardware and software	612,987	47,676	(167,731)
Motor vehicles	85,206	4,793	(5,210)
Projects-in-progress	—	—	—
	4,487,272	337,350	(289,464)

Right-of-use

Leasehold land	139,076	39,274	(2,279)
Buildings	1,261	1,776	—
Other plant and equipment	1,034	1,034	—
Vessels	102,297	116,652	—
Motor vehicles	1,753	1,753	—
	245,421	160,489	(2,279)
	4,732,693	497,839	(291,743)

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	Translation exchange difference	At 31.12.2020
<i>In RM'000</i>		
Accumulated depreciation and impairment losses:		
<u>Own use</u>		
Freehold land	—	809
Buildings	—	1,607,061
Plant, machinery, tankage and pipeline	—	1,900,465
Office equipment, furniture and fittings	(10)	449,092
Computer hardware and software	(23)	492,909
Motor vehicles	(36)	84,753
Projects-in-progress	—	—
	<u>(69)</u>	<u>4,535,089</u>
 <u>Right-of-use</u>		
Leasehold land	—	176,071
Buildings	—	3,037
Other plant and equipment	—	2,068
Vessels	—	218,949
Motor vehicles	—	3,506
	<u>—</u>	<u>403,631</u>
	<u>(69)</u>	<u>4,938,720</u>

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2021 <i>In RM'000</i>	At 1.1.2021	Additions	Disposals/ write-offs	Transfers	At 31.12.2021
At cost:					
<u>Own use</u>					
Freehold land	1,041,008	—	(5,265)	12,797	1,048,540
Buildings	2,166,635	—	(892)	35,050	2,200,793
Plant, machinery, tankage and pipeline	2,252,182	6,946	(2,184)	117,536	2,374,480
Office equipment, furniture and fittings	566,039	3,650	(847)	17,796	586,638
Computer hardware and software	554,228	24	(48,783)	150,169	655,638
Motor vehicles	103,947	1,153	—	17,702	122,802
Projects-in-progress	221,431	389,984	(2,552)	(386,514)	222,349
	6,905,470	401,757	(60,523)	(35,464)	7,211,240
<u>Right-of-use</u>					
Leasehold land	1,181,709	—	—	35,464	1,217,173
Buildings	731	—	—	—	731
Other plant and equipment	3,360	—	—	—	3,360
Vessels	279,148	—	—	—	279,148
Motor vehicles	4,675	2,106	—	—	6,781
	1,469,623	2,106	—	35,464	1,507,193
	8,375,093	403,863	(60,523)	—	8,718,433

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2021 <i>In RM'000</i>	At 1.1.2021	Charge for the year	Disposals/ write-offs	Impairment loss	At 31.12.2021
Accumulated depreciation and impairment losses:					
<u>Own use</u>					
Freehold land	809	—	(193)	—	616
Buildings	1,580,059	82,434	(643)	—	1,661,850
Plant, machinery, tankage and pipeline	1,652,733	141,118	(2,032)	—	1,791,819
Office equipment, furniture and fittings	444,308	31,375	(846)	—	474,837
Computer hardware and software	439,394	56,587	(45,301)	—	450,680
Motor vehicles	78,128	6,734	—	—	84,862
Projects-in-progress	—	—	—	4,124	4,124
	4,195,431	318,248	(49,015)	4,124	4,468,788
<u>Right-of-use</u>					
Leasehold land	173,100	38,842	—	—	211,942
Buildings	416	210	—	—	626
Other plant and equipment	2,068	1,034	—	—	3,102
Vessels	218,949	53,479	—	—	272,428
Motor vehicles	3,506	1,520	—	—	5,026
	398,039	95,085	—	—	493,124
	4,593,470	413,333	(49,015)	4,124	4,961,912

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2020	At		Disposals/ write-offs	Transfers	At
<i>In RM'000</i>	1.1.2020	Additions			31.12.2020
At cost:					
<u>Own use</u>					
Freehold land	1,027,567	—	—	13,441	1,041,008
Buildings	2,135,763	—	(23,536)	54,408	2,166,635
Plant, machinery, tankage and pipeline	2,215,990	12,182	(84,007)	108,017	2,252,182
Office equipment, furniture and fittings	551,492	5,783	(12,192)	20,956	566,039
Computer hardware and software	622,252	212	(168,752)	100,516	554,228
Motor vehicles	98,474	1,550	(4,970)	8,893	103,947
Projects-in-progress	178,984	389,884	(8,374)	(339,063)	221,431
	6,830,522	409,611	(301,831)	(32,832)	6,905,470
<u>Right-of-use</u>					
Leasehold land	1,149,218	2,407	(2,748)	32,832	1,181,709
Buildings	311	420	—	—	731
Other plant and equipment	3,360	—	—	—	3,360
Vessels	279,148	—	—	—	279,148
Motor vehicles	4,675	—	—	—	4,675
	1,436,712	2,827	(2,748)	32,832	1,469,623
	8,267,234	412,438	(304,579)	—	8,375,093

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2020	At	Charge for	Disposals/ write-offs	At
<i>In RM'000</i>	1.1.2020	the year		31.12.2020
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	809	—	—	809
Buildings	1,510,589	92,688	(23,218)	1,580,059
Plant, machinery, tankage and pipeline	1,595,287	138,602	(81,156)	1,652,733
Office equipment, furniture and fittings	420,377	36,008	(12,077)	444,308
Computer hardware and software	582,187	24,938	(167,731)	439,394
Motor vehicles	78,355	4,743	(4,970)	78,128
Projects-in-progress	—	—	—	—
	<u>4,187,604</u>	<u>296,979</u>	<u>(289,152)</u>	<u>4,195,431</u>
<u>Right-of-use</u>				
Leasehold land	137,425	37,954	(2,279)	173,100
Buildings	207	209	—	416
Other plant and equipment	1,034	1,034	—	2,068
Vessels	102,297	116,652	—	218,949
Motor vehicles	1,753	1,753	—	3,506
	<u>242,716</u>	<u>157,602</u>	<u>(2,279)</u>	<u>398,039</u>
	<u>4,430,320</u>	<u>454,581</u>	<u>(291,431)</u>	<u>4,593,470</u>

3. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM'000</i>	Group		Company	
Carrying amount	2021	2020	2021	2020
<u>Own use</u>				
Freehold land	1,047,924	1,040,199	1,047,924	1,040,199
Buildings	539,165	586,873	538,943	586,576
Plant, machinery, tankage and pipeline	733,539	755,235	582,661	599,449
Office equipment, furniture and fittings	112,928	124,561	111,801	121,731
Computer hardware and software	247,597	186,521	204,958	114,834
Motor vehicles	38,046	27,733	37,940	25,819
Projects-in-progress	240,814	233,329	218,225	221,431
	<u>2,960,013</u>	<u>2,954,451</u>	<u>2,742,452</u>	<u>2,710,039</u>
<u>Right-of-use</u>				
Leasehold land	1,041,706	1,046,427	1,005,231	1,008,609
Buildings	7,097	3,485	105	315
Other plant and equipment	258	1,292	258	1,292
Vessels	6,720	60,199	6,720	60,199
Motor vehicles	1,755	1,169	1,755	1,169
	<u>1,057,536</u>	<u>1,112,572</u>	<u>1,014,069</u>	<u>1,071,584</u>
	<u>4,017,549</u>	<u>4,067,023</u>	<u>3,756,521</u>	<u>3,781,623</u>

Restrictions of land title

The titles to certain freehold and leasehold land are in the process of being registered in the Company's name.

3. PROPERTY, PLANT AND EQUIPMENT (continued)**3.1 As a lessee***Significant judgments and assumptions in relation to leases*

The Group and the Company assesses at lease commencement by applying significant judgment whether it is reasonably certain to exercise the extension options. Group entities 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 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.

4. INTANGIBLE ASSET

Group 2021	At 1.1.2021	Acquisition of subsidiary	At 31.12.2021
<i>In RM'000</i>			
At cost:			
Goodwill	—	806	806

The goodwill recognised relates to the acquisition of a subsidiary as disclosed in Note 22. The goodwill is merely a provisional amount, pending the finalisation of the purchase price allocation (“PPA”) exercise within 12 months from the date of acquisition.

5. INVESTMENTS IN SUBSIDIARIES

<i>In RM'000</i>	2021	Company 2020
Unquoted shares at cost	177,325	173,010

On 8 July 2021, the Group incorporated a wholly-owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. (“MESRA”) and on 10 September 2021, the Group acquired 100% equity interests in Setel Express Sdn. Bhd. (“Setel Express”) (formerly known as D-Two Couriers (M) Sdn. Bhd.) which has subsequently become a wholly-owned subsidiary of the Group as disclosed in Note 22.

Details of subsidiaries are stated in Note 33 to the financial statements.

6. INVESTMENTS IN ASSOCIATES

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Unquoted shares at cost	530	530	530	530
Share of post-acquisition profits and reserves	1,478	1,135	—	—
	<u>2,008</u>	<u>1,665</u>	<u>530</u>	<u>530</u>

Summary of financial information on associates:

<i>In RM'000</i>	2021	2020
As at 31 December	Total	Total
Total assets	11,372	10,574
Total liabilities	(1,330)	(2,246)
Net assets	<u>10,042</u>	<u>8,328</u>
Year ended 31 December		
Revenue	21,639	17,992
Total comprehensive income	<u>1,714</u>	<u>1,047</u>

Details of the associates are stated in Note 34 to the financial statements.

7. INVESTMENTS IN JOINT VENTURES

<i>In RM'000</i>	Group		Company	
	2021	2020	2021	2020
Unquoted shares at cost	4,121	4,121	25	25
Share of post-acquisition profits and reserves	16,206	15,328	—	—
	<u>20,327</u>	<u>19,449</u>	<u>25</u>	<u>25</u>
Dividend received	—	1,827	—	500

Summary of financial information on joint ventures:

<i>In RM'000</i>	2021	2020
	Total	Total
As at 31 December		
Total assets	108,675	79,243
Total liabilities	(54,129)	(28,235)
Net assets	<u>54,546</u>	<u>51,008</u>
Year ended 31 December		
Revenue	334,220	225,131
Total comprehensive income/(loss)	<u>2,689</u>	<u>(566)</u>

Details of the joint ventures are stated in Note 35 to the financial statements.

8. INVENTORIES

<i>In RM'000</i>	Group		Company	
	2021	2020	2021	2020
Petroleum products	157,641	408,861	157,478	402,411
Stores and spares	1,225	1,368	—	—
	<u>158,866</u>	<u>410,229</u>	<u>157,478</u>	<u>402,411</u>
Recognised in profit or loss:				
Inventories recognised as cost of sales	19,912,820	16,410,105	19,559,692	16,084,532
Write-down to net realisable value	—	4,223	—	4,088
Reversal of write-down to net realisable value	(4,088)	—	(4,088)	—
Inventories written off	<u>346</u>	<u>37</u>	<u>—</u>	<u>—</u>

9. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Trade				
Trade receivables	1,344,196	918,385	1,243,729	812,858
Amounts due from:				
- Holding company	39	94	39	94
- Subsidiaries	—	—	173	101
- Associates and joint ventures	7	3	7	3
- Related companies	274,570	48,642	260,245	42,303
Less: Impairment losses	(22,676)	(12,236)	(16,180)	(6,428)
	<u>1,596,136</u>	<u>954,888</u>	<u>1,488,013</u>	<u>848,931</u>
Non-trade				
Other receivables, deposits and prepayments	97,067	86,033	77,411	69,433
Advances and loans to:				
- Associates and joint ventures	3,282	1,016	3,282	1,016
Amounts due from:				
- Holding company	921	5,016	700	4,270
- Subsidiaries	—	—	2,495	7,060
- Related companies	76,369	3,678	75,758	3,446
Subsidy receivables	1,852,220	253,806	1,852,220	253,806
Less: Impairment losses	(135,810)	(134,993)	(135,081)	(134,993)
	<u>1,894,049</u>	<u>214,556</u>	<u>1,876,785</u>	<u>204,038</u>
Trade and other receivables	<u>3,490,185</u>	<u>1,169,444</u>	<u>3,364,798</u>	<u>1,052,969</u>

The trade amounts due from holding company, subsidiaries, associates, joint ventures and related companies arose in the normal course of business.

The non-trade amounts due from holding company, subsidiaries, related companies and advances and loans to associates and joint ventures are unsecured, interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

<i>In RM'000</i>	Group		Company	
	2021	2020	2021	2020
Cash with PETRONAS Integrated Financial Shared Services Centre	1,813,765	2,467,302	1,698,348	2,273,559
Cash and bank balances	68,862	135,264	38,666	37,538
Deposits placed with licensed banks	—	68,485	—	—
Restricted cash	28,435	20,769	—	—
	<u>1,911,062</u>	<u>2,691,820</u>	<u>1,737,014</u>	<u>2,311,097</u>

A portion of the Group's and of the Company's cash and cash equivalents are held in the In-House account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC") to enable more efficient cash management for the Group and the Company.

Included in cash and cash equivalents of the Group and of the Company are interest-bearing balances amounting to RM1,899,268,000 (2020:RM2,678,720,000) and RM1,728,602,000 (2020: RM2,297,997,000) respectively.

Included in cash and cash equivalents of the Group are RM28,435,000 (2020: RM20,769,000) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

11. SHARE CAPITAL

Group and Company	No of shares	2021		2020	
		'000	Amount	No of shares	Amount
		RM'000	'000	RM'000	RM'000
Issued and fully paid shares with no par value classified as equity instruments:					
Ordinary shares	993,454	993,454	993,454	993,454	993,454

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.

12. RESERVES**Capital reserves**

Capital reserve arose as a result of business combination of entities under the common control of PETRONAS and comprises merger deficit.

Merger deficit represents the excess of cost of acquisition over the Group's interest in the net carrying value of identifiable net assets, liabilities and contingent liabilities of the acquiree. Merger deficit is classified as part of non-distributable 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.

13. NON-CONTROLLING INTERESTS

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

14. BORROWINGS

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Non-current				
Secured				
Lease liabilities	92,166	96,778	14,717	21,717
Total non-current borrowings	<u>92,166</u>	<u>96,778</u>	<u>14,717</u>	<u>21,717</u>
Current				
Secured				
Lease liabilities	8,266	62,012	7,464	60,302
Unsecured				
Islamic financing facilities	—	9,880	—	—
Revolving credits	16,000	9,500	—	—
Total current borrowings	<u>24,266</u>	<u>81,392</u>	<u>7,464</u>	<u>60,302</u>
Total borrowings	<u>116,432</u>	<u>178,170</u>	<u>22,181</u>	<u>82,019</u>

14. BORROWINGS (continued)*Terms and debt repayment schedule*

Group 2021		Under 1	1-2	2-5	Over
<i>In RM'000</i>	Total	year	years	years	5 years
Secured					
Lease liabilities	100,432	8,266	1,994	5,866	84,306
Unsecured					
Revolving credits	16,000	16,000	—	—	—
	116,432	24,266	1,994	5,866	84,306

Group 2020		Under 1	1-2	2-5	Over
<i>In RM'000</i>	Total	year	years	years	5 years
Secured					
Lease liabilities	158,790	62,012	10,318	4,190	82,270
Unsecured					
Islamic financing facilities	9,880	9,880	—	—	—
Revolving credit	9,500	9,500	—	—	—
	178,170	81,392	10,318	4,190	82,270

Company 2021		Under 1	1-2	2-5	Over
<i>In RM'000</i>	Total	year	years	years	5 years
Secured					
Lease liabilities	22,181	7,464	668	2,120	11,929

Company 2020		Under 1	1-2	2-5	Over
<i>In RM'000</i>	Total	year	years	years	5 years
Secured					
Lease liabilities	82,019	60,302	9,106	2,030	10,581

Unsecured Islamic financing facilities

The unsecured Islamic financing facilities are governed by the Musharakah Mutanaqisah and Commodity Murabahah principles and bear a profit margin ranging from 2.75% to 3.59% (2020: 2.78% to 4.32%) per annum with principal repayment by quarterly instalments until September 2021. The unsecured Islamic financing facilities was fully paid during the financial year.

Unsecured revolving credits

The unsecured revolving credits bears an interest rate ranging from 2.83% to 2.89% (2020: 2.80% to 2.89%) per annum.

14. BORROWINGS (continued)*Secured lease liabilities*

The lease liabilities of the Group and the Company bear interest at rates ranging from 3.24% to 8.43% (2020: 3.68% to 8.43%) and 3.24% to 7.80% (2020: 3.68% to 7.80%) per annum respectively.

Reconciliation of movement of liabilities to cash flows arising from financing activities**Group***In RM'000*

	Borrowings	Dividends
Balance at 1 January 2021	178,170	—
<i>Changes from financing cash flows</i>		
Drawdown/(Repayment) of:		
- Islamic financing facilities	(9,880)	—
- Revolving credits	6,500	—
- Lease liabilities	(63,842)	—
Interest expenses:		
- Revolving credits	(423)	—
- Lease liabilities	(8,968)	—
Profit margin paid for Islamic financing facilities	(139)	—
Dividends paid	—	(606,007)
Total changes from financing cash flows	<u>(76,752)</u>	<u>(606,007)</u>
<i>Other changes</i>		
- Dividends declared	—	606,007
- Finance costs	9,530	—
- Addition of new leases	7,534	—
- Termination of leases	(1,962)	—
- Disposal of subsidiary	(88)	—
Balance at 31 December 2021	<u>116,432</u>	<u>—</u>

14. BORROWINGS (continued)**Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)**

Group	Borrowings	Dividends
<i>In RM'000</i>		
Balance at 1 January 2020	334,155	—
<i>Changes from financing cash flows</i>		
Drawdown/(Repayment) of:		
- Islamic financing facilities	(19,876)	—
- Revolving credit	4,114	—
- Lease liabilities	(141,163)	—
Interest expenses:		
- Revolving credit	(40)	—
- Lease liabilities	(14,047)	—
Profit margin paid for Islamic financing facilities	(788)	—
Dividends paid	—	(606,007)
Total changes from financing cash flows	<u>(171,800)</u>	<u>(606,007)</u>
<i>The effect of changes in foreign exchange rates</i>	(80)	—
<i>Other changes</i>		
- Dividends declared	—	606,007
- Finance costs	14,875	—
- Addition of new leases	1,235	—
- Termination of leases	(215)	—
Balance at 31 December 2020	<u>178,170</u>	<u>—</u>

14. BORROWINGS (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company		Borrowings	Dividends
<i>In RM'000</i>			
Balance at 1 January 2021		82,019	—
<i>Changes from financing cash flows</i>			
Repayment of lease liabilities		(61,944)	—
Interest expense on lease liabilities		(2,635)	—
Dividends paid		—	(606,007)
Total changes from financing cash flows		<u>(64,579)</u>	<u>—</u>
<i>Other changes</i>			
- Dividends declared		—	606,007
- Finance costs		2,635	—
- Addition of new leases		2,106	—
Balance at 31 December 2021		<u>22,181</u>	<u>—</u>
Company			
<i>In RM'000</i>			
Balance at 1 January 2020		220,697	—
<i>Changes from financing cash flows</i>			
Repayment of lease liabilities		(139,556)	—
Interest expense on lease liabilities		(7,538)	—
Dividends paid		—	(606,007)
Total changes from financing cash flows		<u>(147,094)</u>	<u>(606,007)</u>
<i>Other changes</i>			
- Dividends declared		—	606,007
- Finance costs		7,538	—
- Addition of new leases		878	—
Balance at 31 December 2020		<u>82,019</u>	<u>—</u>

15. DEFERRED TAX

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

Group		Credited/ (Charged) to profit or loss	At
<i>In RM'000</i>	At 1.1.2021		31.12.2021
Deferred tax liabilities			
Property, plant and equipment	(141,491)	(2,191)	(143,682)
Contract liability - Loyalty Programme	21,738	(3,734)	18,004
Lease liabilities	14,019	(1,894)	12,125
Expected credit loss	1,125	2,156	3,281
Others	—	7,549	7,549
	(104,609)	1,886	(102,723)

Group		Credited/ (Charged) to profit or loss	At
<i>In RM'000</i>	At 1.1.2020		31.12.2020
Deferred tax liabilities			
Property, plant and equipment	(138,767)	(2,724)	(141,491)
Contract liability - Loyalty Programme	21,651	87	21,738
Lease liabilities	16,208	(2,189)	14,019
Expected credit loss	590	535	1,125
	(100,318)	(4,291)	(104,609)

Company		Credited/ (Charged) to profit or loss	At
<i>In RM'000</i>	At 1.1.2021		31.12.2021
Deferred tax liabilities			
Property, plant and equipment	(107,608)	(4,821)	(112,429)
Contract liability - Loyalty Programme	21,738	(3,734)	18,004
Lease liabilities	3,111	(1,151)	1,960
Expected credit loss	998	2,200	3,198
Others	—	7,549	7,549
	(81,761)	43	(81,718)

Company		Credited/ (Charged) to profit or loss	At
<i>In RM'000</i>	At 1.1.2020		31.12.2020
Deferred tax liabilities			
Property, plant and equipment	(106,048)	(1,560)	(107,608)
Contract liability - Loyalty Programme	21,650	87	21,737
Lease liabilities	7,689	(4,577)	3,112
Expected credit loss	359	639	998
	(76,350)	(5,411)	(81,761)

16. OTHER LONG-TERM LIABILITIES AND PROVISIONS

		Group		Company
<i>In RM'000</i>	2021	2020	2021	2020
Dismantling, removal and restoration costs	31,272	29,495	31,272	29,495
Other long term liabilities	—	833	—	—
	<u>31,272</u>	<u>30,328</u>	<u>31,272</u>	<u>29,495</u>

Dismantling, removal and restoration costs

The movement of provision for dismantling, removal and restoration costs during the financial year is shown below:

<i>In RM'000</i>	2021	2020
Group and Company		
Balance at 1 January	29,495	27,680
Net changes in provision	(333)	655
Unwinding of discount	2,110	1,160
Balance at 31 December	<u>31,272</u>	<u>29,495</u>

Under provisions of certain land lease agreements, the Company has an obligation to dismantle and remove structures on certain sites and restore those sites at the end of the lease term to an acceptable condition consistent with the lease agreement.

For these affected sites, the liabilities for dismantling, removal and restoration costs are recognised at present value of the compounded future expenditure estimated using existing technology, at current prices and discounted using a real discount rate.

The present value of the estimated costs is capitalised as part of the asset and the related provisions raised on the date when the obligation arises. The capitalised cost is depreciated over the expected life of the asset. The increase in the net present value of the provision for the expected cost is included as finance costs in the profit or loss.

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

While the provision is based on the best estimate of future costs and the economic lives of the affected assets, there is uncertainty regarding both the amount and timing of incurring these costs. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

17. TRADE AND OTHER PAYABLES

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Trade				
Trade payables	33,719	31,699	30,583	13,455
Contract liability	74,541	90,572	74,541	90,572
Amounts due to:				
- Related companies	2,720,684	1,160,424	2,670,648	1,126,689
- Subsidiaries	—	—	5,917	893
- Associates and joint ventures	22	21	22	21
	<u>2,828,966</u>	<u>1,282,716</u>	<u>2,781,711</u>	<u>1,231,630</u>
Non-trade				
Other payables	616,164	633,566	583,868	583,037
Amounts due to:				
- Holding company	125,818	164,359	122,019	83,910
- Subsidiaries	—	—	16,861	12,614
- Associates and joint ventures	5,988	7,964	5,988	7,925
- Related companies	33,847	48,512	30,514	45,677
E-Money liabilities	28,077	16,850	—	—
Duties payables	6,200	188,094	6,200	188,094
	<u>816,094</u>	<u>1,059,345</u>	<u>765,450</u>	<u>921,257</u>
Trade and other payables	<u>3,645,060</u>	<u>2,342,061</u>	<u>3,547,161</u>	<u>2,152,887</u>

Contract liability is attributable to the monetary value of the awarded Mesra points under PETRONAS Mesra Loyalty Programme.

Trade amounts due to related companies, subsidiaries, associates and joint ventures arose in the normal course of business.

Non-trade amounts due to holding company, subsidiaries, associates, joint ventures and related companies are unsecured, interest free and repayable on demand.

E-Money liabilities are in relations to users' balances in their e-wallets which are refundable to users upon request.

18. REVENUE

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Revenue from contracts with customers				
Sales of petroleum products	22,480,514	18,699,386	22,005,563	18,254,411
Rendering of services	24,812	11,561	—	—
	<u>22,505,326</u>	<u>18,710,947</u>	<u>22,005,563</u>	<u>18,254,411</u>

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/services lines.

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Major products/services lines				
- Retail	12,612,599	11,178,291	12,479,088	11,031,030
- Commercial	9,867,915	7,521,095	9,526,475	7,223,381
- Others	24,812	11,561	—	—
	<u>22,505,326</u>	<u>18,710,947</u>	<u>22,005,563</u>	<u>18,254,411</u>

Revenue derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segments (Note 28). The timing and recognition of revenue derived from petroleum products is recognised at a point in time.

Nature of goods and services

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms
Retail	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made before delivery, on delivery or within stipulated credit period.
Commercial	Revenue is recognised when petroleum products are delivered and accepted by the customers at their premises/sites or ex-depot.	Payment for the products supplied shall be made on delivery or within stipulated credit period.
Others	Revenue is recognised over time when services are rendered to customer.	Payment for the services rendered shall be made within stipulated credit period.

There are no variable elements in consideration, obligation for returns or refunds nor warranty in the provision of goods and services by the Group and the Company.

19. OPERATING PROFIT

<i>In RM'000</i>	Note	2021	Group 2020	2021	Company 2020
<i>Included in operating profit are the following charges:</i>					
Audit fees:					
- KPMG Malaysia		784	744	557	541
- other auditors		113	117	—	—
Non Audit fees:					
- KPMG Malaysia		190	109	120	106
Depreciation of property, plant and equipment	3	412,155	497,839	413,333	454,581
Expenses relating to short-term leases (Note a)		36,440	124,150	36,228	124,150
Expenses relating to leases of low-value assets (Note b)		234	123	147	29
Expenses relating to variable lease payments not included in the measurement of lease liabilities		127,408	122,407	127,402	121,955
Impairment losses on:					
- property, plant and equipment		4,124	—	4,124	—
- trade receivables		16,002	10,532	13,024	7,077
- other receivables		871	33	142	33
Inventories written down to net realisable value	8	—	4,223	—	4,088
Net loss on disposal of property, plant and equipment		1,710	4,199	1,384	4,175
Loss on disposal of subsidiary	23	10,314	—	—	—
Property, plant and equipment written off		1,096	1,393	6	1,299
Property, plant and equipment expensed off		2,627	7,119	2,546	7,075
Facility charges:					
- plant and equipment		2,458	907	2,354	900
- land and buildings		28,416	28,887	28,410	28,887
Staff costs:					
- wages, salaries and others		282,947	220,766	243,414	193,196
- contributions to EPF		39,372	37,231	33,535	32,995
Inventories written off	8	346	37	—	—
Net realised loss on foreign exchange		3,136	1,028	3,029	954

19. OPERATING PROFIT (continued)

<i>In RM'000</i>	Note	2021	Group 2020	2021	Company 2020
<i>and credits:</i>					
Dividend income:					
- subsidiary		—	—	193,165	121,270
- joint ventures	7	—	—	—	500
Net unrealised gain on foreign exchange		1,045	2,255	998	2,272
Interest income		61,265	71,270	58,059	66,009
Income from rental of premises		1,503	991	746	441
Reversal of inventories written down to net realisable value	8	4,088	—	4,088	—
Write back of impairment losses:					
- trade receivables		4,468	4,384	3,267	3,927
- other receivables		54	651	54	651
COVID-19 related rent concessions		—	139	—	—

- a) The Group leases vessels with contract terms of less than 1 year. These leases are short term in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.
- b) The Group leases various office equipment with contract terms of 1 to 5 years. These leases are low-value in nature and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

20. FINANCING COSTS

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Recognised in profit or loss:				
Unwinding of discount				
- Provision for dismantling, removal and restoration costs	2,110	1,160	2,110	1,160
Profit margin on Islamic financing facilities	139	788	—	—
Interest on revolving credits	423	40	—	—
Interest on lease liabilities	8,968	14,047	2,635	7,538
	<u>11,640</u>	<u>16,035</u>	<u>4,745</u>	<u>8,698</u>

21. TAX EXPENSE

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Current tax expense				
Current year	208,602	116,103	194,827	104,021
Under/(Over) provision in prior years	2,821	(6,387)	4,091	(6,104)
	<u>211,423</u>	<u>109,716</u>	<u>198,918</u>	<u>97,917</u>
Deferred tax expense				
Origination/(Reversal) of temporary differences	(5,446)	7,853	(3,637)	8,937
Under/(Over) provision in prior years	3,560	(3,562)	3,594	(3,526)
Total deferred tax expense	<u>(1,886)</u>	<u>4,291</u>	<u>(43)</u>	<u>5,411</u>
Total tax expense	<u>209,537</u>	<u>114,007</u>	<u>198,875</u>	<u>103,328</u>

21. TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to 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:

Group				
<i>In RM'000</i>	%	2021	%	2020
Profit before taxation		<u>740,768</u>		<u>386,421</u>
Taxation at Malaysian statutory tax rate	24	177,784	24	92,741
Effect of different tax rates in foreign jurisdiction	—	3,538	—	65
Non deductible expenses, net of non assessable income	4	28,816	6	22,919
Effect of net deferred tax benefits not recognised	(1)	<u>(6,982)</u>	2	<u>8,231</u>
	27	203,156	32	123,956
Under/(Over) provision in prior years				
- current tax expense	—	2,821	(2)	(6,387)
- deferred tax expense	1	<u>3,560</u>	(1)	<u>(3,562)</u>
Tax expense	28	<u>209,537</u>	29	<u>114,007</u>
Company				
<i>In RM'000</i>	%	2021	%	2020
Profit before taxation		<u>877,834</u>		<u>496,329</u>
Taxation at Malaysian statutory tax rate	24	210,680	24	119,119
Non assessable income, net of non deductible expenditure	(2)	<u>(19,490)</u>	(1)	<u>(6,161)</u>
	22	191,190	23	112,958
Under/(Over) provision in prior years				
- current tax expense	—	4,091	(1)	(6,104)
- deferred tax expense	—	<u>3,594</u>	(1)	<u>(3,526)</u>
Tax expense	22	<u>198,875</u>	21	<u>103,328</u>

21. TAX EXPENSE (continued)*Unrecognised net deferred tax assets*

The net deferred tax assets not recognised in the statement of financial position in respect of the temporary differences of a subsidiary are as shown:

<i>In RM'000</i>	2021	Group 2020
Property, plant & equipment	(19,680)	(24,834)
Unutilised tax losses	29,786	21,968
Unabsorbed capital allowance	14,909	56,974
	<u>25,015</u>	<u>54,108</u>

The temporary differences arising from property, plant and equipment, unutilised tax losses and unabsorbed capital allowance above in relation to a subsidiary have not been recognised as the Group is uncertain if future taxable profits of sufficient quantum will be available against which the Group can utilise the benefits therefrom. The unutilised tax losses carry-forward will be limited to 10 years of assessment starting from the year of assessment 2019.

22. ACQUISITION OF SUBSIDIARY

On 10 September 2021, the Group fulfilled all the conditions of its Sale and Purchase Agreement entered on 4 September 2021 to acquire 100% equity interests in Setel Express Sdn. Bhd. (“Setel Express”) (formerly known as D-Two Couriers (M) Sdn. Bhd.). Following this acquisition, Setel Express has become a wholly-owned subsidiary of the Group.

The fair value of the net identifiable liabilities and goodwill as disclosed below are based on provisional figures which will be finalised within twelve months after the acquisition date. The goodwill, reflects the synergy that Setel Express will contribute to the Group.

The net profit contributed by Setel Express from the date of acquisition to the year ended 31 December 2021 is not material in relation to the consolidated net profit of the Group for the year.

The effect of the acquisition on the cash flows and fair values of assets and liabilities acquired are as follows:

<i>In RM'000</i>	At fair value
Property, plant and equipment	7
Trade and other receivables	32
Cash and cash equivalents	2
Trade and other payables	(132)
Net identifiable liabilities	<u>(91)</u>
Add: Goodwill on acquisition	806
Purchase consideration	<u>715</u>
Less: Cash and cash equivalents of acquired subsidiary	<u>(2)</u>
Cash flow on acquisition, net of cash	<u>713</u>

The principal activity of Setel Express is stated in Note 33 to the financial statements.

23. DISPOSAL OF SUBSIDIARY

On 29 October 2021, the Group via its wholly-owned subsidiary PDB (Netherlands) B.V. disposed off PETRONAS International Marketing (Thailand) Co., Ltd. (“PIMTCL”) for a total consideration of RM13,128,161 to another related company.

The net effect of the above disposal on the cash flows and carrying amount of assets and liabilities disposed are as follows:

Cash flow from disposal of subsidiary

<i>In RM'000</i>	2021	Group 2020
Net cash generated from investing activities	7,278	—

Effect of disposal on the financial position of the Group

<i>In RM'000</i>	Carrying amount at disposal date
Non-current assets	2,190
Current assets	28,695
Current liabilities	(15,523)
Non-current liabilities	(699)
Net assets disposed off	14,663
Foreign exchange translation reserve	8,779
Loss on disposal of subsidiary	(10,314)
Consideration received	13,128
Less: Cash and cash equivalents of subsidiary disposed	(5,850)
Cash flow on disposal, net of cash disposed off	7,278

As PIMTCL was acquired via a common control acquisition in prior years from the ultimate holding company, the capital reserve amounting to RM18,427,000 was derecognised to retained earnings.

24. EARNINGS PER SHARE***Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

<i>In RM'000</i>	2021	Group 2020
Profit for the year attributable to shareholders	529,754	275,964
Number of ordinary shares ('000)	993,454	993,454
Basic earnings per ordinary share (in sen)	53.3	27.8

Diluted earnings per share

No diluted earnings per share is disclosed in these financial statements as there is no potential dilutive ordinary share.

25. DIVIDENDS

<i>In RM'000</i>	2021	Company 2020
In respect of financial year ended 31 December 2020:		
Quarter 4:		
- Interim dividend of 17.0 sen per ordinary share (2019: 25.0 sen)	168,887	248,363
- Nil special dividend (2019: 15.0 sen)	—	149,018
In respect of financial year ended 31 December 2021:		
Quarter 1: interim dividend of 14.0 sen per ordinary share (2020: 5.0 sen)	139,084	49,673
Quarter 2: interim dividend of 10.0 sen per ordinary share (2020: 5.0 sen)	99,345	49,673
Quarter 3: interim dividend of 20.0 sen per ordinary share (2020: 11.0 sen)	198,691	109,280
	<u>606,007</u>	<u>606,007</u>

The Directors had on, 22 February 2022, declared an interim dividend of 26.0 sen per ordinary share amounting to RM258,298,040 in respect of the financial year ended 31 December 2021 which has not been accounted for in the financial statements for the year ended 31 December 2021.

26. RELATED PARTIES DISCLOSURES**Significant transactions with related parties**

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or 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. The key management personnel include all the Directors of the Company, and certain members of senior management of the Group.

The Group's and the Company's related parties include subsidiaries, associates, joint ventures as well as the holding company, PETRONAS and its related entities. The Group's related parties also include the Government of Malaysia and its related entities as the holding company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

<i>In RM'000</i>	Group and Company	
	2021	2020
Directors		
- Fees	1,212	1,314
- Other short-term employee benefits	28	32
	<u>1,240</u>	<u>1,346</u>

26. RELATED PARTIES DISCLOSURES (continued)***Key management personnel compensation (continued)***

The Company reimbursed the holding company for compensation of certain key management personnel attributable to services rendered as well as fees for Directors who are appointees of the holding company as disclosed in the related parties disclosures.

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*In RM'000*

	2021	2020
Federal and State Government of Malaysia:		
Sales of petroleum products	260,714	228,355
Government of Malaysia's related entities:		
Sales of petroleum products	1,584,880	1,721,959
Holding company:		
Sales of petroleum products	373	406
Facility charges	(22,457)	(22,365)
Reimbursement of key management personnel costs and benefits	(949)	(1,352)
Interest income from PETRONAS IFSSC	60,473	69,498
Fees for representation in the Board of Directors*	(710)	(659)
Information, communication and technology charges	(58,315)	(48,425)
Centralised support function services	(23,234)	(23,261)
Related companies:		
Sales of petroleum products	1,010,094	742,899
Purchases of petroleum products	(21,815,735)	(14,355,098)
Information, communication and technology charges	(91,749)	(75,083)
Facility charges	(14,441)	(16,851)
Lease expenses	(13,191)	(93,890)
Technical manpower services and training	(22,223)	(10,010)
Proceeds from divestment of a subsidiary (Note 23)	13,128	—
Associate companies:		
Sales of petroleum products	283	224
Facility charges	(10,840)	(9,532)
Joint ventures:		
Sales of petroleum products	68	67
Facility charges	(18,984)	(24,205)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

26. RELATED PARTIES DISCLOSURES (continued)

Company	2021	2020
<i>In RM'000</i>		
Federal and State Government of Malaysia:		
Sales of petroleum products	260,714	228,355
Government of Malaysia's related entities:		
Sales of petroleum products	1,575,895	1,713,095
Holding company:		
Sales of petroleum products	373	406
Facility charges	(22,457)	(22,365)
Reimbursement of key management personnel costs and benefits	(949)	(1,352)
Interest income from PETRONAS IFSSC	57,724	65,596
Fees for representation in the Board of Directors*	(710)	(659)
Information, communication and technology charges	(56,429)	(47,598)
Centralised support function services	(21,418)	(21,540)
Related companies:		
Sales of petroleum products	983,176	716,344
Purchases of petroleum products	(21,493,395)	(14,080,472)
Information, communication and technology charges	(91,749)	(75,083)
Facility charges	(14,441)	(16,851)
Lease expenses	(13,191)	(93,890)
Technical manpower services and training	(22,223)	(10,010)
Associate companies:		
Sales of petroleum products	283	224
Facility charges	(10,840)	(9,532)
Joint ventures:		
Sales of petroleum products	68	67
Facility charges	(18,984)	(24,205)

* Fees paid directly to holding company in respect of directors who are appointees of the holding company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2021 are disclosed in Note 9 and Note 17 as well as lease liabilities balances as follows:

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Related companies	505	13,409	505	13,409

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.

27. COMMITMENTS

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

<i>In RM'000</i>	2021	Group 2020	2021	Company 2020
Property, plant and equipment				
Approved and contracted for	137,220	81,140	136,975	80,407
Approved but not contracted for	401,434	207,648	389,567	186,923
	<u>538,654</u>	<u>288,788</u>	<u>526,542</u>	<u>267,330</u>

28. OPERATING SEGMENTS

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different products and services and require different marketing strategies. The following summary describes the operations in each of the Group's reportable segment:

- Retail - consist of sales and purchases of petroleum products to the retail sector.
- Commercial - consist of sales and purchases of petroleum products to the commercial sector.
- Others - comprise mainly of aviation fuelling services, technical services and business activities other than retail and commercial segments.

For each of the reportable segment, the Group chief operating decision maker, which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment profit or loss before tax as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Revenues derived from petroleum products are predominantly sold to the retail and commercial sectors in Malaysia which have been disclosed in the operating segment. In this respect, no further disaggregation of revenue is presented.

Group 2021

Business Segments	Retail	Commercial	Others	Total
<i>In RM'000</i>				
Revenue	12,612,599	9,867,915	24,812	22,505,326
Depreciation and amortisation	357,845	61,996	(7,686)	412,155
Other income/(expense)	303,106	47,847	(8,942)	342,011
Operating profit/(loss)	487,091	284,636	(20,540)	751,187
Financing costs	(3,805)	(1,081)	(6,754)	(11,640)
Share of profit after tax of associates and joint ventures				1,221
Profit before taxation				740,768

2020

Business Segments	Retail	Commercial	Others	Total
<i>In RM'000</i>				
Revenue	11,178,291	7,521,095	11,561	18,710,947
Depreciation and amortisation	374,049	88,040	35,750	497,839
Other income	308,742	51,568	3,481	363,791
Operating profit/(loss)	229,451	225,046	(51,963)	402,534
Financing costs	(6,852)	(2,106)	(7,077)	(16,035)
Share of loss after tax of associates and joint ventures				(78)
Profit before taxation				386,421

28. OPERATING SEGMENTS (continued)***Geographical information***

There is no disclosure on geographical segment information as the Group's operations outside of Malaysia are not material during the year under review.

Major customers

As at 31 December 2021, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

29. CONTINGENCIES**Group***In RM'000***2021****2020****Contingent assets**

An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.

26,662

26,662

There were no material contingent liabilities since the last consolidated statement of financial position as at 31 December 2020.

30. FINANCIAL INSTRUMENTS**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as Amortised cost (“AC”).

Group 2021	Note	Amortised cost	Total carrying amount
<i>In RM'000</i>			
Financial assets			
Trade and other receivables*	9	3,469,466	3,469,466
Cash and cash equivalents	10	1,911,062	1,911,062
		<u>5,380,528</u>	<u>5,380,528</u>
Financial liabilities			
Borrowings	14	(16,000)	(16,000)
Trade and other payables*	17	(3,570,495)	(3,570,495)
		<u>(3,586,495)</u>	<u>(3,586,495)</u>
		Amortised cost	Total carrying amount
2020			
<i>In RM'000</i>			
Financial assets			
Trade and other receivables*	9	1,148,153	1,148,153
Cash and cash equivalents	10	2,691,820	2,691,820
		<u>3,839,973</u>	<u>3,839,973</u>
Financial liabilities			
Borrowings	14	(19,380)	(19,380)
Trade and other payables*	17	(2,251,453)	(2,251,453)
		<u>(2,270,833)</u>	<u>(2,270,833)</u>

* These balances exclude non-financial instruments balances.

30. FINANCIAL INSTRUMENTS (continued)**Categories of financial instruments (continued)**

Company 2021	Note	Amortised cost	Total carrying amount
<i>In RM'000</i>			
Financial assets			
Trade and other receivables*	9	3,352,354	3,352,354
Cash and cash equivalents	10	1,737,014	1,737,014
		<u>5,089,368</u>	<u>5,089,368</u>
Financial liability			
Trade and other payables*	17	<u>(3,472,596)</u>	<u>(3,472,596)</u>
2020		Amortised cost	Total carrying amount
<i>In RM'000</i>			
Financial assets			
Trade and other receivables*	9	1,040,758	1,040,758
Cash and cash equivalents	10	2,311,097	2,311,097
		<u>3,351,855</u>	<u>3,351,855</u>
Financial liability			
Trade and other payables*	17	<u>(2,062,308)</u>	<u>(2,062,308)</u>

* These balances exclude non-financial instruments balances.

30. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Financial risk management

The Group and the Company are exposed to various risks that are particular to its core business which consists of domestic marketing of petroleum products. These risks, which arise in the normal course of the Group's and the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates and foreign currency exchange rates.

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 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, the Group and the Company adopt appropriate measures to mitigate these risks in accordance with their view of the balance between risk and reward.

Credit risk

Credit risk is the risk of 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 customers and placement in financial institutions. Credit risks are controlled by individual companies in line with PETRONAS' policies and guidelines.

Trade and other receivables

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, Amanah Saham Bumiputera ("ASB"), Amanah Saham Bumiputera 2 ("ASB 2"), Amanah Saham Malaysia 2 Wawasan ("ASM 2 Wawasan") and bank guarantees.

The Group uses ageing analysis to monitor the credit quality of the receivables. As at the year end, 96% (2020: 94%) of gross trade receivables of the Group are within the credit terms.

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Trade and other receivables (continued)

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company.

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

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or 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 are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assesses whether financial assets carried at amortised cost 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:

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

Concentration of credit risk

On reporting date, there is a significant concentration of credit risk of the Group arising from an amount owing from a customer constituting 13% (2020: 11%) of the total trade receivables of the Group.

In addition, there is a significant concentration of credit risk of the Group on the amount owing from the Government constituting 95% (2020: 75%) of the total other receivables of the Group. The amount related to subsidies arising from the Automatic Pricing Mechanism governing the sales of petroleum products.

30. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Trade and other receivables (continued)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group monitors 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.

30. FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)***Trade and other receivables (continued)**Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021 which are grouped together as they are expected to have similar risk nature.

Group 2021		Gross carrying amount	Loss allowance	Net balance
<i>In RM'000</i>	Note			
Credit Risk Rating				
Sovereign rating		40,757	—	40,757
Excellent rating		208,343	(66)	208,277
Good rating		674,085	(457)	673,628
Fair rating		687,214	(13,740)	673,474
		<u>1,610,399</u>	<u>(14,263)</u>	<u>1,596,136</u>
Credit impaired:				
Individually impaired		8,413	(8,413)	—
		<u>1,618,812</u>	<u>(22,676)</u>	<u>1,596,136</u>
Representing:				
Trade receivables	9	<u>1,618,812</u>	<u>(22,676)</u>	<u>1,596,136</u>
Group 2020		Gross carrying amount	Loss allowance	Net balance
<i>In RM'000</i>	Note			
Credit Risk Rating				
Sovereign rating		12,811	—	12,811
Excellent rating		231,099	(46)	231,053
Good rating		448,513	(541)	447,972
Fair rating		267,293	(4,241)	263,052
		<u>959,716</u>	<u>(4,828)</u>	<u>954,888</u>
Credit impaired:				
Individually impaired		7,408	(7,408)	—
		<u>967,124</u>	<u>(12,236)</u>	<u>954,888</u>
Representing:				
Trade receivables	9	<u>967,124</u>	<u>(12,236)</u>	<u>954,888</u>

30. FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)***Trade and other receivables (continued)**Recognition and measurement of impairment loss (continued)*

Company 2021		Gross carrying amount	Loss allowance	Net balance
<i>In RM'000</i>	Note			
Credit Risk Rating				
Sovereign rating		40,757	—	40,757
Excellent rating		189,477	(58)	189,419
Good rating		623,367	(426)	622,941
Fair rating		648,111	(13,215)	634,896
		<u>1,501,712</u>	<u>(13,699)</u>	<u>1,488,013</u>
Credit impaired:				
Individually impaired		2,481	(2,481)	—
		<u>1,504,193</u>	<u>(16,180)</u>	<u>1,488,013</u>
Representing:				
Trade receivables	9	<u>1,504,193</u>	<u>(16,180)</u>	<u>1,488,013</u>
Company 2020		Gross carrying amount	Loss allowance	Net balance
<i>In RM'000</i>	Note			
Credit Risk Rating				
Sovereign rating		12,811	—	12,811
Excellent rating		150,128	(41)	150,087
Good rating		423,321	(340)	422,981
Fair rating		267,293	(4,241)	263,052
		<u>853,553</u>	<u>(4,622)</u>	<u>848,931</u>
Credit impaired:				
Individually impaired		1,806	(1,806)	—
		<u>855,359</u>	<u>(6,428)</u>	<u>848,931</u>
Representing:				
Trade receivables	9	<u>855,359</u>	<u>(6,428)</u>	<u>848,931</u>

30. FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)***Trade and other receivables (continued)**Recognition and measurement of impairment loss (continued)*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

<i>In RM'000</i>		Group		Company
	2021	2020	2021	2020
At net				
Current	1,556,875	912,436	1,460,619	823,974
Past due 1 to 30 days	13,836	20,963	12,094	16,531
Past due 31 to 60 days	9,455	5,181	9,220	2,277
Past due 61 to 90 days	2,216	1,683	934	519
Past due more than 90 days	13,754	14,625	5,146	5,630
	<u>1,596,136</u>	<u>954,888</u>	<u>1,488,013</u>	<u>848,931</u>
Representing:				
Trade receivables (Note 9)	1,618,812	967,124	1,504,193	855,359
Less: Impairment losses (Note 9)	<u>(22,676)</u>	<u>(12,236)</u>	<u>(16,180)</u>	<u>(6,428)</u>
	<u>1,596,136</u>	<u>954,888</u>	<u>1,488,013</u>	<u>848,931</u>

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, ASB, ASB 2, ASM 2 Wawasan and bank guarantees.

Trade receivables which are credit impaired amounting to RM22,676,000 (2020: RM12,236,000) are partially collateralised in the form of financial guarantee by banks. Impairment loss has been provided in excess of the collateral value of the financial guarantee of RM166,340,000 (2020: RM163,024,000).

30. FINANCIAL INSTRUMENTS (continued)**Credit risk (continued)****Trade and other receivables (continued)****Recognition and measurement of impairment loss (continued)**

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

<i>In RM'000</i>	Group		Company	
	2021	2020	2021	2020
Opening balance	12,236	10,469	6,428	3,321
Impairment loss recognised	16,002	10,532	13,024	7,077
Impairment loss reversed	(4,468)	(4,384)	(3,267)	(3,927)
Impairment loss written off	(45)	(4,381)	(5)	(43)
Disposal of subsidiary	(1,049)	—	—	—
Closing balance	22,676	12,236	16,180	6,428

Fund investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities which was managed by IFSSC on behalf of the Group comprising primarily money market placement. 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 criterias, 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.

As at the reporting date, the Group and the Company have only invested in short term domestic money market instrument. In view of the sound credit rating of counterparties, the Group and the Company do not expect any counterparties to fail to meet its obligation and hence, loss allowance is not provided for.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its trade and other payables and borrowings. In managing its liquidity risk, the Group and the Company maintains sufficient cash and liquid marketable assets and a balance between continuity of funding and flexibility through use of stand-by credit facilities. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company.

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis***

The 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:

Group 2021	Carrying amount	Effective profit margin/ interest rates/per annum/ discount rate %	Contractual cash flows	Within 1 year
<i>In RM'000</i>				
<i>Financial liabilities</i>				
Unsecured revolving credits				
fixed rate	16,000	2.83-2.89	16,248	16,248
Lease liabilities	100,432	3.24-8.43	222,987	19,101
Trade and other payables	3,570,495	—	3,570,495	3,570,495
	<u>3,686,927</u>		<u>3,809,730</u>	<u>3,605,844</u>

continue below

Group 2021	1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>			
<i>Financial liabilities</i>			
Unsecured revolving credits			
fixed rate	—	—	—
Lease liabilities	9,144	35,902	158,840
Trade and other payables	—	—	—
	<u>9,144</u>	<u>35,902</u>	<u>158,840</u>

continued from above

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)***Maturity analysis (continued)*

Group 2020	Carrying amount	Effective profit margin/ interest rates/per annum/ discount rate %	Contractual cash flows	Within 1 year
<i>In RM'000</i>				
Financial liabilities				
Unsecured Islamic financing facilities				
floating rate	9,880	2.78 - 4.32	9,988	9,988
Unsecured revolving credit				
fixed rate	9,500	2.80 - 2.89	9,775	9,775
Lease liabilities	158,790	3.68 - 8.43	301,602	82,757
Trade and other payables	2,251,453	—	2,251,453	2,251,453
	<u>2,429,623</u>		<u>2,572,818</u>	<u>2,353,973</u>

continue below

Group 2020	1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>			
Financial liabilities			
Unsecured Islamic financing facilities			
floating rate	—	—	—
Unsecured revolving credit			
fixed rate	—	—	—
Lease liabilities	18,682	33,131	167,032
Trade and other payables	—	—	—
	<u>18,682</u>	<u>33,131</u>	<u>167,032</u>

continued from above

30. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Company 2021	Carrying amount	Discount rate %	Contractual cash flows	Within 1 year
<i>In RM'000</i>				
Financial liabilities				
Lease liabilities	22,181	3.24-7.80	34,744	11,913
Trade and other payables	3,472,596	—	3,472,596	3,472,596
	<u>3,494,777</u>		<u>3,507,340</u>	<u>3,484,509</u>
				<i>continue below</i>

Company 2021		1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>				
Financial liabilities				
Lease liabilities		1,596	6,122	15,113
Trade and other payables		—	—	—
		<u>1,596</u>	<u>6,122</u>	<u>15,113</u>
				<i>continued from above</i>

Company 2020	Carrying amount	Discount rate %	Contractual cash flows	Within 1 year
<i>In RM'000</i>				
Financial liabilities				
Lease liabilities	82,019	3.68 - 7.80	108,249	74,514
Trade and other payables	2,062,308	—	2,062,308	2,062,308
	<u>2,144,327</u>		<u>2,170,557</u>	<u>2,136,822</u>
				<i>continue below</i>

Company 2020		1-2 years	2-5 years	More than 5 years
<i>In RM'000</i>				
Financial liabilities				
Lease liabilities		11,126	5,973	16,636
Trade and other payables		—	—	—
		<u>11,126</u>	<u>5,973</u>	<u>16,636</u>
				<i>continued from above</i>

30. 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 that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Profit margin or Interest rate risk

Profit margin or interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates.

The Group's exposure to the risk of changes in cash flow in the prior year was due to changes in profit margin or interest rates relates primarily to the Islamic financing facilities of a subsidiary with floating profit margin. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's remaining interest-bearing financial assets and financial liabilities, which consist mainly of fixed rate short term fund placement and short term revolving credit facilities do not have significant exposure to interest rate risk.

All profit or interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines.

As at 31 December 2021, 100% (2020: 94%) of the interest-bearing financial liabilities of the Group are fixed rate instruments and a change in interest rate is not expected to have any significant impact to the Group's cash flows.

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. The Company's funds are managed by IFSSC whereby foreign currency exposure is typically managed by matching receipts and payment for the same currency and internally hedged with IFSSC. When deemed necessary and appropriate, the Company, via IFSSC will enter into external hedging to minimise its exposure to the foreign currency movements.

30. FINANCIAL INSTRUMENTS (continued)**Market risk (continued)****Foreign exchange risk (continued)**

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		
<i>In RM'000</i>	2021	2020
Denominated in USD		
Financial assets		
Cash and cash equivalents	—	680
Trade and other receivables	251,591	34,703
Financial liabilities		
Trade and other payables	(58,011)	(13,370)
Lease liabilities	(7,835)	(54,366)
	<u>185,745</u>	<u>(32,353)</u>
Company		
<i>In RM'000</i>	2021	2020
Denominated in USD		
Financial asset		
Trade and other receivables	250,854	34,468
Financial liabilities		
Trade and other payables	(55,432)	(12,583)
Lease liabilities	(7,835)	(54,366)
	<u>187,587</u>	<u>(32,481)</u>

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2021 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2021 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.

30. 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:

	Appreciation in foreign currency rate %	Group Effect on profit or loss	Company Effect on profit or loss
2021 <i>In RM'000</i>			
USD	10	18,575	18,759
2020 <i>In RM'000</i>			
USD	10	(3,235)	(3,248)

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

Fair value information

The Group's financial instruments consist of borrowings, cash and cash equivalents, trade and other receivables and trade and other payables.

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

30. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

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

Group 2021	Fair value of financial instruments not carried at fair value		Carrying amount
	Level 3	Total	
<i>In RM'000</i>			
Financial liability			
Revolving credits	15,801	15,801	16,000
Group 2020	Fair value of financial instruments not carried at fair value		Carrying amount
	Level 3	Total	
<i>In RM'000</i>			
Financial liabilities			
Islamic financing facilities	9,713	9,713	9,880
Revolving credit	9,500	9,500	9,500
	19,213	19,213	19,380

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.

30. FINANCIAL INSTRUMENTS (continued)**Gains and losses arising from financial instruments**

Group 2021					
<i>In RM'000</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial assets at amortised cost	61,265	—	(12,351)	2,502	51,416
Financial liabilities at amortised cost	—	(562)	—	(4,593)	(5,155)
Total	61,265	(562)	(12,351)	(2,091)	46,261

Group 2020					
<i>In RM'000</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial assets at amortised cost	71,270	—	(5,530)	4,635	70,375
Financial liabilities at amortised cost	—	(828)	—	(3,408)	(4,236)
Total	71,270	(828)	(5,530)	1,227	66,139

Company 2021					
<i>In RM'000</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial assets at amortised cost	58,059	—	(9,845)	2,567	50,781
Financial liability at amortised cost	—	—	—	(4,598)	(4,598)
Total	58,059	—	(9,845)	(2,031)	46,183

Company 2020					
<i>In RM'000</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial assets at amortised cost	66,009	—	(2,532)	4,726	68,203
Financial liability at amortised cost	—	—	—	(3,408)	(3,408)
Total	66,009	—	(2,532)	1,318	64,795

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses.

31. CAPITAL MANAGEMENT

The Group defines capital as total equity and debt. The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds to support its business and maximise shareholders' value. As a subsidiary of PETRONAS, the Group's approach in managing capital is set out in the PETRONAS Financial Policy.

The Group monitors and maintains a prudent level of total debt to total asset ratio to optimise shareholders' value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements, if any.

The debt to equity ratio of the Group as at 31 December 2021 is 2.1:100 (2020: 3.1:100).

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

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

32. HOLDING AND ULTIMATE HOLDING COMPANY

The holding company as well as ultimate holding company is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated in Malaysia.

33. SUBSIDIARIES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2021	2020	
Companies incorporated in Malaysia			
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	65%	65%	To operate, maintain and manage an Aircraft Fuelling System (“AFS”) at Kuala Lumpur International Airport and to provide aviation fuelling services related to the AFS to fuel suppliers.
PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd.	100%	100%	To market and distribute petroleum products.
PETRONAS Aviation Sdn. Bhd.	100%	100%	To provide technical consultancy services.
SETEL Ventures Sdn. Bhd.	100%	100%	To provide a seamless payment solution.
Setel Express Sdn. Bhd. (formerly known as D-Two Couriers (M) Sdn. Bhd.)	100%	-	Engaged in the business of courier services, general carriers and forwarding agents.
***Mesra Retail & Cafe Sdn. Bhd.	100%	-	Managing and oversee the operations of Mesra C-stores, food & beverage and PDB’s petrol station.
Company incorporated in Netherlands			
**PDB (Netherlands) B.V.	100%	100%	To hold activities and hold investment in any business of marketing and distributing lubricants.
Company incorporated in Thailand			
*PETRONAS International Marketing (Thailand) Co., Ltd. ¹	-	100%	To market and distribute lubricants.

* Audited by firm of auditors other than KPMG PLT. The subsidiary was divested during the financial year (refer to Note 23).

** Consolidated based on management accounts as the company is exempted from preparing audited financial statements as allowed by Articles 396 Book 2 of the Dutch Civil Code.

*** Consolidated based on management accounts as Section 248 of Companies Act 2016 allows newly incorporated companies to prepare financial statements within 18 months from the date of its incorporation.

¹ Directly owned by PDB (Netherlands) B.V.

34. ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2021	2020	
Companies incorporated in Malaysia			
*IOT Management Sdn. Bhd.	20%	20%	To engage in the business of managing independent oil terminals at Senari, Kuching.
*Tanjung Manis Oil Terminal Management Sdn. Bhd.	20%	20%	To engage in the business of managing oil terminals at Tanjung Manis.

* Audited by firm of auditors other than KPMG PLT.

35. JOINT VENTURES AND ACTIVITIES

	Effective ownership interest and voting interest		Principal Activities
	2021	2020	
Companies incorporated in Malaysia			
P S Pipeline Sendirian Berhad	50%	50%	To maintain and operate the Multi-Product Pipeline and Klang Valley Distribution Terminal ("MPP-KVDT") and the associated facilities for the transportation of petroleum products on behalf of the MPP-KVDT users.
P S Terminal Sendirian Berhad	50%	50%	To operate, manage and maintenance of joint facilities – terminal, depot, warehouse, equipment, machinery, pipelines, tanks and associated facilities in Tawau and Bintulu on behalf of the owners, PETRONAS Dagangan Berhad and Shell Timur Sendirian Berhad.
Company incorporated in Kingdom of Saudi Arabia			
*United Fuel Company Limited (Limited Liability Company) ²	40%	40%	To provide support, maintenance and operation services for airport facilities and gas fuel and storage equipment and stations in the airports of the Kingdom of Saudi Arabia.

* Audited by firm of auditors other than KPMG PLT.

² Interest owned by PETRONAS Aviation Sdn. Bhd.

36. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

During the financial year, 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 2021

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

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)*

The principal changes in accounting policies and their effects are set out below:

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

The amendments provide practical expedients whereby modifications due to changes in interest rate benchmark resulting from interest rate benchmark reform, would only require an update to the effective interest rate to reflect the change in the interest rate benchmark and would not result in derecognition or adjustment to the carrying amount of financial instruments and leases. The amendments also provide practical reliefs for hedge accounting requirements.

These amendments had no material impact on the consolidated financial statements of the Group and the Company. The Group and the Company intend to use the practical expedients in future periods if they become applicable. As at reporting date, transitional activities are currently ongoing, and the Group and the Company have no transactions for which the benchmark rate had been replaced with an alternative benchmark rate.

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

37. 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 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)*

37. PRONOUNCEMENTS YET IN EFFECT (continued)

Effective for annual periods beginning on or after 1 January 2023

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

Amendments to MFRS 101 *Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*

Amendments to MFRS 112 *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

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.

38. NEW AND REVISED 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)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 *Insurance Contracts*

Amendment to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETRONAS DAGANGAN BERHAD

(Company No. 198201008499 (88222-D))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PETRONAS Dagangan Berhad, which comprise the statements of financial position as at 31 December 2021 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 9 to 104.

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 2021, 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' *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 judgement, 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.

Revenue Recognition

Refer to page 40 (Note 2.18 Significant Accounting Policies) and page 69 (Note 18) to the financial statements.

The key audit matter

The main revenue streams of the Group are split into retail and commercial. Revenue recognition is a key audit matter due to risk that revenue may be overstated arising from pressure faced by the Group in achieving performance targets as revenue recognition has a direct impact on the results of the Group.

How the matter was addressed in our audit

We performed the following audit procedures, among others, around revenue recognition:

- We tested the design and implementation as well as operating effectiveness of the Group's controls relevant to recognition of revenue;
- We assessed whether sales transactions either side of the statement of financial position date as well as credit notes issued after year end are recognised in the correct period;
- We tested sales transactions recorded to the acknowledged customer delivery orders as an indication of transfer of control on goods to ascertain validity of sales; and
- We involved our Information Technology auditor to test the overall general Information Technology control environment and application controls relevant to recognition of commercial and retail sales.

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 Director's Report and Statement on Risk Management and Internal Control (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 auditor's 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 other information and we do not and will not express any form of assurance conclusion thereon.



Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the 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 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.

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement 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.

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.



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

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

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 Notes 31 to the financial statements.

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

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

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2023 J
Chartered Accountant

Petaling Jaya

Date: 22 February 2022