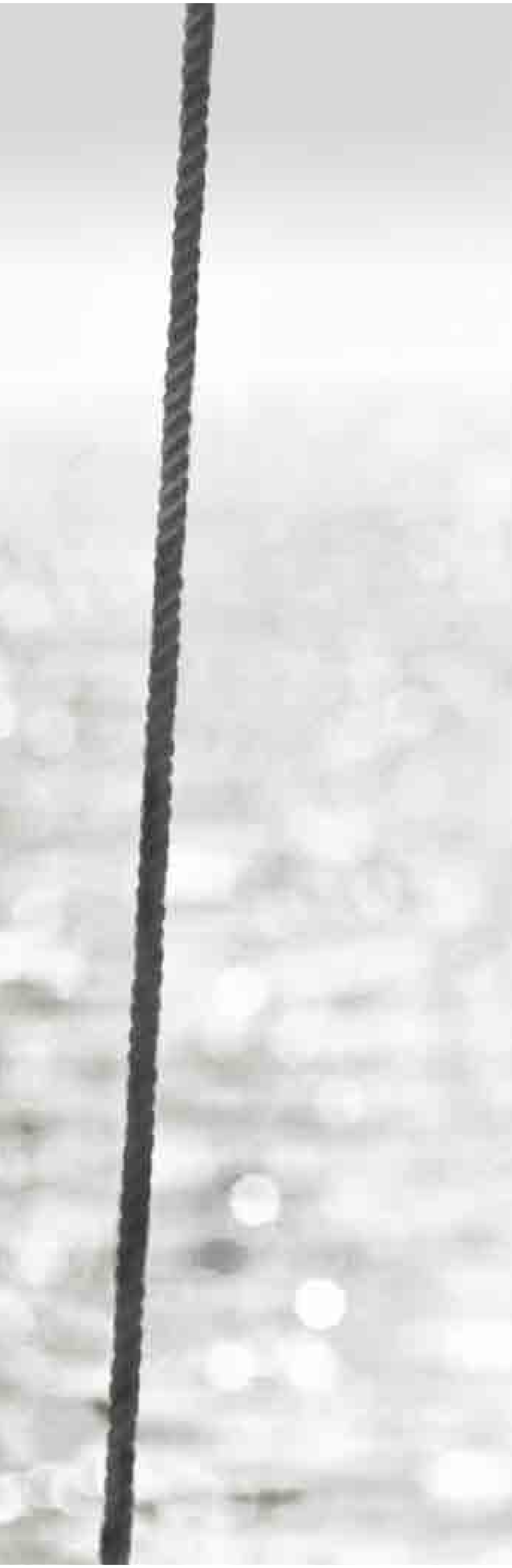
SapuraKencana
PETROLEUM

PRECISION IN EXECUTION

Annual Report 2014

2014 ANNUAL REPORT



CONTENTS

PRECISION IN EXECUTION

For the financial year ended 31 January 2014, SapuraKencana Petroleum Berhad ("Group") continued to make significant strides and executed our plans with precision.

We delivered on the operational and Health, Safety and Environment fronts, which led to strong financial results.

Having integrated strategic acquisitions in a rapid and seamless manner, the Group has further enriched its capabilities with people across the organisation working closely as one.

The strategic building blocks put in place have helped strengthen our position as a full-fledged upstream player and the Group's fully integrated offering continues to spread globally, across the entire value chain.

Going forward, we remain committed to demonstrating strong performance and to executing all that we do with a degree of precision that will ensure the Group's long-term sustainable growth and robust shareholder value creation.

ABOUT

SAPURAKENCANA PETROLEUM BERHAD

SapuraKencana Petroleum Berhad ("SapuraKencana") is a full-fledged upstream player and one of the world's largest integrated oil and gas services and solutions providers. SapuraKencana's full spectrum of capabilities covers the entire value chain of exploration, development, production, rejuvenation, and decommissioning and abandonment. With a multinational workforce of over 12,000 people, comprehensive world-class assets and project management capabilities, the Group's global presence can be seen in over 20 countries including Malaysia, China, Australia, Brazil, the United States of America, as well as those in Western Africa, and the Middle East.

SapuraKencana was incorporated on 30 June 2011 as a private company limited by shares under the Companies Act, 1965 as Integral Key Sdn Bhd. It was converted into a public company on 20 September 2011 and known as Integral Key Berhad. On 19 December 2011, the name was changed to Sapura-Kencana Petroleum Berhad, and since 5 April 2012, the Company is known as SapuraKencana Petroleum Berhad. SapuraKencana has been listed on the Main Market of Bursa Malaysia Securities Berhad since 17 May 2012.

VISION

Our Vision is to be the **best entrepreneurially led, technically competent** and **most trusted global oil and gas company** in the eyes of our customers, shareholders and most importantly, our **empowered people**.

We will be guided by our **honesty, trust** and **respect** for all. We will achieve our business objectives by being **safe, agile** and **professional** to continuously strive to meet all of our stakeholders' expectations.

The People of SapuraKencana Petroleum

CORE BUSINESSES

DRILLING

Through SapuraKencana Drilling Pte Ltd ("SKD"), SapuraKencana is today the world's leading tender rig owner and operator with more than a 50% share of the market. Formerly a part of the Drilling, Geotechnical and Maintenance & Operations Services Division, it now stands independently with the redeployment of the other operations to the Offshore Construction & Subsea Services Division. SKD continues to experience rapid growth and is a major contributor to the Group's revenue.

SKD's versatile fleet today comprises 11 tender barge rigs and seven semi-tender rigs which are primarily used for production and development drilling activities. Two more tender rigs and one semi-tender rig are currently under construction. This world-class drilling outfit is able to realise conceptual rig designs from the drawing board and work with the Group's fabrication outfit to build them in our own yards. Today, SKD's operations span Southeast Asia, West Africa and Central America. With operational offices in every country the Group operates in, SKD is able to manage its rigs efficiently, increase visibility for future business development and improve client satisfaction by being responsive to their needs.

OFFSHORE CONSTRUCTION & SUBSEA SERVICES

The Offshore Construction and Subsea Services ("OCSS") Division's core business activities comprise offshore construction and installation of offshore platforms, marine pipelines and facilities; the installation of subsea umbilicals, risers and flowlines ("SURF"); as well as offshore diving and related underwater services including the design, manufacture and operation of remotely operated vehicles ("ROVs"). The OCSS Division holds a predominant position within the Installation of Pipelines and Facilities ("IPF") sector in Malaysia for both shallow and deepwater work and has operations offshore Southeast Asia, Australia, India, China, Russia, and Brazil. These activities are strongly supported by its fleet of derrick lay barges and vessels, diving support vessels, saturation diving systems and ROVs. Recently it added the *SapuraKencana Constructor*, a dynamic positioning ("DP") subsea support vessel and two DP heavy lift pipeline construction vessels, namely the *SapuraKencana 1200* and *SapuraKencana 3500* to its already extensive fleet.

At the start of FY2014, the Group's geotechnical as well as operations and maintenance ("O&M") services components were consolidated within the OCSS Division. The highly specialised geotechnical operations involve technical and physical investigations of seabed soil structures and profiles and are supported by the Division's own four dedicated geotechnical and geophysical survey vessels. In the way of O&M services, the Division is a General Electric ("GE") certified regional centre providing world-class services and cost-effective maintenance and refurbishment solutions for GE industrial gas turbines in South East Asia.

“With a technically capable team, a wide range of strategic assets, and a growing global footprint, SapuraKencana is today one of the world’s largest integrated solutions providers operating across the entire upstream oil and gas value chain.”

FABRICATION, HOOK-UP & COMMISSIONING

The Fabrication, Hook-Up & Commissioning Division undertakes the provision of offshore and onshore engineering, procurement, construction (fabrication), hook-up and commissioning services; the maintenance of fixed and floating oil and gas facilities; marine construction, conversion and repair activities. The Division possesses strong engineering, procurement, construction and commissioning (“EPCC”) expertise for offshore structures inclusive of central processing platforms, wellhead platforms, compression modules, jackets and structures. Its EPCC expertise also extends to Floating Production Storage and Offloading (“FPSO”) process modules, Mobile Offshore Production Units (“MOPU”), process skids and systems, subsea deepwater manifolds, onshore processing facilities, as well as greenfield and brownfield hook-up and commissioning (“HUC”) activities.

The Division’s key asset is its 273-acre fabrication yard in Lumut, Perak which is strategically located 3km off the Straits of Malacca. This yard has a fully integrated computerised yard management system which links its engineering, planning, quality management, procurement, warehouse and component production centres. The Division’s fabrication facility in Teluk Kalong coupled with its Kemaman Supply Base, serve as a full-fledged fabrication, support and supply base for the Group’s HUC operations off the East Coast of Peninsular Malaysia. To support its HUC operations in Sabah and Sarawak waters, the Division leverages on its Labuan fabrication yard for warehousing, storage and logistic support activities.

ENERGY & JOINT VENTURES

The Group’s Energy & Joint Ventures Division is involved in the exploration, development and operatorship of oil and gas fields. The Division has proven expertise in the areas of exploration, field development planning, capital project execution, drilling, production operations and facilities abandonment. In supporting these core activities, the Division is also equipped with integrated solution capabilities to provide conceptual engineering, front-end engineering as well as the detailed design of subsea and floating systems through its investments in two specialised international engineering companies, namely Peritus International Pty Ltd and Ocean Flow International LLC. The Division also has investments in strategic production assets such as a Floating Production Storage and Offloading Unit (“FPSO”).

In early 2014, the Group acquired Newfield Malaysia and renamed it SapuraKencana Energy Malaysia Inc. (“SKEM”). Today, SKEM provides the EJV Division a full exploration, development and production capability with a participating interest in eight production-sharing contracts (“PSCs”) as well as an alliance arrangement to operate an oil field in East Malaysia. SKEM is the operator for five of the eight PSCs.

HEALTH, SAFETY AND ENVIRONMENT

Everyone at SapuraKencana is committed to consistently manage risks found in all aspects of our daily operations. We aim to prevent untoward incidents and ensure the safety of our people and that the environment and communities we operate in are safeguarded at all times.

We believe that our demonstrated Health, Safety and Environment ("HSE") performance is one that we can be proud of, and must sustain. It represents a critical component of our ability to achieve business objectives, and to earn the continued confidence afforded us in meeting the expectations of our customers, employees, shareholders and public at large.

We manage HSE risks through a system of rigorous controls, responsible governance, and strict compliance. Sharing of related information also plays a significant role in creating a consistent understanding and culture of safety across the group.

In the event a safety incident occurs, management and operational resources are immediately deployed to undertake a timely, transparent and comprehensive investigation of the situation. This is considered of paramount importance to ensure our ability to identify and understand the root causes contributing to such incidents, and later propagate measures and solutions to prevent future occurrences across the group.

We also stay abreast of HSE developments across the industry, to maintain a broader perspective in driving continuous improvement within our organisation.

Ultimately, upholding HSE policies and ensuring a safe workplace is the responsibility of every individual at the company. As safety takes precedence over business imperatives, we empower our employees to intervene when unsafe behaviours or conditions are observed, via our Stop Work Policy.

We are proud to have received client recognition for our HSE achievements. Amongst which include:

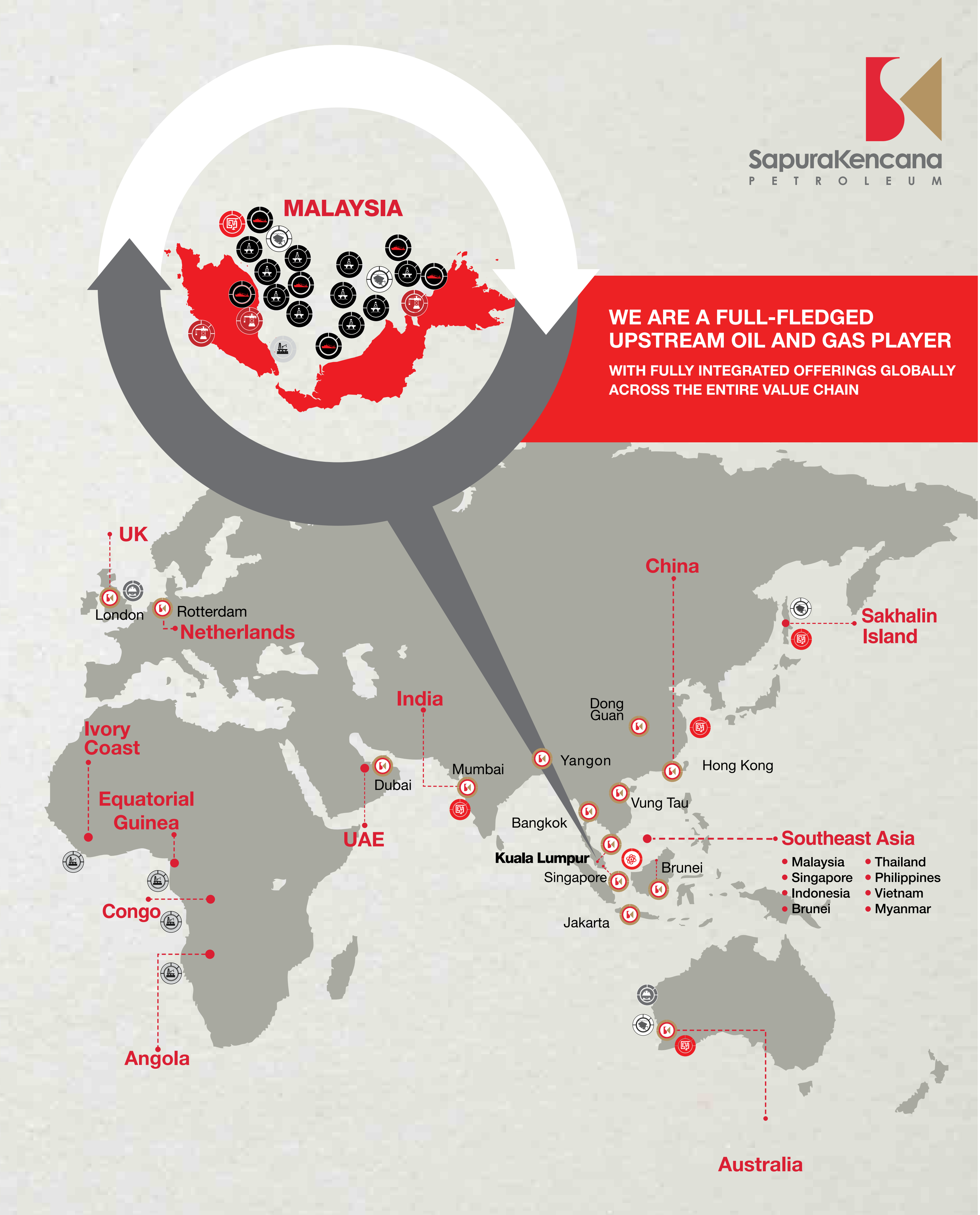
- ExxonMobil Exploration and Production Malaysia Inc
  - 1.5 million man-hours without Lost Time Injury ("LTI")
- Murphy Oil Corporation
  - 1.5 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
  - Outstanding Vendor Award
- Carigali Hess Sdn Bhd
  - Safety Award 2013 (Gold Category)
- PETRONAS Carigali Sdn Bhd
  - Certificate of Appreciation in achieving 1.5 million man-hours without LTI
- Malaysia LNG Sdn Bhd
  - Excellent HSE Performance for Module 4, 5, & 7 pitstop
- Malaysia LNG Sdn Bhd
  - Excellent HSE Performance for MLNG Module 6 Department of Occupational Safety and Health (Turn Around)
- Kebabangan Petroleum Operating Company Sdn Bhd
  - Fabrication of Kebabangan Substructure for Kebabangan Northern Hub Development Project Safe Completion of Kebabangan Substructure
- Bechtel Inc/Wheatstone LNG Plant
  - Inside System Battery Limit Modules. Safety Milestone 1 million man-hours without LTI
- Bekok-C
  - 2 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
  - Kinabalu NAG Processing Platform B project. 1.5 million man-hours without LTI
- ExxonMobil Exploration and Production Malaysia Inc
  - Long-Term Construction Services Contract DU3744A2. 2.3 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
  - Appreciation to Teknik Berkat for 7 years LTI-free

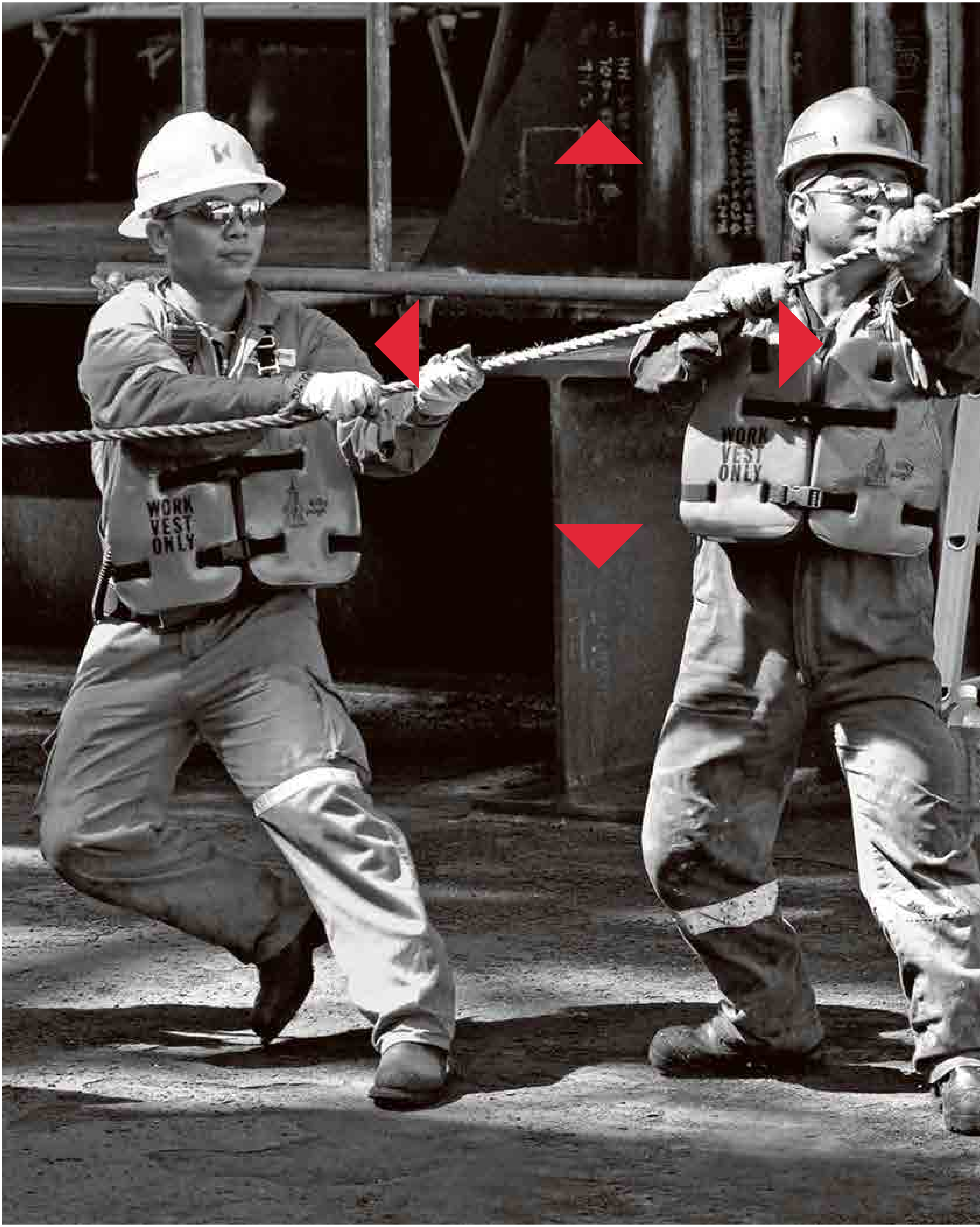
Among certifications our companies have attained include:

- ISO 9000
  - TL Offshore Sdn Bhd, Allied Marine & Equipment Sdn Bhd ("AME"), SapuraKencana Australia Pty Ltd ("SKA") (formerly known as SapuraClough Offshore Pty Ltd), Total Marine Technology Pty Ltd ("TMT"), SapuraKencana Drilling Pte Ltd ("SKD"), TL GeoSciences Sdn Bhd, Sapura Energy Sdn Bhd and SapuraAcergy Sdn Bhd ("SapuraAcergy")
- ISO 14001
  - AME, SKA, Kencana HL Sdn Bhd ("KHL"), TMT and SapuraAcergy
- OHSAS 18001
  - AME, TMT, KHL and SapuraAcergy
- NZ 4801
  - SKA

GLOBAL PRESENCE

- OFFICES
- ALL ACTIVITIES
- ENGINEERING
- DRILLING
- INSTALLATION OF PIPELINES & FACILITIES
- EXPLORATION & PRODUCTION
- DIVING & ROV SERVICES
- FABRICATION
- GEOTECHNICAL/ GEOPHYSICAL SURVEY
- HOOK-UP & COMMISSIONING


SapuraKencana
PETROLEUM
WE ARE A FULL-FLEDGED UPSTREAM OIL AND GAS PLAYER
WITH FULLY INTEGRATED OFFERINGS GLOBALLY ACROSS THE ENTIRE VALUE CHAIN
MALAYSIA
UK
London
Rotterdam
Netherlands
China
Sakhalin Island
India
Ivory Coast
Dong Guan
Yangon
Hong Kong
Mumbai
Dubai
Equatorial Guinea
UAE
Vung Tau
Bangkok
Southeast Asia
Kuala Lumpur
Brunei
Singapore
Malaysia
Singapore
Indonesia
Brunei
Thailand
Philippines
Vietnam
Myanmar
Congo
Jakarta
Angola
Australia


WORK VEST ONLY
WORK VEST ONLY

COLLABORATIVE EXECUTION

We leverage the combined knowledge and skills of our 12,000-strong workforce from over 20 countries, to deliver fully integrated offerings across the entire upstream oil and gas value chain.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Hamzah Bakar
Chairman
Non-Independent Non-Executive Director

Tan Sri Dato' Seri Shahril Shamsuddin
President and Group Chief Executive Officer
Non-Independent Executive Director

Dato' Mokhzani Mahathir
Vice Chairman
Non-Independent Non-Executive Director

Ramlan Abdul Malek
Non-Independent Executive Director

Dato' Shahriman Shamsuddin
Non-Independent Non-Executive Director

Tor Olav Trøim
Non-Independent Non-Executive Director

Yeow Kheng Chew
Non-Independent Non-Executive Director

Tan Sri Datuk Amar (Dr) Hamid Bugo
Senior Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Independent Non-Executive Director

Mohamed Rashdi Mohamed Ghazalli
Independent Non-Executive Director

Gee Siew Yoong
Independent Non-Executive Director

John Fredriksen
Alternate Director to Tor Olav Trøim

AUDIT COMMITTEE

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi Mohamed Ghazalli

Gee Siew Yoong

NOMINATION COMMITTEE

Tan Sri Datuk Amar (Dr) Hamid Bugo
Chairman

Dato' Hamzah Bakar

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Gee Siew Yoong

REMUNERATION COMMITTEE

Dato' Hamzah Bakar
Chairman

Tan Sri Dato' Seri Shahril Shamsuddin

Dato' Mokhzani Mahathir

Mohamed Rashdi Mohamed Ghazalli

RISK COMMITTEE

Mohamed Rashdi Mohamed Ghazalli
Chairman

Dato' Shahriman Shamsuddin

Yeow Kheng Chew

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

COMPANY SECRETARIES

Mohamad Affendi Yusoff
(MACS 01596)

Ng Heng Hooi
(MAICSA 7048492)

AUDITORS

Ernst & Young (AF: 0039)
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Tel : +603-7495 8000
Fax : +603-2095 9076/78

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
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47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
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Fax : +603-7841 8151/8152

REGISTERED OFFICE

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50000 Kuala Lumpur, Malaysia
Tel : +603-2072 8100
Fax : +603-2072 8101

CORPORATE OFFICE

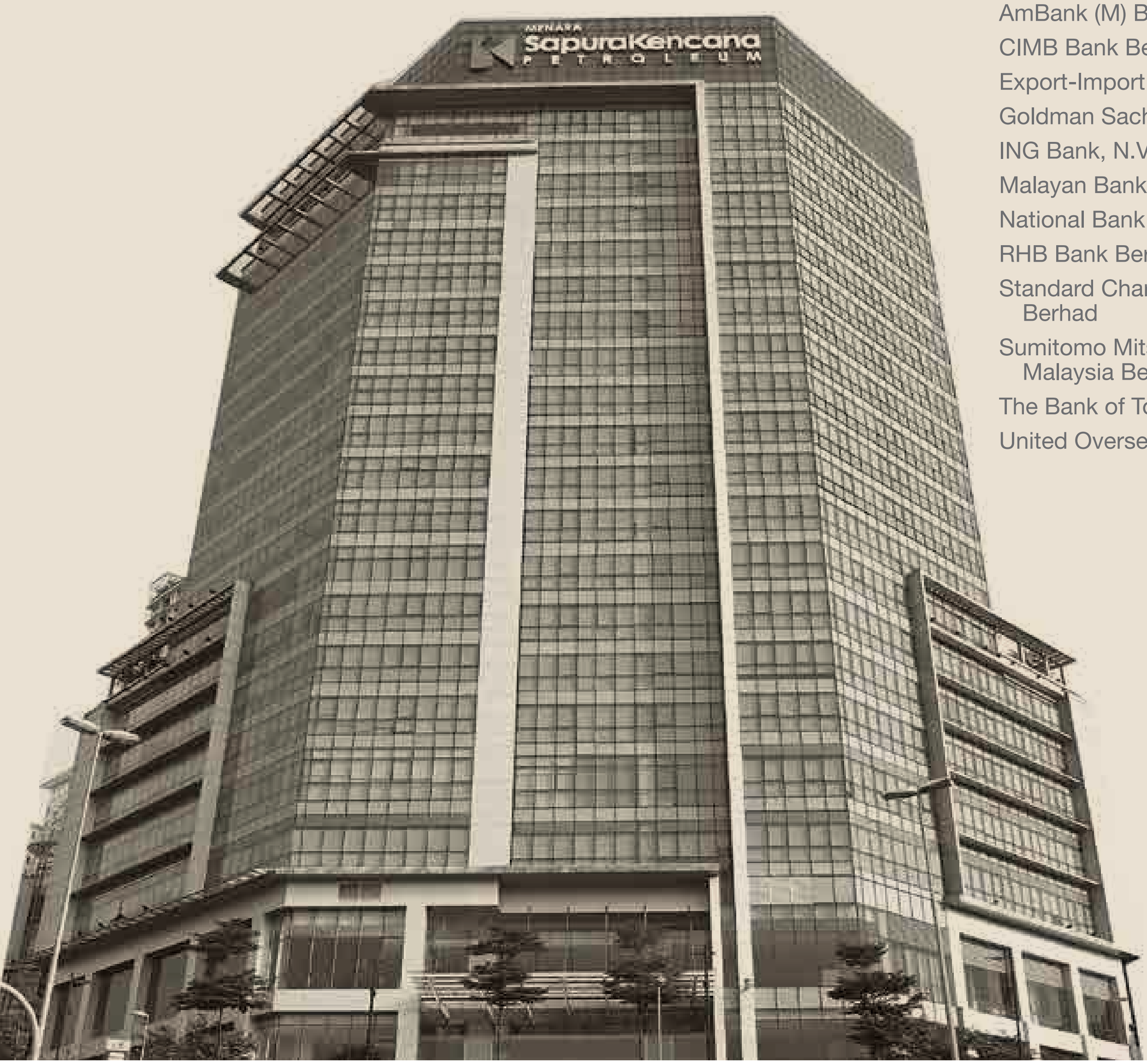
SapuraKencana Petroleum Berhad
(Company No. 950894-T)
Level 6, Menara SapuraKencana
Petroleum, Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : +603-6209 8000
Fax : +603-6209 5744
Email : cosec@sapurakencana.com

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
(Listed on 17 May 2012)
Stock Name : SKPETRO
Stock Code : 5218

PRINCIPAL BANKERS

ABN AMRO Bank N.V., Singapore Branch
AmBank (M) Berhad
CIMB Bank Berhad
Export-Import Bank of Malaysia Berhad
Goldman Sachs Lending Partners LLC
ING Bank, N.V., Singapore Branch
Malayan Banking Berhad
National Bank of Abu Dhabi
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad
The Bank of Tokyo-Mitsubishi UFJ, Ltd
United Overseas Bank (Malaysia) Bhd



PROFILES OF BOARD OF DIRECTORS

Dato' Hamzah Bakar, aged 70, was appointed to the Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana") on 9 December 2011 as the Chairman and an Independent Non-Executive Director. On 6 February 2013, Dato' Hamzah was redesignated as the Non-Independent Non-Executive Chairman. He serves as the Chairman of the Remuneration Committee and is a member of the Nomination Committee of SapuraKencana.

Dato' Hamzah holds a Bachelor of Science (Honours) in Economics from Queen's University Belfast, United Kingdom and a Master of Arts in Public Policy and Administration with Development Economics from the University of Wisconsin, United States of America ("USA").

Dato' Hamzah was appointed to the Board of SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") on 4 July 2003 as a nominee of Sapura Technology Sdn Bhd. He was then appointed as Non-Independent Non-Executive Chairman of SapuraCrest Petroleum on 25 July 2003. He was also the Chairman of the Nomination and Remuneration Committees of SapuraCrest Petroleum.

Dato' Hamzah has served 20 years in various senior management and Board positions in Petroliam Nasional Berhad ("PETRONAS") including Senior Vice President for Refining and Marketing as well as Senior Vice President for Corporate Planning and Development. He also served as the first Chief Executive Officer of KLCC Holdings Berhad, responsible for planning and construction of Kuala Lumpur City Centre, including the landmark PETRONAS Twin Towers. Prior to joining PETRONAS, he served in the Economic Planning Unit, Prime Minister's Department for 12 years. Currently, Dato' Hamzah sits on the Board of CIMB Investment Bank Berhad. He is also a member of the Board of Trustees of the Malaysian Institute of Economic Research.

DATO' HAMZAH BAKAR

Chairman
Non-Independent Non-Executive Director
Malaysian

PROFILES OF BOARD OF DIRECTORS

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

President and Group Chief Executive Officer
Non-Independent Executive Director
Malaysian

Tan Sri Dato' Seri Shahril Shamsuddin was appointed as the President and Group Chief Executive Officer of SapuraKencana and a Non-Independent Executive Director on 9 December 2011. He is also a member of the Remuneration Committee of SapuraKencana.

The 53-year-old entrepreneur established himself in the oil and gas industry in the 1990s when he saw a need for a Malaysian integrated oil and gas services provider to support the country's development of natural resources.

Starting from the provision of modest maintenance services, he steadily built the Group into a full-fledged upstream oil and gas player. In 2012, SapuraKencana emerged as one of the world's top three integrated oil and gas services providers by market capitalisation with extensive capabilities in Fabrication, Offshore Construction and Subsea Services and Hook-up and Commissioning.

In 2013, Tan Sri Shahril steered the Group to become a key player in the global drilling segment by acquiring the entire tender and semi-tender rig operations from Seadrill Limited for US$2.9 billion. With this move, SapuraKencana became the global leader in this segment with ownership of over 50% of the tender and semi-tender rigs worldwide.

SapuraKencana then went on to become the first Malaysian independent oil and gas producer after acquiring the Malaysian assets of Newfield International Holdings Inc. for US$895.9 million. The Group is one of the only few globally that provides services to the upstream oil and gas industry while operating assets as a producer.

The company has grown into a truly international organisation featuring a multinational workforce of over 12,000 people with more than half of its order book being based overseas. The Group's client base and operations span the globe with its presence in Brazil, West Africa, the Caribbean, Australia, Malaysia and other Southeast Asian countries.

Among the major contracts won by the Group recently was a US$2.7 billion contract to provide three pipelay support vessels ("PLSVs") for operations in deepwater offshore Brazil, which is the second such contract after the initial 2011 US$1.4 billion contract signed for three PLSVs in 2011.

Tan Sri Shahril is also the President and Group Chief Executive Officer of his family's business, the Sapura Group, which engages in a wide range of businesses including education, aviation services, property development and management, industrial and automotive component manufacturing and secured communications technologies. His appointments include Deputy Chairman of Sapura Industrial Berhad and Non-Executive Director of Sapura Resources Berhad.

He is a member of the Board of Trustees, Treasurer and Executive Committee member of the Perdana Leadership Foundation *("Yayasan Kepimpinan Perdana")* and is a member of Universiti Teknologi Malaysia's International Advisory Panel.

In recognition of his entrepreneurial prowess and contributions to nation and society, he has been awarded several major honours and titles.

In November 2007, he was awarded the Legion d' Honneur by the Republic of France.

In 2009, he won the Malaysia Ernst & Young Entrepreneur of the Year award and in 2013 he was conferred an honorary doctorate in Technology Management by Universiti Teknologi Malaysia. Most recently, he was presented the Man of the Year Award 2014 by The Oil and Gas Year publication.

Tan Sri Shahril graduated with a Master of Science in Management of Technology from the MIT Sloan School of Management. His first degree was a Bachelor of Science in Industrial Technology from the California Polytechnic State University.

PROFILES OF BOARD OF DIRECTORS

DATO' MOKHZANI MAHATHIR

Vice Chairman
Non-Independent Non-Executive Director
Malaysian

Dato' Mokhzani Mahathir, aged 53, was appointed to the Board of SapuraKencana on 9 December 2011 as the Executive Vice Chairman and a Non-Independent Executive Director. On 1 February 2014, Dato' Mokhzani was redesignated as a Non-Independent Non-Executive Vice Chairman. He is also a member of the Remuneration Committee of SapuraKencana.

Dato' Mokhzani was appointed to the Board of Kencana Petroleum Berhad ("Kencana Petroleum") on 25 November 2004 and was the Non-Independent Executive Director and Chief Executive Officer prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group. He also served as the Chairman of the Options Committee and a member of the Remuneration Committee of Kencana Petroleum.

He began his career in 1987 as a wellsite operations engineer with Sarawak Shell Berhad, working offshore Sarawak on tender assisted drilling rigs. He resigned in 1989 to pursue business opportunities in Kuala Lumpur. By investing in Tongkah Holdings Berhad (listed on the then Kuala Lumpur Stock Exchange), he ventured into the component manufacturing, oil and gas, finance and healthcare sectors. He held positions as the Group Chief Executive Officer of Pantai Holdings Berhad (healthcare) and the Group Executive Chairman of Tongkah Holdings Berhad (oil and gas, finance). A divestment exercise in 2001 saw him relinquishing all positions and equity in these companies. He then established Kencana Capital Sdn Bhd ("Kencana Capital") as an investment holding company later in the same year.

Presently, his portfolio of investments through Kencana Capital includes businesses in information technology, oil and gas services, automotive trading and distribution as well as property development. He is currently the Chairman of Sepang International Circuit Sdn Bhd which hosts the FIA Formula One World Championship, the FIM Moto GP and is an accomplished GT car race driver. He also serves as the Chairman and Non-Independent Non-Executive Director of Opcom Holdings Berhad and a Non-Executive Director of Maxis Berhad ("Maxis"), currently Malaysia's largest mobile telecommunications company. He also sits on Maxis' Audit Committee and chairs their Remuneration Committee.

Dato' Mokhzani is a qualified Petroleum Engineer having pursued his tertiary education at the University of Tulsa, Oklahoma, USA where he graduated with a Bachelor of Science in Petroleum Engineering.

RAMLAN ABDUL MALEK

Non-Independent Executive Director
Malaysian

Encik Ramlan Abdul Malek, aged 59, was appointed to the Board of SapuraKencana on 1 March 2014 as a Non-Independent Executive Director.

Encik Ramlan holds a Bachelor of Science (Honours) in Chemical Engineering from the University of Bath, United Kingdom. He completed senior management training at INSEAD in France and Cornell University, USA.

Prior to joining the Board of SapuraKencana, he was the Vice President, Petroleum Management, Exploration & Production ("E&P") Business of PETRONAS before his retirement at the end of February 2014. As the Head of Petroleum Management Unit ("PMU"), his responsibilities covered the promotion, implementation and regulation of the upstream activities in Malaysia.

Prior to assuming his position as the Vice President of PMU in June 2010, he was also the Vice President of the E&P Business and had held several technical and general management positions in PETRONAS, PETRONAS Carigali Sdn Bhd and PETRONAS Research and Scientific Services. Encik Ramlan was a Director of PETRONAS Gas Berhad and a member of the PETRONAS Management Committee. He was also a Director of Malaysia Petroleum Resources Corporation and the Malaysia-Thailand Joint Authority.

Encik Ramlan has 34 years of working experience in the upstream E&P areas. His early career was in petroleum engineering and production operations followed by upstream business development, strategic planning, petroleum arrangements negotiation, projects and procurement coordination, as well as general supervision of domestic upstream activities. He led efforts in securing deepwater exploration and development, enhance-oil-recovery projects, major petroleum infrastructure projects, small fields development and unitisation of petroleum fields straddling boundaries and increasing local services companies participation.

Encik Ramlan is currently the Chairman of the Society of Petroleum Engineers Asia-Pacific Sdn Bhd and the President of Malaysian Oil & Gas Services Council ("MOGSC").

PROFILES OF BOARD OF DIRECTORS

DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent Non-Executive Director
Malaysian

Dato' Shahriman Shamsuddin, aged 45, was appointed to the Board of SapuraKencana as a Non-Independent Non-Executive Director on 9 December 2011. Dato' Shahriman is also a member of the Risk Committee of SapuraKencana.

Dato' Shahriman was a Non-Independent Non-Executive Director of SapuraCrest Petroleum prior to the merger of businesses between of SapuraCrest Petroleum Group and Kencana Petroleum Group.

Dato' Shahriman began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. He manages a diversified portfolio which includes investment holdings, aviation, property investment and education. Dato' Shahriman is currently the Managing Director of Sapura Resources Berhad. He is also an Executive Director of Sapura Industrial Berhad and a Director of Sapura Technology Sdn Bhd as well as Sapura Holdings Sdn Bhd.

Dato' Shahriman holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, USA.

TOR OLAV TRØIM

Non-Independent Non-Executive Director
Norwegian

Mr Tor Olav Trøim, aged 51, was appointed to the Board of SapuraKencana on 16 May 2013 as an Alternate Director to Mr John Fredriksen, the then Non-Independent Non-Executive Director of SapuraKencana. On 30 January 2014, Mr Trøim was redesignated as a Non-Independent Non-Executive Director of SapuraKencana.

Mr Trøim holds a Master of Science in Naval Architecture from the University of Trondheim, Norway.

Mr Trøim has served as the Vice Chairman and a Director of Seadrill since its inception in May 2005. He was also the Chief Executive Officer ("CEO") of Seadrill Management from inception till 2006. Prior to this, in 1987, he was appointed as the Equity Portfolio Manager with Storebrand ASA for three years. Subsequently in 1992, Mr Trøim was appointed as the CEO of a Norwegian oil company, DNO AS, a post he held until 1995.

Mr Trøim is currently the Chairman of Seadrill Partners LLC and Golar Partners LLC (both listed on the New York Stock Exchange). He has been a Director of Archer Limited (listed on the Oslo Stock Exchange) since its incorporation in 2007. Mr Trøim sits on the boards of Golar LNG Limited and Frontline 2012 Ltd. He is also a Director of two companies listed on the Oslo Stock Exchange, namely the dry bulk shipping company, Golden Ocean Group Limited and the world's largest salmon farmer, Marine Harvest ASA.

YEOW KHENG CHEW

Non-Independent Non-Executive Director
Malaysian

Mr Yeow Kheng Chew, aged 61, was appointed to the Board of SapuraKencana on 9 December 2011 as a Non-Independent Executive Director. On 1 February 2014, he was redesignated as a Non-Independent Non-Executive Director. He is a member of the Risk Committee of SapuraKencana.

Mr Yeow graduated with a Bachelor of Economics from the Australian National University in 1977.

He was appointed to the Board of Kencana Petroleum on 15 September 2005 and was a Non-Independent Executive Director of Kencana Petroleum prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group. He was also a member of the Options Committee of Kencana Petroleum.

Mr Yeow began his career as an Accountant in Melbourne, Australia. Upon returning to Malaysia, he worked as an Accountant/Financial Controller of Kuan Wah Group of Companies for six years. In 1984, he was appointed as an Executive Director of Sinpen Investment Pte Ltd, an investment holding company in Singapore. He was appointed as an Executive Director of Tongkah Holdings Berhad in 1987 and also served as an Executive Director to the Board of Pantai Holdings Berhad in 1997, both posts he held until 2001. He is currently a Director of Kencana Capital Sdn Bhd and several private limited companies.

TAN SRI DATUK AMAR (DR) HAMID BUGO

Senior Independent Non-Executive Director
Malaysian

Tan Sri Datuk Amar (Dr) Hamid Bugo, aged 68, was appointed to the Board of SapuraKencana on 27 February 2012 as an Independent Non-Executive Director and was subsequently appointed as the Senior Independent Non-Executive Director on 6 February 2013. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of SapuraKencana.

Tan Sri Datuk Amar (Dr) Hamid graduated from Canterbury University, New Zealand, with a Bachelor and a Master of Arts in Economics. He also holds a Postgraduate Diploma in Teaching and a Postgraduate Certificate in Business Studies from Harvard Institute of Development Studies, USA. He was honoured with a Ph.D (Commerce) by Lincoln University, New Zealand. Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellent Award from the American Association of Conservation Biology.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tan Sri Datuk Amar (Dr) Hamid was appointed to the Board of SapuraCrest Petroleum on 25 July 2003 as an Independent Non-Executive Director. He was also a member of the Audit, Remuneration and Nomination Committees of SapuraCrest Petroleum.

Tan Sri Datuk Amar (Dr) Hamid's working experience includes serving as the Administration Manager, Malaysia LNG Sdn Bhd; the first General Manager of Land Custody and Development Authority, Sarawak; Permanent Secretary, Ministry of Resource Planning, Sarawak; and State Secretary of Sarawak. He has sat on the boards of various companies and statutory bodies including Malaysian Airlines System Berhad, Malaysia LNG, Employees Provident Fund Board, University Malaysia Sarawak and Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and was also the Founding Chairman of the Sarawak Biodiversity Centre.

Currently Tan Sri Datuk Amar (Dr) Hamid sits on the boards of Sapura Resources Berhad, Sarawak Consolidated Industries Berhad, Zecon Berhad, Sime Darby Berhad Group and X-Fab Silicon Foundries S.E.

He is also active in charitable activities as the Chairman of *Yayasan Kemajuan Insan Sarawak* and Chairman of the State Library Sarawak. He is a council member of the Institute of Integrity Malaysia, a member of the Malaysian Anti-Corruption Commission Advisory Committee and a member of the National Water Services Commission.

PROFILES OF BOARD OF DIRECTORS

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Independent Non-Executive Director
Malaysian

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, aged 55, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director. Tunku Dato' Mahmood has been the Chairman of the Audit Committee since 27 September 2012 and is a member of Nomination Committee and Risk Committee of SapuraKencana.

Tunku Dato' Mahmood holds a Bachelor of Arts (Honours) in Business Studies from Polytechnic of Central London, United Kingdom (now known as Westminster University) and a Masters of Business Administration from Warwick University, United Kingdom. He is a member of the Institute of Public Accountants, Australia, the Malaysian Institute of Management and the Malaysian Institute of Corporate Governance.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tunku Dato' Mahmood was appointed to the Board of Kencana Petroleum on 29 September 2010 and was the Senior Independent Non-Executive Director of Kencana Petroleum. He was also a member of the Audit and Risk Management Committee, as well as the Chairman of the Group Risk Management Steering Committee.

Tunku Dato' Mahmood has held a variety of positions throughout his career. He started as a foreign exchange analyst with NCR UK Limited and later joined Svenska Handelsbanken, London as a Risk Analyst. He then joined Shell Malaysia Trading Sdn Bhd in 1990 and was cross-posted to Shell New Zealand Ltd in 1991. In 1997, he joined an investment holding company, Wira Security Holding Sdn Bhd, as Executive Director and later moved to Tajo Bhd as Chief Executive Officer ("CEO"). Tunku Dato' Mahmood then joined PricewaterhouseCoopers as its Executive Director, Corporate Finance in 2000.

In 2002, he was appointed as the Managing Director and CEO of Engen Limited ("Engen"), an integrated oil company in South Africa, a subsidiary of PETRONAS. He was also appointed as a Non-Executive Director of the South African Petroleum Industry Association ("SAPIA"). Tunku Dato' Mahmood left Engen in June 2005 and thereafter became the CEO of a shipping company until December 2006. He joined Khazanah Nasional Berhad in May 2007 and retired as Executive Director, Investments, in May 2010.

Tunku Dato' Mahmood also sits on the boards of Telekom Malaysia Berhad ("TM"), VADS Berhad (a wholly-owned subsidiary of TM), Malaysia Airports Holdings Berhad, Hong Leong Islamic Bank Bhd, Hong Leong Assurance Berhad, Hong Leong MISG Takaful Berhad and Hong Leong Asset Management Berhad.

MOHAMED RASHDI MOHAMED GHAZALLI

Independent Non-Executive Director
Malaysian

Encik Mohamed Rashdi Mohamed Ghazalli, aged 57, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director. He is a member of the Audit and Remuneration Committees and Chairman of the Risk Committee of SapuraKencana.

Encik Mohamed Rashdi graduated from University of Manchester Institute of Science and Technology, United Kingdom in 1979 and has extensive experience in industry and consulting. He initially worked in the telecommunications and manufacturing industries with Jabatan Telekom Malaysia and Sapura Holdings Group before embarking on a career in consulting with Coopers & Lybrand.

During his career, Encik Mohamed Rashdi worked overseas with Telecoms Australia as well as Coopers & Lybrand in the United Kingdom. He was a Partner of PwC Consulting East Asia as well as IBM Consulting. He was also the IT & Consulting Advisor with PricewaterhouseCoopers Malaysia focusing on capacity building, business development and quality assurance. Since leaving the firm, he has served as an independent consultant for a number of organisations.

As a management and technology consultant, Encik Mohamed Rashdi has personally led assignments in strategy and economics, business process improvement, information systems planning and large-scale project management. He has provided consultancy expertise across a number of industries such as government, telecommunications, oil and gas, transportation and utilities. He was also involved in the manufacturing and financial services sectors.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Encik Mohamed Rashdi was an Independent Non-Executive Director of SapuraCrest Petroleum, a post he held since 14 November 2003. He was a board member of MIMOS Berhad from 2006 to 2013 and in the last two years has been appointed as a Director of Malaysia Venture Capital Management Berhad, Credit Guarantee Corporation Berhad and Barclays Capital Management Malaysia Sdn Bhd, a subsidiary of Barclays Plc.

GEE SIEW YOONG

Independent Non-Executive Director
Malaysian

Ms Gee Siew Yoong, aged 64, was appointed to the Board of SapuraKencana on 5 July 2013 as an Independent Non-Executive Director. She is a member of the Audit Committee and Nomination Committee of SapuraKencana.

Ms Gee is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. She started her career with Pricewaterhouse in 1969 and left in 1981, her last position being the Senior Audit Manager and Continuing Education Manager. She then joined Selangor Pewter Group as the Group Financial Controller during which period she was seconded to the USA from 1983 to 1984 as the Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code. Subsequently, from 1985 until 1987, Ms Gee became the Personal Assistant to the Executive Chairman of the Lipkland Group.

In 1987, Ms Gee was appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank. She held the position until the successful completion of the reorganisation in 1991. Ms Gee later served Land & General Berhad from 1993 to 1997 as the Group Divisional Chief, Management Development Services before joining Multi-Purpose Capital Holdings Berhad from 1997 to 1999 as Executive Assistant to the Chief Executive. During this period, Ms Gee was also a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Since 2001, Ms Gee has served on several boards of public listed companies. Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Ms Gee was an Independent Non-Executive Director of SapuraCrest Petroleum from 4 December 2001 to 15 May 2012. She was also the Chairman of the Audit Committee of SapuraCrest Petroleum.

Currently, Ms Gee also sits on the boards of Sapura Resources Berhad and Telekom Malaysia Berhad as an Independent Non-Executive Director. She is also a member of the Audit Committee of both the companies.

JOHN FREDRIKSEN

Alternate Director to Tor Olav Trøim
Cypriot

Mr John Fredriksen, aged 70, was appointed to the Board of SapuraKencana on 14 May 2013 as a Non-Independent Non-Executive Director. On 30 January 2014, Mr Fredriksen was redesignated as the Alternate Director to Mr Tor Olav Trøim, a Non-Independent Non-Executive Director of SapuraKencana.

Mr Fredriksen was appointed as the Chairman of the Board, President and a Director of Seadrill, a company listed on the New York Stock Exchange and Oslo Stock Exchange since its inception in May 2005. He also serves as the Chairman, President, Chief Executive Officer and a Director of Frontline Ltd, a Bermudan company listed on the New York Stock Exchange, Oslo Stock Exchange and London Stock Exchange. Mr Fredriksen is also a Director of Golar LNG Limited, a Bermudan company listed on the NASDAQ Global Market and a Director of Golden Ocean Group Limited, a Bermudan company publicly listed on the Oslo Stock Exchange and Singapore Stock Exchange.

ADDITIONAL INFORMATION IN RELATION TO THE BOARD OF DIRECTORS

1. **Family Relationship with Directors and/or Major Shareholders**

   Save for the following, none of the Directors of SapuraKencana ("Company") has any family relationship with the other Directors and/or major shareholders of the Company:

   (a) Tan Sri Dato' Seri Shahril Shamsuddin and Dato' Shahriman Shamsuddin are brothers. Both are deemed to have an indirect interest of 16.71% in SapuraKencana as at 30 April 2014 pursuant to Section 6A of the Companies Act, 1965 ("Act") by virtue of their direct and indirect interests in Sapura Technology Sdn Bhd and Sapura Holdings Sdn Bhd group of companies; and

   (b) Dato' Mokhzani Mahathir is deemed to have an indirect interest of 10.1% in SapuraKencana as at 30 April 2014 pursuant to Section 6A of the Act by virtue of his shareholding in Khasera Baru Sdn Bhd.

2. **Conflict of Interest**

   None of the Directors of SapuraKencana has any conflict of interest with the Company.

3. **Convictions for Offences**

   None of the Directors of SapuraKencana has any conviction for offences within the past 10 years (other than traffic offences).

4. **Attendance at Board Meetings**

   The attendance of the Directors at its meetings held during the financial year ended 31 January 2014 are set out on pages 94 and 95 of this Annual Report.

In memory of the late Mr Chong Hin Loon, a member of the Board of Directors and Executive Vice President of SapuraKencana who passed away on 14 October 2013.

The late Mr Chong was a truly dedicated, visionary entrepreneur with a penchant and passion for whatever he set his hands to. He began his career in Singapore and upon acquiring a wealth of knowledge and experience from the oil and gas sector as well as fabrication and construction projects, he returned to Malaysia to venture on his own. In 1982, he established Kencana HL Sdn Bhd (formerly known as HL Engineering (M) Sdn Bhd) as a subcontractor engaged in oil and gas fabrication and installation, pipeline construction, plant management and related fields. He then went on to serve as an Executive Director of Kencana Petroleum Berhad until its merger with SapuraCrest Petroleum Berhad in May 2012.

Responsible for spearheading SapuraKencana's Fabrication, Hook-up and Commissioning Division, the late Mr Chong was always personally involved in projects and yard management. His hands-on approach and energy in spearheading the Division impressed many and endeared him to his staff. His forte in grooming people and adding value to others by freely sharing his knowledge and ideas certainly influenced many. Staff members recall the late Mr Chong as a being a man of strong character but with great humility. He never let his many achievements in the business world get to his head. Firm but compassionate, he was a man full of gravitas, a risk-taker and someone willing to take responsibility for his decisions. His generosity too knew no boundaries and he gave back to society in many ways. He remained active in the business he loved until the end of his rich career spanning over 40 years. Although he has left us, his memory, achievements and legacy live on in the many lives he touched.


THE LATE
CHONG HIN LOON

EXECUTIVE COMMITTEE

CHOW MEI MEI
Senior Vice President Corporate Strategy and Planning

TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer

TENGKU MUHAMMAD TAUFIK
Group Chief Financial Officer

RAPHAEL SIRI
Senior Vice President Drilling

DATUK KRIS AZMAN ABDULLAH
Senior Vice President
Energy and Joint Ventures

RAMLAN ABDUL MALEK
Executive Director

REZA ABDUL RAHIM
Senior Vice President
Offshore Construction and Subsea Services

AHMAD ZAKIRUDDIN MOHAMED
Senior Vice President
Fabrication, Hook-Up & Commissioning

CORPORATE OVERVIEW
LEADERSHIP
PERFORMANCE REVIEW
GOVERNANCE
CORPORATE DISCLOSURES

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Your Company, SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") performed admirably in Financial Year 2014. We delivered commendable financial and operational performances, expanded our business segments and asset base, made solid inroads into new markets and grew the order book and value of the Company. SapuraKencana has been transformed into one of the world's largest integrated upstream service providers. With a strong capability to deliver across the upstream oil and gas ("O&G") value chain and across the globe, your Company is well poised to grow even further. It is my pleasure and privilege to present the second Annual Report of SapuraKencana for the period under review from 1 February 2013 to 31 January 2014 ("FY2014").

COMMITTED TO PRECISION IN EXECUTION

This year's Annual Report theme, "Precision in Execution", aptly reflects the Group's commitment to implementing all our undertakings in a meticulous manner and to ensuring credible and noteworthy outcomes, hence meeting our customers' expectations. In FY2014, this notion of precision in execution was evident in several key initiatives that we embarked on to strengthen our market position, expand our footprint and prepare the Group for the next level of growth.

In April 2013, we integrated Seadrill Limited's tender rig businesses into a new entity, SapuraKencana Drilling Pte Ltd.

In June 2013, we secured a second major contract that called for the construction of three pipe-laying support vessels for Brazil's Petróleo Brasileiro S.A. or Petrobras.

In February 2014, we acquired the Malaysian operations of Newfield Exploration, a leading regional independent exploration and production group and immediately became an upstream operator. Today, the new operation renamed SapuraKencana Energy Malaysia Inc is providing us full exploration, development and production capabilities as well as participating interests in several production-sharing contracts and an alliance arrangement.


SapuraKencana
ACHIEVED
1st
BILLION RINGGIT
PROFIT

MESSAGE TO SHAREHOLDERS

"'Precision in Execution' reflects the Group's commitment to implementing all our undertakings in a meticulous manner and to ensure credible and noteworthy outcomes."

Shareholders' Fund:

RM **10.2** billion

Total Assets:

RM **26.6** billion

Market Capitalisation:

RM **26.3** billion

In March this year, we concluded a USD5.5 billion (RM16.5 billion) refinancing deal with 13 local, regional and international banks to optimise our capital structure. Following the refinancing, our average cost of borrowing has shrunk. Our shareholders can rest assured in the fact that the Group's projected EBITDA for the next three years is already secured by contracts that are able to cover some 85% of the financing requirements.

As we rolled out these and other initiatives, "precision in execution" was the order of the day. Our people rose to the task to ensure a strong focus and a disciplined approach as they delivered the Group's obligations.

DELIVERING A COMMENDABLE PERFORMANCE

The year in review saw SapuraKencana achieving its first billion ringgit profit. We registered a profit after tax ("PAT") of RM1.12 billion and revenue of RM8.38 billion for FY2014 – a 21.2% increase in revenue and 69.3% increase in PAT. Amidst a highly competitive operating environment, our business segments reported commendable performances in FY2014.

The Group's financial fundamentals remained strong in FY2014 as demonstrated by the quality of our balance sheet. As at 31 January 2014, shareholders' fund stood at RM10.2 billion and total assets amounted to RM26.6 billion. While our gearing stood at 1.2 times at the end of FY2014 against 0.78 times at the end of FY2013, we expect it to drop below 1.0 time after three years, which is close to the pre-merger gearing level. As at 31 January 2014, SapuraKencana's market capitalisation stood at RM26.3 billion, placing the Group among the global top three integrated O&G service providers in terms of market capitalisation.

CREATING GOOD SHAREHOLDER VALUE

Since SapuraKencana's listing on the Main Market of Bursa Malaysia Securities Berhad on 17 May 2012, the overall trend for our counter has been positive, with strong buying interest. For the year in review, the stock rose to a high of RM4.96 on 30 December 2013 and closed the financial year end at RM4.39 on 31 January 2014. Since the merger, the share price of SapuraKencana has been on an uptrend and has increased by about 120%.

SapuraKencana is committed to creating value for all shareholders in a holistic manner. As a company that is still experiencing rapid growth, we continue to reinvest our profits back into the business to ensure our sustainable growth. Thus, for the financial year ended 31 January 2014, the Board of Directors has decided not to recommend any dividend payment.

UPHOLDING RESPONSIBLE CORPORATE PRACTICES

The Board of Directors is steadfastly committed to executing the highest standards of corporate governance and risk management practices throughout the length and breadth of our operations. By implementing stringent and transparent governance controls as well as proactive risk management measures, we are ensuring the continued growth of our businesses, safeguarding our reputation and creating good shareholder value. Further details of these measures are spelt out in the relevant sections of this Annual Report.

MESSAGE TO SHAREHOLDERS

Being a conscientious corporate citizen and a key O&G player, SapuraKencana believes that our responsibilities must extend beyond commercial objectives to ensure responsible and sustainable practices in all aspects of our businesses. To this end, we have adopted a Corporate Responsibility ("CR") model that embodies a strategic and sustainable approach that focuses CR programmes onto key social development issues that align with the Group's businesses. Our many CR initiatives can be found in the Corporate Responsibility section of this Annual Report.

RECOGNISED FOR OUR EFFORTS

Although SapuraKencana itself is a relatively new public listed entity, we continue to grow from strength to strength and from success to success built on the strong foundations of the various segments of our businesses that have been well established over the years.

Your Company had the distinction of being the only Malaysian corporation to be listed a Forbes Asia Fabulous 50 companies for 2013. Only the best from Asia-Pacific's biggest public companies are named in the list after an analysis of their revenue, profit, return on capital, share price movement and outlook.

SapuraKencana was also voted "Asia's Overall Best Managed Company in Natural Resources" for 2014 by international financial publication, *FinanceAsia*, in its annual poll involving over 3,000 investors and market analysts from 10 countries in Asia. SapuraKencana was also named among the top 10 firms in Malaysia for Best Corporate Governance in its maiden appearance in the annual list.

Top 3
Integrated Oil and Gas Service Provider in the world in terms of market capitalisation

The only Malaysian corporation named one of **Forbes Asia Fabulous 50** companies for 2013

In February 2014, our President and Group Chief Executive Officer, Tan Sri Dato' Seri Shahril Shamsuddin was named "The Oil & Gas Year Malaysia 2014 Man of the Year" at the launch of specialist international energy publication, The Oil & Gas Year's 2014 Malaysia report.

All these achievements and more underscore the good progress we are making in diverse areas.

LOOKING AHEAD

As we embrace a new financial year, the demand for O&G is expected to remain strong. The investments in exploration and development worldwide too augur well for upstream O&G service providers. Key regions such as Southeast Asia, Central and South America, West Africa, East Africa, Asia and the North Sea hold much potential for upstream players. Closer to home, Malaysia's Economic Transformation Programme will see Petroliam Nasional Berhad ("PETRONAS") continuing its development of our natural resources.

As we already have a presence in several of these locations, SapuraKencana is now poised to make the most of the opportunities in these markets as well as in new strategic areas, thereby enhancing shareholder value creation.

In our effort to deliver value to our shareholders, we make this commitment: We will continue to

MESSAGE TO SHAREHOLDERS

Voted

Asia's Overall Best Managed Company
in Natural Resources
by FinanceAsia

Top 10 firms with Best Corporate Governance in Malaysia
by FinanceAsia

PGCEO Tan Sri Dato' Seri Shahril Shamsuddin
The Oil & Gas Year Malaysia 2014
Man of the Year

develop and retain our talent so that they can be the best. We remain committed to driving synergies and integration across the Group; consolidating our position in terms of our capabilities, clients and geography. We will ensure effective and efficient capital management.

IN APPRECIATION

In the last one year alone, our asset base has grown tremendously. Not just in the way of strategic assets but in the way of our workforce. From a 9,000-strong workforce last year, we now have over 12,000 people on board who are working for the good of the Group. On behalf of the Board of Directors, I wish to convey my utmost gratitude to our dedicated leadership team and employees for their professionalism, tireless efforts and sacrifices.

To our clients, a big thank you for your trust and confidence in us. Without your efforts, your ambition and your vision, we could not have arrived to where we are today. Rest assured that we will endeavour to serve you to the best of our ability to meet, or even exceed, your expectations. We convey our sincere thanks to the various government ministries and agencies as well as our other stakeholders for their steadfast support and cooperation. We are indebted to PETRONAS, for the guidance, encouragement and support they have accorded us. We are also grateful to our valued associates and business partners, with whom we enjoy mutually beneficial relationships. Thank you for your trust, understanding and respect.

We also wish to thank you, our shareholders, for your kind support and confidence in all that we are trying to achieve. With your continued support, we will aim even higher and endeavour to accomplish greater success.

We have a strong Board of Directors, comprising members with vast expertise and experience as well as the breadth and depth of vision. I thank my colleagues for their good counsel and corporate oversight that have helped steer the Group forward. The Board has taken the initiative to incorporate gender diversity by appointing a highly experienced Ms Gee Siew Yoong as an Independent Non-Executive Director effective 5 July 2013. We warmly welcome Ms Gee to the Board and certainly look forward to her insights and contributions.

I would like to take this opportunity to thank Tan Sri Nik Mohamed Nik Yaacob who resigned from the Board as an Independent Non-Executive Director effective 10 December 2013. We are grateful for his invaluable contributions to the Group and wish him the very best in his future endeavours. Two of our executive directors, Dato' Mokhzani Mahathir and Mr Yeow Kheng Chew, have both been re-designated as Non-Independent Non-Executive Directors effective 1 February 2014. They have played important roles in the Group and I am sure will continue to actively support the Group in their new capacities. We thank them for their most valued contributions.

At this time, we wish to remember the late Mr Chong Hin Loon, a member of the Board of Directors and Executive Vice President, Fabrication, Hook-Up & Commissioning division, who passed away on 14 October 2013. We are all saddened by his untimely demise and our prayers go out to his grieving family.

SapuraKencana has indeed made strong strides forward in many areas and yet it still holds much promise. I call upon all stakeholders to work together with us to ensure the sustainable growth of our businesses as we move on to new heights of success for our mutual benefits.

Thank you.

Dato' Hamzah Bakar
Chairman
22 May 2014

PRESIDENT & GROUP CEO'S REVIEW

Dear Shareholders,

I am pleased to report that our Company, SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") has performed exceptionally well on all fronts for the financial year ended 31 January 2014 ("FY2014").

We continued our transformational journey through the course of the year by strengthening our vast capabilities and range of service offerings, generating greater acceptance within the industry as well as better visibility into our earnings profile. As evidenced by a growing global footprint, SapuraKencana today has positioned itself as one of the world's largest integrated oil and gas services companies with the ability to deliver solutions with strong execution capabilities across the entire upstream value chain. This has been largely attributable to the strong team of technically capable people supported by a fleet of strategic and sophisticated assets.

We are now able to offer full Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") capabilities that involve design, fabrication, transportation, installation and hook-up and commissioning services. Our Offshore Construction and Subsea Services ("OCSS") division has also demonstrated capabilities in decommissioning and abandonment services. On the drilling front, we feature development and production drilling capabilities, and we can now also attest to being active in the area of field development involving exploration, development, production and rejuvenation. This makes us one of only a few companies globally that provides full-fledged services to the upstream industry while also being a producer of oil and gas.

All this has been made possible through a steadfast pursuit of **precision in execution**, and an ongoing process of capability and capacity building within our operations. The OCSS division continued to strengthen its asset base with the inclusion of a state-of-the-art dynamic positioning subsea support vessel. Fabrication, Hook-Up and Commissioning ("FHUC") added automation capabilities to improve efficiency and productivity. In addition, the successful completion of two corporate exercises enabled us to significantly grow our Drilling, and Exploration and Production ("E&P") operations.

Our divisions operate independently and each one of them have a dominant position in their respective areas. Notwithstanding, our ability to provide integrated solutions with strong project management capabilities has given SapuraKencana a distinct competitive advantage. A good example of this is the collaboration between OCSS and FHUC to meet the growing EPCIC requirements of clients.

In executing our work, we have always emphasised safety and the protection of the environment. All the accomplishments achieved in this past year have been on the back of outstanding Health, Safety and Environment ("HSE") performance. While I, and every member of the organisation are responsible to ensure a safe work environment, our senior management takes direct accountability to drive a culture where necessary behaviours and practices are consistently upheld.

PRESIDENT & GROUP CEO'S REVIEW

Group Revenue:

RM **8.38** billion

As technical expertise and precise execution are key to our success, we have devoted considerable resources and time towards enhancing and strengthening the technical and leadership capabilities among our more than 12,000 employees. In addition to our ongoing internal development initiatives, the injection of resources that came through the acquisitions involving our Drilling and E&P businesses have also provided a step jump in knowledge and experience within the organisation.

I am pleased to present you with an overview of the Group's financial and operational performance, as well as key strategies initiated in FY2014 and some insights into our prospects going forward.

FINANCIAL PERFORMANCE

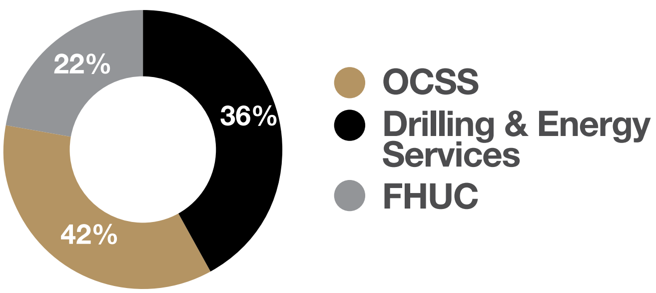
In FY2014, SapuraKencana delivered outstanding financial performance despite a highly competitive operating environment. The Group turned in a profit after tax ("PAT") of RM1.12 billion on the back of revenue of RM8.38 billion. This represented a 69.3% increase in PAT and 21.2% increase in revenue, from the PAT of RM0.66 billion and revenue of RM6.91 billion realised in the preceding year.

OCSS retained its position as the Group's biggest revenue contributor generating 42% of the total Group revenue. To this end, OCSS registered RM3.49 billion of revenues and PAT of RM0.34 billion.

With the inclusion of nine months of the recently acquired Seadrill Limited ("Seadrill") tender rig business' financial results and recognition of remuneration fees from the Berantai development risk sharing contract ("RSC"), the Drilling & Energy Services segment contributed 36% of the total Group revenue with a PAT of RM0.93 billion on the back of RM3.02 billion in revenue. This represented a 259% and 148% Year-on-Year increase in PAT and revenue respectively, and bears strong testimony to the earnings-accretive nature of the tender rig business as well as the project execution success in the Berantai RSC.

With multiple projects approaching completion during the year, the FHUC division contributed the remaining

Group Revenue Contribution:



Refinancing:

RM **16.5** billion
multi-currency facility

22% of the total Group revenue registering PAT of RM0.21 billion on the back of RM1.88 billion of revenue.

Efforts initiated during FY2014 to restructure the Group's debt have resulted in a USD5.5 billion (RM16.5 billion) multi-currency facility that stands to greatly benefit operational efficiency as our borrowings now better match the operating profiles of our assets. We view this exercise as an endorsement by the financial community of the sustainability the Group's business holds as a full-fledged upstream company and demonstrates confidence in our business direction and growth prospects moving forward.

STRATEGIC INITIATIVES

In last year's Annual Report, we outlined our strategy to grow the organisation by developing our capabilities and proving ourselves as a trusted integrated services provider. I am pleased to report that not only did we follow through on those strategies in FY2014, we have continued to expand upon them as well.

Focus on HSE for delivery excellence and safety of our people

In meeting our corporate goals, we are guided by key principles that prioritise the safety of our people and the well-being of the communities and environment in which we operate. We strive to maintain high standards of HSE performance through stringent compliance with internal standards, regulatory measures and industry best practices. We are committed and strive to ensure that every employee and contractor takes responsibility for safety, and are pleased to see that our efforts have earned us the recognition and confidence of our customers, employees, and communities in which we operate.

"We are guided by key principles that prioritise the safety of our people and the well-being of the communities and environment in which we operate."

Asset Growth: from 3 to 21 Tender Assist Drilling Barges

Strengthening the Drilling Segment

April 2013 saw the integration of Seadrill tender rig business, assets and employees into our operations and the formation of a new entity known as SapuraKencana Drilling Pte Ltd, headquartered in Singapore. This exercise enabled the Group to expand its footprint in Malaysia and Thailand to include Angola, Congo, Brunei, Equatorial Guinea, Indonesia, and Trinidad and Tobago.

As part of SapuraKencana, SKD has continued to win new businesses. It secured a new contract and three contract extensions worth a total of USD454.0 million (RM1.5 billion) from new and existing clients in West Africa (Congo and Angola) as well as Brunei and Thailand in the first quarter of the financial year ending 31 January 2015.

Immediate Foothold in Upstream Operatorship

February 2014 saw the completion of the acquisition of the Malaysian operations, assets and people of Newfield Exploration ("Newfield Malaysia"), a leading regional independent E&P company. The exercise gave us an immediate foothold as an upstream operator and our efforts to meticulously execute every phase of the USD895.9 million (RM2.98 billion) acquisition, from evaluation to negotiation and purchase, and is testimony of the strong financial and business acumen found within the Group.

RM 2.98 billion
Newfield Acquisition

Newfield Malaysia has been renamed SapuraKencana Energy Malaysia Inc ("SKEM") and is today providing full exploration, development and production capabilities as well as participating interests in eight production-sharing contracts ("PSCs") in both East and West Malaysia, with proven and probable reserves, plus an alliance arrangement to operate an oil field in East Malaysia.

Growing Our Asset Base

Our programme to invest in key enabling assets and technologies across our core businesses continues to reap dividends. This has not only increased our capacity to execute work and fast track projects, it continues to mitigate any dependency on third parties in ensuring timely project delivery. In FY2014, we implemented steps to further our yard automation, we constructed two new heavy lift derrick-lay vessels, and September 2013 saw us launching the *Sapura Diamanté*, the first of what will be a fleet of six Pipelay Support Vessels ("PLSV") that will be used to develop deepwater pre-salt fields offshore Brazil.

Following the integration of the Seadrill business into our drilling segment, we have also seen a step jump of assets from 3 to 18 tender assist drilling barges, with 3 more currently under construction. Likewise, SKEM has brought into the Group's fold oil and gas assets in Peninsular Malaysia and East Malaysia, from which we will propel ourselves further.

Expanding Our Global Footprint

In line with our objectives of becoming a truly global player, we continue to expand our international footprint and bid for more projects globally. As at the end of FY2014, over 70% of the Group's order book resides outside of Malaysia, with major markets being Brazil, South East Asia, Australia and Africa.

In June 2013, our subsidiary, Sapura Navegação Marítima S.A. Brazil ("SNM") won a USD2.7 billion offshore-support-vessel contract from Brazil's state-run oil company, Petróleo Brasileiro Petrobas S.A. ("Petrobras"). This represents SNM's second win after securing a contract for USD1.4 billion in 2011 to build and operate three PLSVs. The combined contract value of USD4.1 billion marks a strengthened presence in this exciting part of the world.

over **70%**

Group Order Book Outside Malaysia

Launched

Sapura Diamanté
1st of a fleet of 6
Pipelay Support Vessels

Furthermore, in May 2014, we announced our success in securing five new contracts worth USD312.0 million (RM1.0 billion) in markets including the Ivory Coast, Russia, India, Brunei and Malaysia. This came soon after our announcement in April 2014 highlighting SKD's success in securing contracts amounting to USD454.0 (RM1.5 billion) including new markets such as Congo.

These contract wins underscore global customer confidence in our capabilities, experience and resources and going forward, our focus will be to further develop such key regions.

Strengthening Capabilities

We believe our people are multipliers of the value of our assets. Their technical and leadership capabilities, passion for excellence and commitment to our vision help us meet our customers' expectations. The Group continues to nurture and develop capabilities by empowering teams towards higher standards of excellence and overcoming operating challenges. To this end, we allocated 5% of our annual salary cost for the provision of formal training and development.

In FY2014 we initiated efforts to enable talent mobility throughout our operations with the ultimate objective of improving capabilities and enhancing operational exposure. We intend to take these efforts further so as to create a truly diverse and capable workforce.

Industry Outlook, Business Prospects and the Road Ahead

Amidst the uncertainties surrounding the global economy and more specifically the global energy industry, the outlook for O&G demand is expected to remain strong. Most of the demand will come from developing countries driven by their population growth and increasing wealth.

The growth in energy demand will result in increased O&G investments worldwide, which are expected to happen amidst more challenging circumstances. However, we envisage increasing demand and investment in new capabilities and technologies to overcome challenges in exploration, extraction and commercialisation.

Over the next decade, global O&G upstream spending is expected to reach more than half-a-trillion dollars (over RM1.5 trillion). The Asian market,

"Our technical and leadership capabilities, passion for excellence and commitment to our vision help us meet our customers' expectations."

PRESIDENT & GROUP CEO'S REVIEW

in particular, Southeast Asia, will receive one-fifth of this global spending which accounts for a 50% increase in capital expenditure over the next 5 years, with Malaysia having a forecast expenditure close to USD60.0 billion (RM198.0 billion). With approximately half of our Group's revenues currently derived from Southeast Asia, this forecasted expenditure presents a positive prospect for our business.

Being the custodian of the country's hydrocarbon resources, Petroliam Nasional Berhad ("PETRONAS") has over the last few years initiated RSCs to encourage the development of marginal oilfields. Of the 105 marginal fields identified under the Malaysia's Economic Transformation Programme, 25 have been earmarked for development under the RSC arrangement. The RSC, an alternative to the PSC, aims to strike a balance between risk sharing and fair returns for the development of marginal fields that have already been discovered. As a party to the consortium awarded the first RSC for the development of the Berantai Field, SapuraKencana with its experience and proven track record in safe, rapid and successful development and production, is well placed to bid for the other RSCs.

Key regions like the emerging markets of Latin America, in particular Brazil's offshore pre-salt fields, West Africa's shallow and deepwater fields, Asia and East Africa's deepwater fields, and activities such as enhanced oil recovery from mature fields in Asia and the North Sea will be the focal point of O&G investments. SapuraKencana has already established its presence in most of these locations and is well-positioned to deploy its strategic assets and technical capabilities to pursue the many opportunities expected in these markets.

As we build our capabilities further and position ourselves for new long-term partnerships, we will continue to make inroads in the many markets we currently serve.

ACKNOWLEDGEMENTS

Our success to date is the result of the support, hard work and dedication of many parties. On behalf of SapuraKencana, I wish to convey my heartfelt appreciation to our clients who have continued to demonstrate their trust in our capabilities and worked with us to cement long-term partnerships.

We are also deeply grateful to all our shareholders for your continued confidence in the Group which has made it possible for us to execute our plans and grow the business towards sustainable success. I hope you are equally excited as I am by the progress we have made and the prospects that lie ahead. Rest assured we will continue to work hard to create outstanding value for all stakeholders in the long-term.

To all loyal employees of SapuraKencana, your belief and commitment to our shared vision to be the best entrepreneurially led, technically competent and most trusted global oil and gas company in the eyes of our customers, shareholders and most importantly, yourselves, is what makes all these possible, and I thank and congratulate you on an outstanding FY2014.

SapuraKencana is also privileged to have a network of committed partners and associates, including suppliers and contractors who make it possible for us to carry out our operations in a timely and cost effective manner. We also worked with many financial institutions who, in FY2014, were key in realising our refinancing exercise, and we look forward to on-going collaboration with all these parties for our mutually beneficial success.

As we operate the world over, it is also important to record our gratitude to the many Governments and related agencies who have permitted us to establish a presence in their countries. We sincerely hope that ours is a mutually beneficial existence, and that in some small way we are able to contribute to the development of these nations.

I wish to recognise and thank our Board of Directors, comprising individuals who bring a wealth of wisdom and experience. We thank them for their collective insights, counsel and corporate oversight, which has helped us grow from strength to strength.

I would also like to place on record my sincere appreciation and gratitude to Dato' Mokhzani Mahathir and Mr Yeow Kheng Chew, who were redesignated as Non-Independent Non-Executive Directors on 1 February 2014. They played an indispensable role in the formation of SapuraKencana, and helped foster post-merger integration over the past two years. We look forward to their continued contributions on the Board towards the growth and betterment of the Group.

Lastly however and with a heavy heart, I wish to note the untimely demise of Mr Chong Hin Loon, one of our founders and a Board member who passed away on 14 October 2013. He is missed and shall be remembered by his legacy and example as a truly dedicated and visionary businessman who served in the best interests of the company to the end. May he rest in peace.

Taking stock of what we have accomplished and how well we are positioned to forge ahead, the future promises to be bright. With the support of our stakeholders we are confident that SapuraKencana shall fortify its position as a full-fledged upstream player in the global oil and gas arena.

Thank you.

Tan Sri Dato' Seri Shahril Shamsuddin
President and
Group Chief Executive Officer
22 May 2014

BUSINESS

DRILLING

OFFSHORE CONSTRUCTION & SUBSEA SERVICES

HIGHLIGHTS

FABRICATION, HOOK-UP & COMMISSIONING

ENERGY & JOINT VENTURES

DRILLING

Through SapuraKencana Drilling Pte Ltd ("SKD"), SapuraKencana Petroleum ("SapuraKencana") is today the world's leading tender rig owner and operator with more than a 50% share of the market. Previously a part of the Drilling, Geotechnical and Maintenance & Operations Services Division until the geotechnical and operations and maintenance services components were redeployed to the Offshore Construction and Subsea Services Division in early FY2015, SKD has experienced growth and is today a major contributor to the Group's revenue.

To date, SKD's versatile fleet comprises 11 tender barge rigs and 7 semi-tender rigs which are primarily used for production and development drilling activities. It is in the process of building 2 more tender rigs and 1 semi-tender rig. Today, SKD's operations span Southeast Asia, West Africa and Central America. With operational offices in every country the Division operates from, SKD is able to manage its rigs efficiently, increase visibility for future business development and improve client satisfaction by being more responsive.

KEY DEVELOPMENTS

In May 2013, the tender rig businesses of SapuraKencana and Seadrill were combined and integrated under a new Singapore-based entity called SapuraKencana Drilling Pte Ltd. Through this corporate exercise, the Group's global footprint has expanded to Angola, Congo, Brunei, Equatorial Guinea, Indonesia, Thailand, Trinidad and Tobago, and today, we are in a strong position to penetrate new markets globally and offer an enhanced value proposition to our customers. This exercise has also provided us a staging platform for expansion across the entire oil and gas ("O&G") development value chain and is creating potential cross-selling business development opportunities across the Group.

World's No. 1 Tender Rig Owner & Operator

OPERATIONAL HIGHLIGHTS

The creation of SKD in May 2013 proceeded smoothly with human capital and strategic assets from both Seadrill Limited ("Seadrill") and SapuraKencana integrated in a seamless manner, managing to fully retain their client base and key employees. The combination of Seadrill's deep operational expertise, world-class customer access and ongoing transfer of knowledge, have certainly helped propel SapuraKencana's competitive position and enabled us to take advantage of the positive growth dynamics within the industry.

SKD is today a leading offshore drilling services provider globally with multiple growth opportunities and strong value creation potential. The integration has accorded the Group more exposure to the higher margin drilling segment, expanded our reach across the entire value chain in key markets and is providing us the ability to leverage on more cross-selling opportunities.

In FY2014, SKD's existing tender rigs continued to undertake their long-term fixed price contracts for client's such as Chevron, Royal Dutch Shell plc ("Shell"), PTTEP Thailand, BP plc ("BP") and PETRONAS Carigali Sdn Bhd ("PCSB") which provided the Group with cash flow revenue stability and a good foundation for future growth and expansion. The drilling businesses in the Asia and Africa regions in particular, made notable

Pioneer in **Tender Drilling** with

40 years experience

Over 50%

Global Market Share

BUSINESS HIGHLIGHTS : DRILLING

Fleet Size:

11 tender barge rigs

7 semi-tender rigs

3 rigs under construction

HSE Excellence:

Zero LTI for all rigs

contributions to SKD's FY2014 results. There was excellent technical rig utilisation with a few units in excess of 99.5%.

The year in review saw SKD taking delivery of the *SKD T-15*, *SKD T-16* (managed on behalf of Seadrill) and *SKD T-17* newbuild tender barge rigs from Cosco Nantong. The *SKD T-15* and *SKD T-16* commenced their five-year long contracts with Chevron. The *SKD T-17* commenced its five-year long contract with PTTEP Thailand. SKD also took delivery of the *SKD Esperanza* from KeppelFels Singapore which is presently operating under contract to Hess in Equatorial Guinea.

ACHIEVEMENTS

The year in review saw SKD chalking up a host of awards and accolades on the Health, Safety and Environment ("HSE") performance front. In FY2014, the *SKD Pelaut* received the Best Performing Award in Shell's "Platform/Tender" category for the fifth time, while the *SKD Berani* attained the Best Rig award at the COPI 2013 event. In April 2013, the *SKD Berani* attained the Contractors Health, Environment and Safety Management ("CHESM") Certificate from Chevron and an "A" rating.

SKD also continued to maintain its good track record on the HSE front maintaining zero lost time injury ("LTI") incidents for all its rigs. Chevron Thailand presented the *SKD T-7* the

New FY2015 contracts

worth USD **454** million

OE/HES Award in May 2013 for achieving nine years without a single day away from work ("DAFW") incident, while the same was presented to the *SKD T-11* in June 2013 in recognition of its achieving five years without a single DAFW incident. The *SKD T-12* gained recognition from Chevron Thailand for achieving three lost time accident-free years.

MOVING FORWARD

As SKD ventures forth into FY2015, there is a positive outlook for the future with upcoming opportunities. In April 2014, SKD won a new contract and three contract extensions worth a total of USD454.0 million from new and existing blue chip clients in West Africa (Congo and Angola) as well as Brunei and Thailand, thereby

HSE Track Record:

SKD Pelaut — 5x winner of **Shell's Best Performing Rig Award**

SKD T-7 — 9 years without Days Away From Work incident

SKD T-11 — 5 years without Days Away From Work incident

SKD T-12 — 3 years Lost Time Accident-free

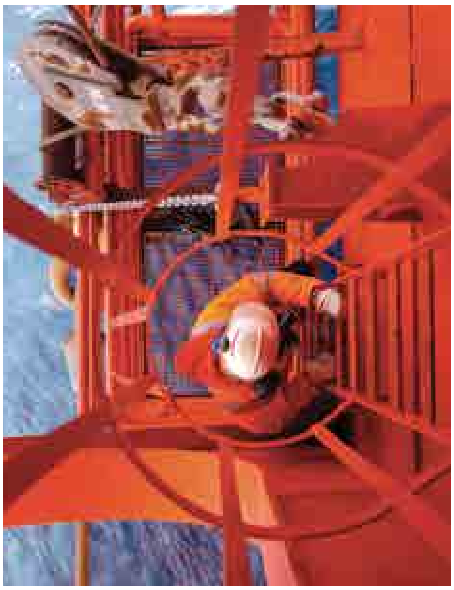
SKD Berani — COPI 2013 Best Rig Award

BUSINESS HIGHLIGHTS : DRILLING

"These contracts bear testament to the Group's geographically diverse operations and solidifies our West African presence which is a key growth area for us."

underscoring its aggressive business development efforts on the drilling front.

The new USD108.0 million contract in Congo from Total Congo involves the charter of semi-tender assist drilling rig, *SKD Berani*, for a work-over and development drilling campaign offshore Congo for one year, with an option of another year's extension. This contract which commenced in April 2014 runs until March 2015. The USD164.0 million two-year contract extension in Angola from Cabinda Gulf Oil Company Limited (or Chevron Angola) involves the provision of the tender assist drilling rig *SKD Setia* for development drilling campaigns offshore Cabinda, Angola. The contract extension is for a period of two years commencing August 2014 and lasting until July 2016. These contracts bear testament to the Group's geographically diverse operations and solidifies our West African presence which is a key growth area for us.



In Thailand, SKD secured a contract extension worth USD90.0 million for a period of two years with Chevron Thailand Exploration and Production Limited, for the provision of the tender assist drilling rig *SKD T-12* for development drilling in the Gulf of Thailand. The extension contract commenced in March 2014 and lasts until March 2016. This latest round of new contracts adds another USD454.0 million to SKD's order book of RM3.0 billion as at end FY2014. It also cements SKD's position as the predominant global tender assisted drilling contractor trusted by leading oil and gas majors.

In May 2014, SKD accepted a two-year contract extension valued at USD92.0 million from Brunei Shell Petroleum Co Sdn Bhd for the provision of an offshore drilling rig and related services by the semi-tender assist drilling rig *SKD Pelaut*. The contract extension will commence in April 2015 and run until March 2017. Meanwhile, the *SKD Pelaut* will continue to be used for development drilling campaigns offshore Brunei.

Over the course of FY2015, the *SKD T-18* and *SKD T-20* will join the Group's fleet while the *SKD Kinabalu* will come on board in FY2017. To date, the tender assist drilling rig *SKD T-20* has secured a contract from CNR International Primary ("CNRI") for Block CI-26 offshore Côte d'Ivoire. This will involve drilling activities for 10 firm wells to be completed in not

less than 365 days with another four single well options to be exercised at CNRI's sole discretion. All these developments translate into a promising and exciting future for SKD.

Going forward, SKD will continue to push forward with its newbuild programme and continue to explore viable investment opportunities. It will explore expansion in new market areas and look for ways and means to attract new client accounts. It will also look to tap new technologies and acquire strategic assets as it ventures forth.

SKD has a competitive edge over other players in that it possesses a formidable team of competent and experienced personnel who have proven themselves in the drilling arena. Through its legacy companies, SKD today has more than 40 years of experience in tender assisted drilling operations. The fact that SKD also owns an impressive, modern fleet of strategic assets that overshadow the nearest competition also bodes well for our drilling outfit.

As the pioneer in the tender drilling industry, SKD's highest mission is to provide its partners with the safest operations paired with cost-effective technical solutions. To this end, it has a proven safety and operational track record with excellent technical utilisation for more than 40 years. By being close to its client base across operations spanning Southeast Asia, West Africa and Central America, SKD is able to establish strong, long-term relationships with them. Its sound operating philosophy of ensuring strong partnerships with clients and suppliers will continue to hold SKD in good stead.

While SKD expects challenges to come by way of a dearth of manpower resources in the global drilling sector,

it will put the necessary measures in place to recruit and train skilled personnel for its growth. In developing its operations in new markets and remote locations, SKD will also undertake the necessary due diligence to ensure profitability is not impacted.

SKD Berani, semi-submersible tender drilling rig, contracted to Total in the Republic of Congo for their development drilling programme


SapuraKencana
PETROLEUM

OFFSHORE CONSTRUCTION & SUBSEA SERVICES

The Offshore Construction and Subsea Services ("OCSS") Division's core business activities comprise offshore construction and installation of offshore platforms, marine pipelines and facilities; the installation of subsea umbilicals, risers and flowlines ("SURF"); as well as offshore diving and related underwater services including the design, manufacture and operation of remotely operated vehicles ("ROVs").

The OCSS Division dominates the Installation of Pipelines and Facilities ("IPF") sector in Malaysia for both shallow and deepwater work. It continues to strengthen the Group's regional footprint as it makes major strides forward in key international markets offshore Southeast Asia, Australia, India, China, Russia and Brazil. The Division's offshore activities are strongly supported by its own fleet of derrick lay barges and vessels, diving support vessels, saturation diving systems and ROVs.

At the start of FY2015, the Group's geotechnical as well as operations and maintenance ("O&M") services components were consolidated within the OCSS Division. The highly specialised geotechnical operations involve technical and physical investigations of seabed soil structures and profiles to assist our clients make informed decisions for their engineering projects. These operations are supported by the Division's own four dedicated geotechnical and geophysical survey vessels with the capability to conduct geophysical site and hydrographic surveys as well as soil investigation campaigns in both deep and shallow waters.

KEY DEVELOPMENTS

In June 2013, Sapura Navegação Marítima S.A., Brazil ("SNM"), a jointly controlled entity of both TL Offshore Sdn Bhd ("TLO") and Seabras Serviços De Petroleo S.A., a subsidiary of Seadrill Limited ("Seadrill"), received notification from Petróleo Brasileiro S.A. ("Petrobras") that it had been awarded contracts to charter and operate three pipelaying support vessels ("PLSVs") for a total award value of approximately USD2.7 billion. This is the second batch of PLSV tender contracts secured by the Division subsequent to the first batch of contracts for three PLSVs secured in 2011. With this award, a total of six fully-integrated offshore vessels will be used to develop deep-sea oilfields of up to 3,000 metres in Brazilian waters on behalf of Petrobras.

In late 2013, the OCSS Division (via wholly-owned subsidiary TLO), was awarded Packages C & D for the Pan Malaysia Integrated Offshore Installation Contract by 11 Petroliam Nasional Berhad's ("PETRONAS") Production Sharing Contractors ("PSCs"). These contracts relate to the provision of works and services for the integrated transportation and installation ("T&I") of offshore oil & gas facilities (including topside, jackets and risers as well as the laying of subsea pipelines and associated works). The duration of the contracts is from 2014 to 2016 with the option to extend by another year. Works commenced in March 2014 around various offshore locations in Malaysian waters.

FY2014 Revenue **RM3.48 billion**

In the way of O&M services, the Division is a General Electric ("GE") certified regional centre providing world-class services and cost-effective maintenance and refurbishment solutions for GE industrial gas turbines in South East Asia. The Division also provides broader retail services through its retail solutions software for PETRONAS petrol stations in Malaysia.

Over the course of FY2014, the OCSS Division exercised its option to purchase the *SapuraKencana Constructor*, a dynamic positioning ("DP") subsea support vessel and in FY2015 took delivery of two DP heavy lift pipeline construction vessels, namely the *SapuraKencana 1200* and *SapuraKencana 3500*, thereby expanding its fleet.

OPERATIONAL HIGHLIGHTS

Over the course of FY2014, the OCSS Division undertook several projects for which RM3.48 billion in revenue was recognised for the year. These included works on the extended Pan Malaysia Integrated T&I contract (2010-2012) amounting to RM1.96 billion and substantial completion of the DomGas Pipeline contract from Chevron Australia Pty Ltd for which RM221.0 million in revenue was recognised during FY2014.

The Division also successfully completed the deepwater T&I of offshore pipeline, risers and facilities contract for the Gumusut-Kakap Field, offshore Sabah in East Malaysia. The financial year also saw the execution of work orders including inspection,

RM 11.13 billion worth of new projects

RM 17.01 billion Order Book

BUSINESS HIGHLIGHTS : OFFSHORE CONSTRUCTION & SUBSEA SERVICES

New Vessels:

SapuraKencana 1200

SapuraKencana 3500

repair and maintenance services amounting to approximately RM365.0 million for PETRONAS Carigali Sdn Bhd ("PCSB") under a provision of underwater services contract. Our Australian subsidiary, SapuraKencana Australia or SKA (formerly known as SapuraClough Offshore) undertook and completed the Origin Otway Phase 3 Development for Origin Energy Resources Limited and recognised revenue amounting to RM189.0 million. Other major undertakings include the installation of offshore facilities for the Diamond Development Project, Blocks 01 & 02 offshore Vietnam, for PTSC Offshore Services Joint Stock Company, valued at RM127.0 million.

In FY2014, the Division secured new projects amounting to RM11.1 billion which included the aforementioned USD2.7 billion Petrobras contract, one of the biggest for OCSS internationally, and the Pan Malaysia T&I services contract. New projects secured also included the T&I portion of the awarded engineering, procurement, construction, installation and commissioning ("EPCIC") project for Trans Thai-Malaysia (Malaysia) Sdn Bhd ("TTM") for the JDA Gas Balancing Evacuation Project, as well as secured works amounting to AUD90.0 million from BHP Billiton Petroleum, Engineering and Project Management for subsea structure installation works in Australia and another USD35.0 million T&I contract for offshore facilities for the Diamond Development Project in Vietnam.

Petrobras Contract Value:

USD
2.7
billion

The OCSS Division also secured the following contracts involving:

- The provision of subsea inspection services amounting to RM62.0 million for Carigali Hess Operating Company Sdn Bhd ("Carigali Hess");
- The provision of tow-out and hook-up services to MISC for a Floating Production Storage & Offloading ("FPSO") vessel, for the PM304 Cendor Field Phase 2 Development for Petrofac Limited, with a total contract value of approximately USD10.9 million;
- The installation of jacket, topside and mooring yoke from PT Rekayasa Industri for the Lampung LNG Floating Terminal Project; and
- The provision of marine geohazards investigation services for PCSB.

HSE Excellence:

1.5 million man-hours **LTI-free**
for EMEPMI & MOC projects

HSE Awards:

Best Contractor
Installation Category
from PCSB

Most Improved Contractor for 2013
PCSB's Outstanding Vendor Award 2014

Safety Award for Excellence
(Silver Category)
from Carigali Hess

BUSINESS HIGHLIGHTS : OFFSHORE CONSTRUCTION & SUBSEA SERVICES

"The OCSS Division continues to strengthen the Group's global footprint as it makes major strides in key international markets offshore Southeast Asia, Australia, India, China, Russia and Brazil."

September 2013 saw the naming and launching of *Sapura Diamanté* in Krimpen aan den IJssel, the Netherlands, the first in a series of six fully integrated offshore vessels which will be used to develop deep-sea oilfields of up to 3,000 metres in Brazilian waters on behalf of Petrobras. This was followed by the naming and launching of sister vessel, *Sapura Topázio* in the same yard in February 2014. Both these vessels stem from a joint venture between TLO and Seadrill.

ACHIEVEMENTS

In FY2014, the companies within the OCSS Division garnered a host of awards and accolades for their outstanding operational performance. TLO received recognition from PCSB for its astute implementation of project and engineering strategy No. 8 (relating to the strengthening of Health, Safety and Environment performance) and successfully achieved 1.5 million man-hours without lost time injury ("LTI") for its ExxonMobil Exploration and Production Malaysia Inc and Murphy Oil Corporation projects.

Allied Marine & Equipment Sdn Bhd ("AME") received an award for the "Best Contractor - Installation Category" from PCSB. The company also received the accolade "Most Improved Contractor for 2013" at PCSB's Outstanding Vendor Award 2014 event and was awarded a certificate of appreciation for achieving 1.5 million man-hours without LTI for PCSB's 2013 Offshore Installation Campaign. AME also garnered a Safety Award for Excellence (Silver Category) from Carigali Hess.

SKA was awarded the Western Australian Engineering Excellence Award for rock bolting rigs as well as the Australian state-wide Engineering Excellence Award for the same. SKA has also successfully maintained its ISO 9001, ISO 14001 and AS/NZ 4801 certification. For upholding the highest safety standards, SKA achieved NOPSEMA acceptance for two consecutive safety case revisions as well as received a five-year renewal for *SapuraKencana Constructor* safety cases.

Total Marine Technology received a Platinum Award for Safety Management Systems from IFAP/CGU as well as a Safety Achievement Award for achieving six-months without LTI, whilst Sapura Power Services Sdn

Bhd received the MLNG HSE Award 2013 for Modules 4, 5 and 7 pit stop as well as for Module 6 DOSH TA from Malaysia LNG Sdn Bhd.

The strong commitment towards demonstrating safety across the Division was also emulated by SapuraAcergy Sdn Bhd ("SapuraAcergy"), which received the Silver Award in the Upstream category of the Annual Shell Safety Award 2013 for the Gumusut Project.

MOVING FORWARD

By the end of FY2014, the OCSS Division had garnered an impressive order book totalling approximately RM17.0 billion. At the start of FY2015, this order book was further strengthened upon the Division winning several new contracts in international bids against major established global players. This has set the stage for another successful year for the OCSS Division.

In Russia, the Division continued to make inroads into the market by executing a charter party agreement with Heerema Marine Contractors Nederland SE, for the provision of a command installation vessel, namely the *SapuraKencana 1200* for the Arkutun-Dagu Project. In India, the Division was awarded a subcontract for T&I works in connection with British Gas Exploration & Production India Limited's Mukta B Platform and Pipeline Project by Larsen & Toubro Ltd ("L&T"). The contract came via L&T Sapura Offshore Private Limited, our joint venture company between L&T and Nautical Power Pte Ltd, a wholly owned subsidiary of SapuraKencana.

Meanwhile, in Brunei, SapuraAcergy was awarded a 20-month contract by TOTAL E&P Borneo B.V. for the provision of subsea services for the Maharaja Lela South Project.

Sapura Diamanté is the first in a series of six fully integrated offshore vessels which will be used to develop deep-sea oilfields of up to 3,000 metres in Brazilian waters on behalf of Petrobras


SAPURA DIAMANTE
Seadrill
SapuraKencana
SapuraKencana
PETROLEUM

FABRICATION, HOOK-UP & COMMISSIONING

The Fabrication, Hook-Up & Commissioning ("FHUC") Division is involved in the provision of offshore and onshore engineering, procurement, construction (fabrication), hook-up and commissioning services; the maintenance of fixed and floating oil and gas facilities; marine construction, conversion and repair activities. The Division possesses strong engineering, procurement, construction and commissioning ("EPCC") capabilities for offshore structures inclusive of central processing platforms wellhead platforms, compression modules, jackets and structures. Its EPCC expertise also extends to Floating Production Storage and Offloading ("FPSO") process modules, Mobile Offshore Production Units ("MOPU"), process skids and systems, subsea deepwater manifolds, onshore processing facilities, as well as greenfield and brownfield hook-up and commissioning ("HUC") activities.

The Division's key asset is its 273-acre fabrication yard in Lumut, Perak which is strategically located 3km off the Straits of Malacca to facilitate easy access to both the Indian Ocean and South China Sea. The yard has a fully integrated computerised yard management system which links its engineering, planning, quality management, procurement, warehouse and component production centres together. It also taps state-of-the-art data tracking tools for effective tracking of documents, materials and components, while automation and computer controlled systems are leveraged on to ensure optimal efficiency during mass production of components.

KEY DEVELOPMENTS

In July 2013, SapuraKencana was awarded a USD180.6 million engineering, procurement, construction, installation and commissioning ("EPCIC") contract from Trans Thai-Malaysia Sdn Bhd ("TTM") for the Malaysia-Thailand Joint Development Area ("JDA") Gas Balancing Evacuation ("EVA") Project. This contract, the first EPCIC contract for the Group post-merger, began in the second quarter of 2013 and is expected to come to an end in the first quarter of 2015. The EVA project involves the EPCIC of a new Muda Riser Platform and a 24" subsea export pipeline. It will enable gas from the JDA to be exported through the new pipeline to an onshore terminal in Kerteh. The first cut ceremony took place at the SapuraKencana Fabrication Yard in Lumut, Perak on 13 January 2014.

Another notable highlight in FY2014 was the award of the five-year Pan Malaysia Integrated Hook-up Commissioning and Topside Major Maintenance Contract by ExxonMobil Exploration and Production Malaysia Inc ("ExxonMobil").

Lumut Fabrication Yard

273 acres

The Division's fabrication facility in Teluk Kalong coupled with its Kemaman Supply Base, serve as a full-fledged fabrication, support and supply base for the Group's HUC operations off the East Coast of Peninsular Malaysia. To support its HUC operations in Sabah and Sarawak waters, the Division leverages on its Labuan fabrication yard as well as warehousing, storage and logistic support activities. By the end of FY2015, two workboats currently under construction at Labuan Shipyard Engineering will be completed. This is set to enhance the Division's strategic marine assets capability for offshore HUC works.

OPERATIONAL HIGHLIGHTS

The FHUC Division operates in a highly competitive playing field which is becoming even more challenging as Petroliam Nasional Berhad's ("PETRONAS") and local production sharing contractors open up the local market to regional players. At the same time, more and more of the contracts are evolving from purely fabrication or HUC contracts to lump sum turnkey EPCIC-type contracts. The Division is well placed to face the challenges that come with these developments as well as to capitalise on the many opportunities presented.

Fabrication HSE Record:

10 million man-hours LTI-free

BUSINESS HIGHLIGHTS : FABRICATION, HOOK-UP & COMMISSIONING DIVISION

FHUC Order Book Value

RM 2.1 billion

FY2014 Revenue:

RM 2.1 billion

Major Projects

During the year under review, the Division undertook works amounting to RM627.9 million for the following:

- EPCC works for Murphy Sarawak Oil Co Ltd's Serendah Production Topside ("SN-PA") and the Patricia Satellite Topside ("PT-SA") at the SK309/311 Sarawak Development Project;
- Fabrication works for 47 units of onshore ISBL modules weighing 55,000 MT for Bechtel Inc on the Wheatstone LNG Plant Project (the Group's first project for this client);
- Fabrication works for Kebabangan Petroleum Operating Company Sdn Bhd's ("KPOC") KBB substructure at the Kebabangan Northern Hub Development Project (this was the client's biggest ever structure and the first time it had awarded a 15,000 MT structure to a Malaysian company); and
- EPCC Works for Hess Malaysia's Kamelia-A Wellhead Platform for the Integrated Gas Development Project at the North Malay Basin Field.

On the HUC front, the Division implemented the following works amounting to RM363.9 million:

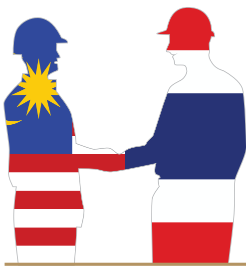
- HUC for PETRONAS Carigali Sdn Bhd's ("PCSB") Samarang Redevelopment project (a major brownfield EOR offshore HUC works project);
- HUC for Petrofac Limited Bekok-C Restoration (a major rejuvenation of a CPP);

- HUC for Phase 2 of PCSB's Sumandak Non Associated Gas Development Project (a major restoration work for offshore facilities); and
- The DU3744A Provision of Construction Service Contract (encompassing brownfield retrofit and construction works) for ExxonMobil.

ACHIEVEMENTS

In FY2014, the FHUC Division continued to make strong advances in the way of its Health, Safety and Environment ("HSE") performance. On the fabrication front, the Lumut fabrication yard achieved 10 million man-hours without a loss time injury ("LTI") incident. The Division also chalked up 100,000 man-hours

FY2014 new contracts:



USD **180.6** million
Malaysia-Thailand
Joint Development Area Gas Rebalancing Evacuation

RM **500** million
HUC works for ExxonMobil

RM **71.2** million
HUC works for KNPG-B Topside Project

BUSINESS HIGHLIGHTS : FABRICATION, HOOK-UP & COMMISSIONING DIVISION

"The Division brought several key projects to completion with an intact HSE record."

without LTI for SBM Offshore; 900,000 man-hours without LTI for Brunei Shell Petroleum's AMPA 9 compressor module; 1 million man-hours without LTI for Bechtel Inc's Wheatstone LNG Plant; and 500,000 man-hours without LTI for GE Oil & Gas' Apache Julima Project. The Division also safely completed all works on the KBB substructure for KPOC and the SN-PA for Murphy Oil Sarawak. For its stringent adherence to good HSE methods, the Division received the HSE Special Initiative Award from PCSB.

In terms of its HUC activities, the Division brought several key projects to completion with an intact HSE record. These included the safe completion of the KNPG-B project (1.5 million man-hours without LTI), the Bekok-C project (2 million man-hours), ExxonMobil's long-term construction services contract DU3744A2 (2.3 million man-hours), Murphy Oil Corporation's Serendah and Patricia wellhead platforms (700,000 man-hours) and Hess' Kamelia wellhead platform (60,000 man-hours). In total 6.5 million man-hours were spent on HUC contracts throughout the year without LTI.

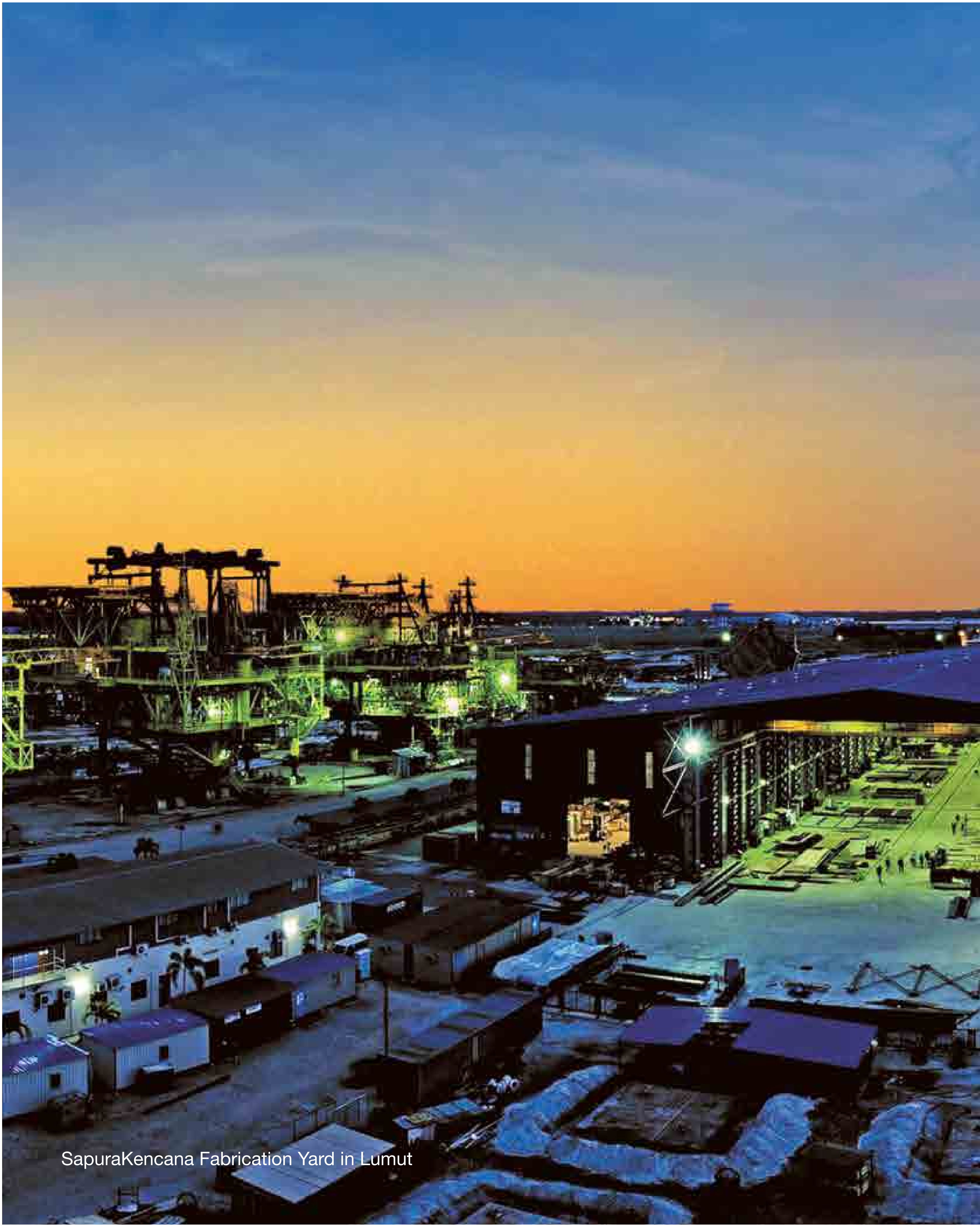
MOVING FORWARD

The FHUC Division's success in securing several new contracts over the course of FY2014 bodes well for it going forward. These include the USD180.6 million JDA EVA contract which is expected to run until February 2015; RM500.0 million worth of HUC works for ExxonMobil until May 2018 and RM71.2 million worth of HUC works for KNPG-B Topside Project. All in all, the Division has an order book value of RM2.1 billion comprising RM1.2 billion worth of fabrication orders and RM0.9 billion worth of HUC orders.

Well before the start of FY2015, the FHUC team set about putting in tender bids and it expects these to translate into some wins in the second half of the year. Most of these bids continue to be EPCIC in nature while regional opportunities are also expected to grow. The Division will focus on continuously improving its project execution and will leverage on SapuraKencana's integrated execution capability with in-house offshore installation assets. This will enable the Division to undertake the continuing flow of EPCIC projects including upcoming Central Processing Platform ("CPP") opportunities.

The Division is also looking to get involved in the development and rejuvenation phases. In the way of the development phase, it will continue to execute projects and build a strong track record in construction of greenfield oil and gas facilities. On the rejuvenation front, the Division's experience in brownfield projects is expected to bring in more contracts relating to the rejuvenation and refurbishment of existing oil and gas facilities.

As the FHUC Division ventures forth, it will leverage on its strengths and proven track record to maintain its competitive edge. The Division will continue to tap the following elements to strengthen its FHUC operations: its key internal assets; its dependable project execution track record; a pool of qualified and capable manpower resources including an experienced project management team and skilled technical personnel; and its strong QHSE track record as well as robust HSE initiatives. On top of this, the Division is committed to establishing long and trustworthy relationships with vendors, contractors and business associates to ensure sustainable business growth.



SapuraKencana Fabrication Yard in Lumut


SapuraKencana
PETROLEUM

ENERGY & JOINT VENTURES

The Group's Energy & Joint Ventures ("EJV") Division is involved in the exploration, development and operatorship of oil and gas fields. The Division has proven expertise in the areas of exploration, field development planning, capital project execution, drilling, production operations and facilities abandonment.

In supporting these core activities, the Division is also equipped with integrated solutions capabilities to provide conceptual engineering, front-end engineering as well as the detailed design of subsea and floating systems through its investments in two specialised international engineering companies, namely Peritus International Pty Ltd and Ocean Flow International LLC.

The Division also has investments in strategic production assets such as a Floating Production Storage and Offloading Unit ("FPSO").

KEY DEVELOPMENTS

In February 2014, SapuraKencana acquired all of Newfield International Holdings Inc's equity interests in Newfield Malaysia Holding Inc ("Newfield Malaysia") for a total purchase price of USD895.9 million (RM2.98 billion). The successful completion of the acquisition of one of the leading independent exploration and production ("E&P") companies operating within the region has given us an immediate foothold and recognition as an upstream resource owner and operator besides strengthening and diversifying the Group's business portfolio.

Acquisition of
Newfield Malaysia Holding Inc

RM 2.98 billion

OPERATIONAL HIGHLIGHTS

Upon the Group's acquisition of Newfield Malaysia in early 2014, the latter company was renamed SapuraKencana Energy Malaysia Inc ("SKEM"). Today, SKEM provides the EJV Division a full exploration, development and production capabilities with a participating interest in eight production-sharing contracts ("PSCs") as well as an alliance arrangement to operate an oil field in East Malaysia. SKEM is the operator for five of the eight PSCs.

SKEM has a strong track record in Malaysia developed since 2004, with consistent growth in production and EBITDA. SKEM's core strength has been the ability to extract maximum value in its exploration, development and production activities leveraging on its strong integrated team with a broad range of expertise.

Production growth has been sustained by rapid development of single well discoveries previously deemed uneconomic coupled with exploration successes. The Malaysian fields have been developed in less than three years by integrating technological advances in reservoir modelling, horizontal drilling and completions with strong project management capabilities. SKEM has a versatile subsurface team that is able to respond quickly to new development opportunities including data acquisition, exploration and field studies whilst providing innovative subsurface development solutions. In particular, the company has

8 PSCs

Production-Sharing Contracts

1 Alliance

Operator in

5 of 8 PSCs

BUSINESS HIGHLIGHTS : ENERGY & JOINT VENTURES

100 wells drilled
in Malaysia since 2005

Commercial Discovery success rate:

42%

demonstrated expertise in developing "thin oil columns". Six platforms have been built to develop eight fields in Peninsular Malaysia, with future additional gas developments planned in East Malaysia.

SKEM has significant experience in drilling exploration, appraisal and production wells in Malaysia including horizontal development wells and extended reach wells. It has drilled close to 100 wells in Malaysia since 2005 having worked with various types of rigs from jack-ups, semi-submersibles as well as drill ships. It also has experience in operating within challenging environments including drilling high-pressure, high-temperature ("HPHT") wells and deepwater exploration wells. The company has also shown innovation in drilling and completion technology. It is currently executing a "keeper exploration programme", where exploration wells are turned into a production well upon success. This saves costs and leads to quicker development of the discovery.

On the exploration front, SKEM's drilling programme has an excellent track record in commercial discoveries with a commendable 42% commercial success rate. One of its exploration wells completed in February 2013, was ranked as one of the 10 biggest hydrocarbon discoveries in the world that year according to Forbes. This was achieved in a highly challenging HPHT environment, with zero safety incidents recorded.

SapuraKencana is also part of the consortium that was awarded Malaysia's first marginal field Risk Service Contract ("RSC"), namely the Berantai RSC. The EJV Division has been undertaking joint operations for the Berantai Field, located 150km offshore Terengganu with our partner Petrofac since 2011. Our notable contribution in the development of the Berantai field has been in the areas of fabrication and installation utilising internal assets such as the Group's LTS 3000 (a heavy lift pipelaying vessel), the *SapuraKencana 2000* (a derrick lay-cum-accommodation barge) and the Fabrication Yard in Lumut, where a variety of steel fabrication works were carried out. Excellence in project management and execution of an integrated project delivery has enabled monetisation

Berantai RSC monetisation

Within 18 Months

of development

HSE Excellence:

PETRONAS E&P HSE Recognition Award

October 2012

Made 1 of the 10 BIGGEST

Hydrocarbon Discoveries in the World for 2013

Demonstrated expertise in developing

"thin oil columns"

BUSINESS HIGHLIGHTS : ENERGY & JOINT VENTURES

"All these achievements were made possible by having the right people and skill sets complemented by a diverse multidisciplinary workforce with vast global experience."

of hydrocarbons within 18 months of development, a process that can ordinarily take up to three years to achieve.

ACHIEVEMENTS

Petroliam Nasional Berhad's ("PETRONAS") has acknowledged SKEM for being one of the top operators in the country as evidenced by its good compliance with the industry standards set by the national oil company. The company also received recognition from PETRONAS for being the highest contributor to the Malaysian oil production enhancement initiative in 2013. This was achieved by employing innovative dual-completion techniques in its development programmes.

For its efforts to achieve an incident-free workplace on the health, environmental, process and personal safety fronts for three years, SKEM received the "PETRONAS E&P HSE Recognition Award" in October 2012 for its good Health, Safety and Environment ("HSE") management record as an operator in Malaysia. This award recognises outstanding HSE management achievements by upstream operators and service contractors as well as effective and sustainable HSE leadership. SKEM's culture of having a high standard of safety throughout the organisation is evident from the recognition it has received.

All these achievements were made possible by having the right people and skill sets complemented by a diverse multidisciplinary workforce with vast global experience.

MOVING FORWARD

The energy industry continues to face more challenges given the ever increasing complexities and uncertainties surrounding it. Tapping the capabilities of its experienced team, the Division is well-positioned to deliver significant organic growth from its existing portfolio of assets through development and continuous operational improvements. It is also well-placed to secure new resource exploration and development opportunities in the Asian region and beyond.

Going forward, the EJV Division will continuously strive to be an industry leader in HSE whilst delivering excellence on the exploration and production fronts. It will continue to focus on expansion efforts that blend immediate cash flow with long-term growth across a number of growing and emerging opportunities.

The Division's clear intention is to emerge as a new exploration and production player that will be the regional leading independent oil and gas producer in Asia, recognised for its innovative and efficient solutions and excellent safety record.

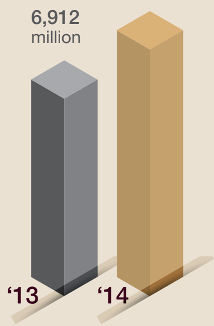
East Belumut platform, located approximately 160 miles offshore Peninsular Malaysia in 240 feet of water with a jack-up rig alongside *(left)*


SapuraKencana
PETROLEUM

CORPORATE OVERVIEW
LEADERSHIP
PERFORMANCE REVIEW
GOVERNANCE
CORPORATE DISCLOSURES

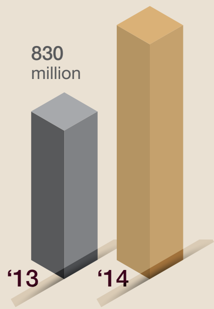
FINANCIAL PERFORMANCE

↑ 21%



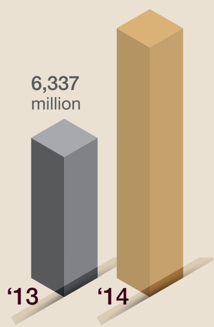
REVENUE (RM)
8,379
million

↑ 46%

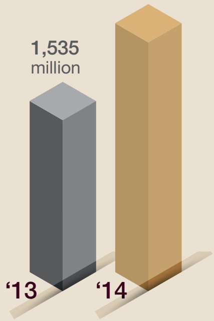


PBT (RM)
1,208
million

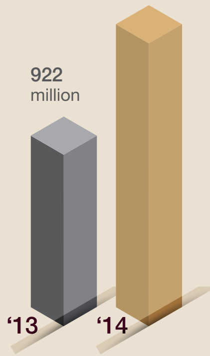
↑ 61%



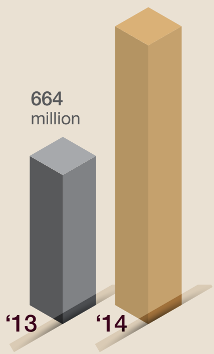
SHAREHOLDERS' EQUITY (RM)
10,195
million



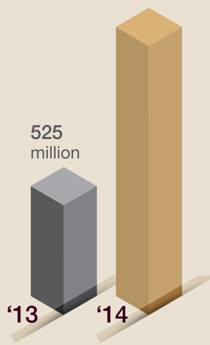
GROSS PROFIT (RM)
2,108
million



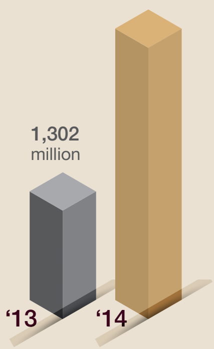
OPERATING PROFIT (RM)
1,417
million



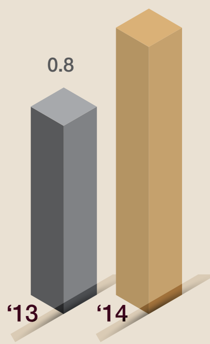
PAT (RM)
1,124
million



PATAMI (RM)
1,087
million



NTA (RM)
2,743
million



NET DEBT (RATIO)
1.08

FINANCIAL CALENDAR

21 MARCH 2013

Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2013

28 JUNE 2013

Announcement of the unaudited consolidated results for the first quarter ended 30 April 2013

4 JULY 2013

Second Annual General Meeting

30 SEPTEMBER 2013

Announcement of the unaudited consolidated results for the second quarter ended 31 July 2013

6 DECEMBER 2013

Announcement of the unaudited consolidated results for the third quarter ended 31 October 2013

24 MARCH 2014

Announcement of the unaudited consolidated results for the fourth quarter ended 31 January 2014

30 MAY 2014

Submission of Audited Financial Statements for the financial year ended 31 January 2014

2 JUNE 2014

Issuance of Annual Report and Notice of Third Annual General Meeting for the financial year ended 31 January 2014

25 JUNE 2014

Third Annual General Meeting

METICULOUS EXECUTION

In all that we undertake, we are committed to bring our customers' vision to life by executing projects with precision and efficiency.

STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS OF SAPURAKENCANA PETROLEUM BERHAD (“SAPURAKENCANA” OR “COMPANY”) (“BOARD”) IS COMMITTED TO ENSURING THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE APPLIED THROUGHOUT SAPURAKENCANA GROUP (“GROUP”) PURSUANT TO THE PRINCIPLES AND RECOMMENDATIONS STIPULATED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (“CODE”), MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA MALAYSIA”) (“MMLR”) AND GUIDED BY THE RECOMMENDATIONS IN THE CORPORATE GOVERNANCE GUIDE (2ND EDITION) ISSUED BY BURSA MALAYSIA (“CG GUIDE”).

Through the Group’s Policies and Procedures as well as periodic audit reviews, the Board ensures that good governance is practised throughout the Group in all aspects of its business dealings and that integrity and transparency are displayed with the objective of safeguarding shareholders’ investments and ultimately enhancing shareholders’ value. The Board is convinced that by doing so will undoubtedly contribute towards the betterment of the Group’s overall performance.

The Board is pleased to disclose the extent of the Group’s compliance with the principles set out in the Code and pursuant to paragraph 15.25 of the MMLR in this Statement on Corporate Governance (“Statement”).

THE BOARD OF DIRECTORS

Roles and Responsibilities of the Board of Directors

The Board has the collective responsibility for the overall conduct and performance of the Group’s business by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure that high ethical standards are applied through compliance with the relevant rules and regulations as well as directives and guidelines. This is in addition to adopting the best practices in the Code and GC Guide, and acting in the best interests of the Group and its shareholders.

The Board Charter (“Charter”) provides guidance to the Board in discharging its roles, duties and responsibilities in line with the principles of good governance. The Charter also outlines the roles and responsibilities of the Board, the balance and composition of the Board, the authority of the Board and the schedule of matters reserved for the Board. It also touches upon matters pertaining to the establishment of Board Committees, processes and procedures for convening Board and Board Committee meetings, the Board’s assessment and review of its performance, compliance with ethical standards, the Board’s access to information and advice, and declarations of conflict of interest.

The principle responsibilities and roles of the Board, among others, are to:

- review the strategic business development plans for the Group;
- oversee the conduct of the Group’s businesses;
- identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- implement succession planning;
- oversee the development and implementation of investor relations programmes or shareholders communication policy for the Group; and
- review the adequacy and integrity of the Group’s internal control systems.

Matters reserved for the Board's approval and delegation of powers to the Board Committees and the President and Group Chief Executive Officer ("PGCEO") as well as the Management are set out in an approved framework on limits of authority. The business affairs of the Group are governed by the Group's Limits of Authority, while any non-compliance issues are brought to the attention of the Management, the Audit Committee and/or the Board for effective supervisory decision-making and proper governance.

The Board strives to adhere to the highest ethical standards in discharging its responsibilities and continues to promote integrity and ethical conduct among its employees in all aspects of the Company's business operations, amongst others, confidentiality of information, conflicts of interest, as well as health, safety and environmental ("HSE") performance.

Board Balance and Composition

The Board currently comprises four Independent Non-Executive Directors, seven Non-Independent Directors and one Alternate Director.

The Board takes cognisance that the Code recommends a majority composition of Independent Directors where the Chairman of the Board is a Non-Independent Director to ensure a balance of power and authority. After due consideration, the Board has decided to depart from this recommendation. However, in doing so, the Board remains steadfast with regard to the importance of having the right composition of Board and strives to maintain the minimum one-third requirement of Independent Directors.

The Board believes that the Group's unique set-up which rests on its capable, experienced and professional entrepreneur acting as PGCEO brings dynamism and leadership qualities to the Group, giving it a distinct edge over its global competitors.

The Board comprises members with various professional backgrounds from the fields of engineering, information technology, accounting, management and public administration, all of whom bring in-depth and diversity of experiences, expertise and perspectives to the Group's operations and ultimately enhance shareholders value for the long-term. In terms of time commitment, all members of the Board currently hold not more than five directorships in other listed companies in line with the maximum limit as set out under paragraph 15.06 of the MMLR. The Board is satisfied that each member of the Board has spent sufficient time on all Board matters, hence ensuring a timely and orderly decision-making process for the Company.

Collectively, the Board brings a wide spectrum of business acumen, skills and perspectives necessary for the decision-making process. The diversity and depth of knowledge offered by the Board, especially its Executive Directors, reflect the commitment of the Company to ensure effective leadership and control of the Group. The Non-Executive Directors provide considerable depth of knowledge collectively gained from their vast experience in a variety of public and private companies. They also possess the necessary calibre, credibility, skills and experience to bring balanced judgment to matters of strategy, performance and resources, including key appointments and the standard of conduct.

The Independent Non-Executive Directors on the other hand, provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, not only for the interest of the Group but also for other stakeholders.

With its diversity of skills, the Board has been able to provide clean and effective collective leadership to the Group. This has also brought informed and independent judgment to the Group's strategy and performance so as to ensure that the highest standards of conduct and integrity are always at the core of the Group.

Background of each Director is contained in the "Profiles of Board of Directors" section as set out on pages 14 to 27 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

Division of Roles and Responsibilities between the Chairman and PGCEO

The Board appreciates the distinct roles and responsibilities of the Chairman of the Board and the PGCEO to ensure a clear and proper balance of power and authority. As such, the roles of the Chairman and PGCEO are separate. The Chairman's main responsibility is to ensure effective conduct of the Board through the execution of the following key roles:

(i) To build a high performance Board by leading the evaluation of the Board's performance and ensuring that succession planning is considered on an ongoing basis;

(ii) To manage Board meetings in order to achieve robust decision-making by ensuring that accurate, timely and clear information are provided to all Directors. The Chairman encourages participation and deliberation by the Board to tap the wisdom of all members and to promote consensus building as much as possible; and

(iii) To facilitate the Board and Management interface by acting as the conduit between the two parties.

The Chairman has never assumed any executive position in the Company.

The PGCEO has the overall responsibility for the Group's operational, business units and support services, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. In addition, the PGCEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and the Management.

Senior Independent Director

The Board had identified Tan Sri Datuk Amar (Dr) Hamid Bugo as the key person to whom the concerns of shareholders and stakeholders may be conveyed. Shareholders and other interested parties may contact Tan Sri Datuk Amar (Dr) Hamid to address any concerns in writing or via telephone or electronic mail as set out below:

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas
1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel : +603-6209 5740/5743
Email : independent@sapurakencana.com

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction programmes were conducted for all newly appointed Directors which include briefings by the Senior Management to provide Directors with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies, as well as the structure and management of the Company. Visits to the Group's assets and training sessions for the Directors on relevant topics were also arranged during FY2014.

Save for Mr Tor Olav Trøim and his alternate director, Mr John Fredriksen, all Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the MMLR. The Board is encouraged to attend education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge on a regular basis and to keep abreast with new developments in the business environment.

The Company has, on an ongoing basis, undertaken an assessment of the training needs of each Director as well as identified conferences and seminars that are considered beneficial to the Board. The Company provides a dedicated training budget for the Board's continuing development. Relevant internal and external training programmes are arranged by the Company Secretaries for the Board.

During FY2014, the Directors had attended the following training programmes, seminars and conferences to enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

- 17th Oil and Gas Conference 2013
- 14th Asian Oil, Gas and Petrochemical Engineering Exhibition
- Offshore Technology Conference
- Audit Committee Conference 2013 – Powering for Effectiveness
- Nominating Committee Programme
- Corporate Governance Symposium 2013 – Corporate Governance in Vogue
- Ethical Investing – Future Outlook & Opportunities
- Asian Roundtable on Corporate Governance
- CommunicAsia 2013 – Bridging Communication Borders, Optimising Business Opportunities
- BTP: Government by Design – How Technology Can Drive More Effective Government
- Fraud Risk Management Awareness
- Mergers and Acquisitions – Rationale for Diversification Strategies, Key Processes, Post-acquisition Processes and Challenges
- Principles of Good Corporate Governance
- Sustainability Policy
- Ethical Principles and Standards in Organisation
- The Innovation Zone: Unleashing The Mind-set
- Risk Management
- World Economic Forum

BOARD MEETINGS

Board meetings are scheduled in advance before the commencement of the new financial year to enable Directors to plan and accommodate the year's meetings into their schedules. The Board requires all members to devote sufficient time to effectively discharge their duties and to endeavour to attend meetings to the best of their ability.

Special Board meetings and Board Committee meetings are convened between the scheduled meetings to consider urgent proposals or matters that require expeditious decisions or deliberations by the Board and/or the Board Committees.

The Board has a regular annual schedule of matters that is tabled for their approval and/or notation which include reviews of the operational and financial performance, significant issues and activities as well as opportunities relating to the Company and its Group. The Board is furnished with information in an appropriate form and of a quality that enables it to discharge its duties relating to all matters that require its attention and decision-making in a timely manner. Proposals comprising comprehensive and balanced financial and non-financial information are encapsulated in the Management Papers covering, amongst others, strategies, reviews of operational and financial performance as well as significant performance and issues, all of which enable the Board to examine both the quantitative and qualitative aspects of the business.

The agenda and supporting Management Papers are distributed in advance for all Board and Board Committees to allow sufficient time for appropriate review to facilitate full discussion at the meetings. The agendas of meetings that include, amongst others, comprehensive management reports, minutes of meetings, project or investment proposals and supporting documents, are targeted for dissemination to the respective members at least seven days prior to meetings. However, Management Papers that are deemed urgent may still be submitted to the Company Secretaries to be tabled at the meeting subject to the approval of the Chairman and the PGCEO. Presentations are prepared and delivered in a manner that ensure clear and adequate presentations of the subject matter.

All issues raised, discussions, deliberations, decisions and conclusions, including dissenting views made at Board and Board Committee meetings along with clear actions to be taken by responsible parties, are recorded in the minutes of meetings. Where the Board is considering a matter in which a Director has an interest, the relevant Director must immediately disclose the nature of his/her interest and abstain from participating in any discussion or decision-making on the subject matter.

STATEMENT ON CORPORATE GOVERNANCE

The Board is constantly advised and updated on statutory and regulatory requirements pertaining to its duties and responsibilities. As and when the need arises, the Board is also provided with ad-hoc reports, information papers and relevant trainings, where necessary, to ensure it is appraised on key business, operational, corporate, legal, regulatory and industry matters.

Whenever necessary, Senior Management and/or external advisors are invited to attend Board and Board Committee meetings to provide clarification on agenda items so as to enable the Board and/or the Board Committees to arrive at a considered and informed decision.

Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The attendance of the respective Directors in respect of Board meetings held during the FY2014 is set out below:

Directors	Designation	Attendance	Percentage
Dato' Hamzah Bakar	Chairman, Non-Independent Non-Executive Director	13 out of 14	93%
Tan Sri Dato' Seri Shahril Shamsuddin	President and Group Chief Executive Officer, Non-Independent Executive Director	14 out of 14	100%
Dato' Mokhzani Mahathir	Vice Chairman, Non-Independent Non-Executive Director	12 out of 14	86%
Ramlan Abdul Malek	Non-Independent Executive Director[a]	–	–
Dato' Shahriman Shamsuddin	Non-Independent Non-Executive Director	14 out of 14	100%
Tor Olav Trøim	Non-Independent Non-Executive Director	9 out of 11	82%
Yeow Kheng Chew	Non-Independent Non-Executive Director	13 out of 14	93%
Tan Sri Datuk Amar (Dr) Hamid Bugo	Senior Independent Non-Executive Director	11 out of 14	79%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	Independent Non-Executive Director	12 out of 14	86%
Mohamed Rashdi Mohamed Ghazalli	Independent Non-Executive Director	13 out of 14	93%
Gee Siew Yoong	Independent Non-Executive Director[b]	8 out of 8	100%

Directors	Designation	Attendance	Percentage
John Fredriksen	Alternate Director to Tor Olav Trøim	–	–
Tan Sri Nik Mohamed Nik Yaacob	Independent Non-Executive Director[c]	12 out of 13	92%
The Late Chong Hin Loon	Non-Independent Executive Director[d]	3 out of 9	33%

Notes:

[a] *Appointed w.e.f. 1 March 2014*
[b] *Appointed w.e.f. 5 July 2013*
[c] *Resigned w.e.f. 10 December 2013*
[d] *Demised on 14 October 2013*

Minutes of meetings are duly recorded and thereafter confirmed at the following meeting of the Board. All Directors have the right to make further enquiries as and when deemed necessary.

The four Independent Directors are independent of Management and free from any businesses or other relationships that could materially interfere with the exercise of their independent judgment. They have the calibre to ensure that the strategies proposed by the Management are fully deliberated and examined for the long-term interests of the Group as well as its shareholders, employees and customers.

ACCESS TO INFORMATION AND ADVICE

The Board has complete and unrestricted access to the advice of the Company Secretaries to enable them to discharge their duties effectively. In discharging their duties, the Board also has access to professional advice, from time to time and if necessary, at the Company's expense.

BOARD REMUNERATION POLICIES AND PROCEDURES

The Board, through its Remuneration Committee, annually reviews the performance of the Executive Directors as a prelude to determining their annual remuneration, bonus and other benefits. In discharging this duty, the Remuneration Committee evaluates the performance of the Executive Directors against the objectives set by the Board, thereby linking their remuneration to performance.

Remuneration of Non-Executive Directors

The level of Directors' remuneration is comparable in order to attract and retain Directors of such calibre to provide the necessary skills and experience as required and to commensurate with the responsibilities for the effective management and operations of the Group.

The remuneration of all Directors is reviewed by the Board as a whole to ensure that it is aligned to the market and to their duties and responsibilities.

STATEMENT ON CORPORATE GOVERNANCE

Executive Directors

The basic salaries of the Executive Directors are fixed for the duration of their contracts. Any revision to the basic salaries will be reviewed and recommended by the Remuneration Committee and approved by the Board, taking into account among others, the individual performance, the inflation price index, and information from independent sources on the rates of salary of similar positions in other comparable companies within the industry. The Group operates a bonus scheme for all employees, including the Executive Directors. Bonuses payable to the Executive Directors are reviewed by the Remuneration Committee and approved by the Board. The Executive Directors are not entitled to fees.

Details of the remuneration of the Board for the FY2014 are as follows:

Executive Directors	RM'000
Salary and Other Emoluments	113,425
Benefits-in-Kind	974
Total	**114,399**

Non-Executive Directors	RM'000
Fees	2,374[a]
Other Emoluments[b]	41
Benefits-in-Kind	34
Total	**2,449**

(a) *Inclusive of Directors' fees payable for their directorships in subsidiaries of SapuraKencana*
(b) *Inclusive of allowances, bonuses and statutory contributions*

The number of Directors in each remuneration band is as follows:

Executive Directors#	Number of Directors	Base Remuneration RM'000	Performance Related Remuneration RM'000	Total RM'000
RM2,800,000 – RM2,850,000	1	2,821	-	2,821
RM10,700,000 – RM10,750,000	1	3,588	7,142	10,730
RM19,400,000 – RM19,450,000	1	6,375	13,041	19,416
RM81,400,000 – RM81,450,000	1	6,682	74,750	81,432
Total	**4**	**19,466**	**94,933**	**114,399**

Non-Executive Directors^	
RM100,000 – RM150,000	2
RM200,000 – RM250,000	1
RM250,001 – RM300,000	2
RM300,001 – RM350,000	1
RM400,000 – RM450,000	1
RM600,000 – RM650,000	1
Total	**8**

\# *Inclusive of an Executive Director who demised during the FY2014*
^ *Inclusive of a Director who resigned during the FY2014*

THE BOARD COMMITTEES

The Board has, where appropriate, delegated specific responsibilities to its Committees with clearly defined Terms of Reference primarily to assist the Board in discharging its responsibilities. Although the Board has granted such discretionary authorities to these Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Audit Committee

The Audit Committee which was established to assist the Board in the execution of its responsibilities, comprises four Independent Non-Executive members. The Audit Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The Report of the Audit Committee is presented on pages 102 to 104 of this Annual Report.

Members of the Audit Committee are as follows:

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Chairman)
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli
- Gee Siew Yoong
  (Appointed w.e.f. 22 May 2014)
- Tan Sri Nik Mohamed Nik Yaacob
  (Resigned w.e.f. 10 December 2013)

Risk Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing a Risk Committee to oversee the assessment of processes relating to the Company's risks and controls. The Risk Committee shall determine that Management has implemented policies in ensuring that the Group's risks are identified and evaluated and that control measures in place are adequate and properly functioning in addressing those risks.

Members of the Risk Committee are as follows:

- Mohamed Rashdi Mohamed Ghazalli (Chairman)
- Dato' Shahriman Shamsuddin
- Yeow Kheng Chew
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

The key responsibilities of the Risk Committee are to focus on the Group's principal risks and to ensure the implementation of appropriate systems to identify and manage the risks that may threaten the business. Whilst these risks may be strategic in nature, the Risk Committee shall ensure that appropriate controls encompassing those of operational and compliance in nature are in place and working as intended.

Details on the Risk Committee of the Company are set out in the Statement on Risk Management and Internal Control on pages 105 to 106 of this Annual Report.

Nomination Committee

The Nomination Committee which comprises four Non-Executive members assists the Board in assessing the effectiveness of the Board as a whole, its Committees as well as the performance of each Director.

Members of the Nomination Committee are as follows:

- Tan Sri Datuk Amar (Dr) Hamid Bugo
  (Appointed Chairman w.e.f. 22 May 2014)
- Dato' Hamzah Bakar
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Gee Siew Yoong
  (Appointed w.e.f. 30 January 2014)
- Tan Sri Nik Mohamed Nik Yaacob
  (Resigned w.e.f. 10 December 2013)

Board Appointment Process

The Nomination Committee is responsible for recommending new nominees to fill vacancies on the Board as well as Board Committees. All nominees are initially considered by the Nomination

Committee, taking into consideration the required mix of skills, competencies, experience and other required qualities before they are recommended to the Board for consideration and approval. The Nomination Committee has a set of criteria to be used in the recruitment process and the annual assessment of Directors.

Re-election of Directors

The Nomination Committee is also responsible for recommending Directors for re-election and reappointment at annual general meetings of the Company ("AGM").

In accordance with the Articles of Association of the Company, all newly appointed Directors are subject to re-election by the shareholders at the first AGM following their appointments. Additionally, at least one-third of Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third shall be subject to retirement by rotation at least once every three years but shall be eligible for re-election at every AGM. The retiring Directors would be those who have been longest in office since their last election. This provides shareholders the opportunity to evaluate the performance of the Directors and promote effective Board.

Directors over the age of 70 years are also required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("Act"). The Chairman, Dato' Hamzah Bakar and Mr John Fredriksen, the Alternate Director to Mr Tor Olav Trøim who have attained the age of 70 years shall be subjected to reappointment at the forthcoming AGM.

All Directors retiring by rotation pursuant to the Articles of Association of the Company and Directors standing for reappointment under Section 129(6) of the Act are initially considered by the Nomination Committee, taking into consideration their required mix of skills, competencies, experience and other qualities required, before they are recommended for re-election and reappointment by shareholders.

Independence of Independent Directors

The Board has a set of criteria in assessing the independence and performance of Directors.

The Nomination Committee annually reviews and assesses the level of independence of the Independent Directors of the Board in line with the Code.

Conflict of Interest

It has been the practice of SapuraKencana that Directors voluntarily declare their interest, if relevant to the proposals to be considered by the Board at every Board meeting including such interests which arise through connected persons as defined in various statutory requirements on disclosure of Directors' interests.

Any interested Directors would then abstain from deliberations and decisions of the Board on the proposal and, where appropriate, excuse themselves from being present during deliberation.

The Nomination Committee is tasked to review and assess the conflicts between the interests of the Company and the direct or indirect interests of the Directors when such a need arises.

Activities undertaken by the Nomination Committee during the FY2014 were as follows:

(a) Assessed the competencies, commitment and contributions of the Directors standing for re-election at the AGM prior to tabling the same for the Board's recommendation to the shareholders;

(b) Assessed the performance and effectiveness of the Board, Board Committees and individual directors for the financial year under review in ensuring the right mix of skills, competencies, experience and other required qualities;

(c) Reviewed the training and development programmes for Directors to address the gaps, if any, and to enhance the necessary skills required;

(d) Reviewed, assessed and evaluated the qualifications and experience of candidates proposed as Directors; and

(e) Reviewed, assessed and evaluated potential conflict of interest positions of the Board members.

Remuneration Committee

The primary objective of the Remuneration Committee is to assist the Board in assessing and recommending the remuneration packages of the PGCEO, Executive Directors and Non-Executive Directors of the Company. The Remuneration Committee also assists in reviewing and recommending annual bonus payment and increment range for all employees including Executive Directors of the Group based on the policy of the Group.

The Remuneration Committee comprises four members as follows:

- Dato' Hamzah Bakar
  (Chairman)
- Tan Sri Dato' Seri Shahril Shamsuddin
- Dato' Mokhzani Mahathir
- Mohamed Rashdi Mohamed Ghazalli
  (Appointed w.e.f. 30 January 2014)
- Tan Sri Nik Mohamed Nik Yaacob
  (Resigned w.e.f. 10 December 2013)

COMPANY SECRETARIES

The Company Secretaries are responsible for advising the Board on issues relating to compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the best practices of governance. They are also responsible for advising the Board of their obligations and duties to disclose their interests in securities, any conflict of interests in a transaction involving the Group, prohibition in dealing in securities and restrictions on disclosure of price-sensitive information.

The Board has unhindered access to the advice and services of the Company Secretaries who are responsible for ensuring that Board meeting procedures are adhered to and are in compliance with the applicable rules and regulations. The Board as a whole decides and agrees upon the appointment and removal of the Company Secretaries.

INSIDER TRADING

In line with the MMLR and the relevant provisions of the Capital Markets & Services Act, 2007, the Board, key management personnel and principal officers of SapuraKencana Group are prohibited from trading in securities or any kind of properties based on price-sensitive information and knowledge which have not been publicly announced.

Notices on closed periods for trading in shares of SapuraKencana are circulated to the Board, key management personnel and principal officers who are deemed to be privy to any price-sensitive information and knowledge in advance of whenever the closed period is applicable.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board recognises the importance of an effective communications channel between the Board, stakeholders, institutional investors and the investing public at large, both in Malaysia and internationally, with the objective of providing a clear and complete picture of the Group's performance and position as much as possible.

In this respect, the Company is fully committed to maintaining a high standard for the dissemination of relevant and material information on the development of the Group. In the absence of a Group Corporate Disclosure Policy, there are, however, proper internal procedures and processes established to govern the release of information to the public. Evaluation of the timeliness, accuracy and quality of the information to be disclosed, is guided by the Corporate Disclosure Guide issued by Bursa Malaysia.

STATEMENT ON CORPORATE GOVERNANCE

Analyst Briefings on Quarterly Results

SapuraKencana conducts media and analyst briefings and/or conference on quarterly results chaired by the PGCEO immediately after announcement of the quarterly results to Bursa Malaysia. The briefings provide a platform for analysts and media to receive a balanced and complete view of the Group's performance and the issues faced.

Conferences and Roadshows

Stakeholder engagements are also conducted through conferences and roadshows organised locally or overseas. Senior Management of the Company will communicate the Group's strategy and the progress of various initiatives and updates to enable stakeholders to understand the operations of the Company better.

Investors Meetings

The Investor Relations Department of the Company has frequent one-on-one and group meetings with analysts, investors and potential investors throughout the year to provide constant communications with the investment community. Reasonable access to the Senior Management ensures analysts and investors are able to engage with key executives within the Group.

Corporate Website

The corporate website of SapuraKencana at www.sapurakencana.com provides quick access to information on the Group. Information on the website includes the Group's corporate profile, Board profiles, announcements to Bursa Malaysia, press releases, share information, financial results and corporate news. The Company's website is regularly updated to provide current and comprehensive information about SapuraKencana Group.

Annual Report

SapuraKencana's Annual Report provides comprehensive coverage of the Group's operations and financial performance. The Annual Report is also printed in summary form together with a digital version in CD-ROM format. An online version of the Annual Report is also available on the Company's website.

Media Coverage

Media coverage of the Group and its business activities is initiated proactively at regular intervals to provide wider publicity and to improve the general understanding of the Group's business among investors and the public.

General Meetings

General Meetings are the principal forum for dialogues with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. The Board, Senior Management of the Group, as well as the Company's auditors are present to respond to issues raised during general meetings. During the year, the Chairman informed shareholders of their rights to demand a poll vote at the commencement of every general meeting.

During the financial year under review, two Extraordinary General Meetings of the Company ("EGMs") were held on 23 April 2013 and 6 December 2013 in relation to the acquisition of the tender rig businesses of Seadrill Limited and the acquisition of the entire issued and outstanding common shares of Newfield Malaysia Holding Inc, respectively. The EGMs provided shareholders with the opportunities to participate in discussions relating to the acquisitions and subsequently to vote on the same.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is assisted by the Audit Committee in reviewing the information on annual financial statements and announcements on quarterly financial results to be disclosed to shareholders to ensure the accuracy, adequacy and completeness thereof as well as compliance with the applicable financial reporting standards.

The Board takes responsibility for presenting a balanced and meaningful assessments of the financial performance and prospects of the Group. The financial statements are drawn up in accordance with the provisions of the Act and the applicable approved Financial Reporting Standards in Malaysia. The statement by Directors pursuant to Section 169(15) of the Act is set out on page 133 of this Annual Report.

Relationship with External Auditors

The external auditors, Messrs Ernst & Young, report to the Board on their findings that are included as part of the Company's financial reports each year. In doing so, the Company has established a transparent arrangement to meet the professional requirements by the auditors. The Audit Committee also reviews the results of the annual audit, the audit report and the management letters, including Management's responses thereon with the auditors. Two private sessions between the auditors and the Audit Committee in the absence of the Management team were held during the period under review.

The suitability and independence of external auditors are annually reviewed and monitored by the Audit Committee. The Audit Committee has a set of criteria in assessing the suitability and independence of the external auditors. Written assurance from the external auditors is also sought in confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Directors' Responsibility Statement

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards. The Board has the responsibility for ensuring that the financial statements of the Company and the Group give a true and fair view of the affairs of the Company and the Group. A statement on Directors' responsibilities in preparing the financial statements is set out on page 109 of this Annual Report.

REPORT OF THE AUDIT COMMITTEE

THE BOARD OF DIRECTORS OF SAPURAKENCANA PETROLEUM BERHAD ("SAPURAKENCANA" OR "COMPANY") ("BOARD") IS PLEASED TO PRESENT THE REPORT OF THE AUDIT COMMITTEE ("REPORT") INCLUDING THE SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014 ("FY2014").

TERMS OF REFERENCE OF AUDIT COMMITTEE

The Terms of Reference of the Audit Committee is prepared and adopted by the Board based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and the Malaysian Code on Corporate Governance 2012. The Terms of Reference of the Audit Committee are available on the website of SapuraKencana.

COMPOSITION

The Audit Committee comprises four members, all of whom are Independent and Non-Executive Directors. This is in line with the requirements of paragraph 15.09(1)(a) and 15.09(1)(b) of the MMLR.

All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities. The Audit Committee therefore, meets the requirements of paragraph 15.09(1)(c) of the MMLR.

MEETINGS

There were a total of 11 meetings held during the FY2014, details of attendance of each member are as follows:

Members	Attendance	Percentage
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *Chairman*	11 out of 11	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo	10 out of 11	91%
Mohamed Rashdi Mohamed Ghazalli	11 out of 11	100%
Gee Siew Yoong *(Appointed w.e.f. 22 May 2014)*	–	–
Tan Sri Nik Mohamed Nik Yaacob *(Resigned w.e.f. 10 December 2013)*	8 out of 10	80%

The Audit Committee takes cognisance of its responsibility to ensure the financial statements of SapuraKencana Group comply with the applicable financial reporting standards. The Group Chief Financial Officer was invited to the Audit Committee meetings to table the quarterly financial results of SapuraKencana Group. This provided a platform for direct interaction between the members of the Audit Committee and the Group Chief Financial Officer.

External auditors were engaged to conduct limited reviews of the quarterly financial results of SapuraKencana Group before they were presented to the Audit Committee for its review. The results were subsequently recommended to the Board for its approval to ensure reliability of the results and compliance with the applicable Financial Reporting Standards ("FRS").

The audit partner of the external auditors attended five Audit Committee meetings and presented the auditors' report on the annual audited financial statements and the auditors' review reports on the unaudited quarterly financial results of SapuraKencana Group for the FY2014.

The Chief Internal Auditor and when required, the representatives of the business units, were invited to attend Audit Committee meetings on matters which were related to internal audit reports tabled at the meetings to attend to any concerns raised by the Audit Committee.

Chairman of the Audit Committee provided a summary of discussions and deliberations at its meetings as well as its recommendations of the quarterly financial results of SapuraKencana Group for the approval of the Board.

Secretaries of the Audit Committee meetings recorded deliberations by the members at the meetings with regard to issues discussed and the outcome of discussions. Minutes of Audit Committee meetings were distributed to the Audit Committee members for their approval and subsequently tabled at the following Board meetings for notation.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

Activities undertaken by the Audit Committee during the FY2014 were as follows:

Financial Reporting

- Reviewed the quarterly financial results and performance of SapuraKencana Group and recommended the same for the approval of the Board; and
- Reviewed the audited financial statements of SapuraKencana for the financial year ended 31 January 2013.

Internal Audit

- Reviewed and approved the Internal Audit Charter;
- Reviewed the Group Internal Audit Plan;
- Reviewed the internal audit reports prepared by the Group Internal Audit and deliberated major and critical findings including management's responses by the Management and mitigating action plans; and
- Reviewed the effectiveness of the corporate internal audit function.

External Audit

- Reviewed and discussed the Audit Planning Memorandum of SapuraKencana Group for the FY2014;
- Conducted private discussions in the absence of the Management and the Company Secretaries;
- Briefed the Audit Committee on their reviews of the quarterly financial statements of SapuraKencana Group; and
- Briefed the Audit Committee on significant audit and accounting matters identified during statutory audit on SapuraKencana Group.

REPORT OF THE AUDIT COMMITTEE

Related Party Transactions

The Audit Committee reviewed and deliberated on all related party transactions to be entered into by the Company and its subsidiaries and subsequently made its recommendations for the Board's consideration.

In forming its recommendation, the Audit Committee takes into consideration whether the proposed related party transactions are:

(i) in the best interests of SapuraKencana Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of our non-interested shareholders.

Annual Report

The Audit Committee reviewed Report of the Audit Committee, Statement on Risk Management and Internal Control as well as the Corporate Governance Statement for inclusion in the Annual Report prior to recommending of the same for the consideration and approval of the Board.

INTERNAL AUDIT FUNCTION

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps the Company to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control as well as governance processes within the SapuraKencana Group.

Group Internal Audit ("GIA"), an in-house function which reports directly to the Audit Committee, has the principal responsibility for undertaking a regular and systematic review of the systems and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively within the Company and the Group.

During the FY2014, GIA carried out the following activities:

(i) Presented the Internal Audit Charter for the review and approval by the Audit Committee;

(ii) Prepared and presented the Internal Audit Plan which included budget and human capital planning for the review and approval by the Audit Committee;

(iii) Performed annual risk profiling on all companies including joint venture companies within the Group and thereafter, based on available resources, formed the basis of the Audit Plan for the Group;

(iv) Based on the approved audit plan:

- Performed compliance reviews on several Company Policies and Procedures, limits of authority and other statutory and regulatory requirements;
- Identified and reviewed the adequacy and effectiveness of several Company Policies and Procedures and provided suitable recommendations to the Management for improvement; and
- Evaluated the efficiency and effectiveness of several processes, internal controls, functions and current practices and provided suitable recommendations to the Management.

(v) Prepared audit reports and sought Management's responses on issues raised and thereafter, incorporated the updates into the final reports which were then circulated to the Audit Committee;

(vi) Presented audit reports during Audit Committee meetings for its deliberation;

(vii) Carried out follow-up reviews and updated the status to the Audit Committee; and

(viii) Performed ad-hoc and special reviews as requested by the Management with the approval of the Audit Committee.

The cost incurred for the internal audit function of the Group during the FY2014 was approximately RM6.0 million.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ELEMENTS OF SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors ("Board") in discharging its responsibilities is fully committed to maintaining a sound system of risk management and internal control at SapuraKencana Petroleum Berhad Group ("Group"). The Board ensures the system addresses and manages the Group's key areas of risk within an acceptable risk profile to increase the likelihood of the Group's policies being complied with and its business objectives being achieved. The system provides reasonable but not absolute assurance against material misstatement, loss or fraud.

ROLES AND RESPONSIBILITIES FOR RISK MANAGEMENT AND INTERNAL CONTROL

In carrying out its oversight roles and responsibilities, the Board has set the tone and direction for embedding an effective risk management and internal control environment in all aspects of the Group's activities.

Policies and procedures have been established for the Group to ensure adequacy and effectiveness of risk management and internal control system. During the financial year under review, the Board actively reviewed the risk management framework, processes and responsibilities as well as assessed the extent of reasonable assurance that all identified risks were monitored and managed within a tolerable level.

Management of the Group is accountable for providing assurance to the Board that risk management practices and internal control system are implemented and monitored. As at 31 January 2014, the Board received assurance from the President and Group Chief Executive Officer ("PGCEO"), the then Executive Vice Chairman ("EVC") and the Group Chief Financial Officer ("CFO") that risk management and internal control system of the Group is operating adequately and effectively.

Based on the assurances provided, with the implementation of a risk management framework and the adoption of an internal control system, the Board is of the opinion that the risk management and internal control system for the year under review, up to the date of the issuance of the Group's financial statements, is adequate and effective to safeguard shareholders' investments and all stakeholders' interests.

KEY PROCESSES ON RISK MANAGEMENT AND INTERNAL CONTROL

The key processes that have been established in reviewing the adequacy and effectiveness of risk management and internal control system include the following:

Corporate Risk Management

Risk Committee was established to oversee the assessment of process in managing the Group's risk and control. The Risk Committee shall determine that the Management has implemented policies to ensure that the Group's risks are identified and evaluated, and that adequate control measures are in place to address these risks.

A risk management framework was prepared based on the concept of Enterprise Risk Management ("ERM") which incorporated the process of assessing, reporting, treating, monitoring and reviewing the risks within the Group.

The framework is operationalised by a Corporate Risk Management Department whose primary role consists of issuance of risk reports, providing risk support to operations, maintaining appropriate risk policies/standards and providing coordination of Group-wide risk management activities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management framework also provides regular reviews and reporting. Risk reports cover assessment of risks, evaluation of effectiveness of the controls in place and the requirements for further controls. The key elements of these processes are as follows:

(a) Presentation of a summary of significant risks to the Board through Risk Committee on a quarterly basis;

(b) Reporting of significant risks by business segments to the PGCEO and the then EVC on a monthly basis; and to the Risk Committee on a quarterly basis with the business segments including Drilling, Offshore Construction and Subsea Services, Fabrication, Hook-up and Commissioning, Energy and Joint Ventures as well as Corporate Division;

(c) Reviewing key risks at least on a quarterly basis during Risk Management Sub-Committee meetings of each business segment;

(d) Reporting of significant risks by business segments in their annual business plans; and

(e) Conducting continuous risk awareness and review sessions with Heads of Business Segment/ Department/risk owners on ERM best practices and promoting a proactive risk management culture.

During the year, Group-wide risk assessments were undertaken to confirm the key risks within the Group. Such risks are formally updated at each quarterly meeting to reflect any potential significant events affecting the Group. In addition, the Risk Committee also reviewed the effectiveness of the ERM functions as well as deliberated on the risk reports issued and risk management activities undertaken during the year.

GROUP INTERNAL AUDIT ("GIA")

GIA reports functionally to the Audit Committee and administratively to the PGCEO. The main roles and responsibilities of GIA are to provide independent objective assurance and consulting services designed to add value and improve the business and work activities of the Group. The latter is undertaken by recommending systematic and disciplined approaches to evaluate and improve the effectiveness of risk management, governance and internal control processes.

Over the course of the year, audits were performed for the Group's corporate support functions, subsidiaries and joint-venture business entities, of which the timing and frequency were based on the level of risks assessed. This was incorporated into the Internal Audit Plan which was then reviewed and approved by the Audit Committee. GIA also reviewed controls related to new emerging risks and attended to Management's requests in addition to the approved Internal Audit Plan.

GIA also followed-up and reported to the Audit Committee on a quarterly basis regarding the closure status of audit issues by the Management based on the recommendations highlighted in the internal audit reports. Further details of the activities of the GIA are outlined in the Report of the Audit Committee on page 104 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

PURSUANT TO PARAGRAPH 9.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

IMPOSITION OF SANCTIONS AND/OR PENALTIES

During the financial year ended 31 January 2014 ("FY2014"), no sanctions and/or penalties were imposed on SapuraKencana Petroleum Berhad ("SapuraKencana" or "Company") and its subsidiaries, Board of Directors ("Directors") or Management by the relevant regulatory bodies.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors of SapuraKencana and its subsidiaries for the FY2014 was RM2,229,000.00.

SHARE BUYBACKS

The Company did not undertake any share buybacks during the FY2014.

UTILISATION OF PROCEEDS RAISED FROM PROPOSALS

(i) Istisna' Bonds Proceeds

On 25 August 2006, Bayu Padu Sdn Bhd, a wholly-owned subsidiary of SapuraKencana, issued RM250.0 million nominal value of Istisna' Bonds. As at 31 January 2014, the status of utilisation of the Istisna' Bonds proceeds is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000
• To finance and/or refinance the cost of investment and/or acquisition of any oil and gas related businesses and/or any oil and gas related assets	90,000	79,342
• For group working capital and/or capital expenditure purposes, which will be Syariah Compliant	30,000	30,000
• To reimburse SapuraCrest Petroleum Berhad Group for the acquisition of Sarku Clementine	45,000	45,000
• To buy back Istisna' bonds and Murabahah Medium Term Notes (Islamic Private Debt Securities)	80,000	80,000
Total	**245,000**	**234,342**

The Company has fully redeemed the remaining Istisna' Bonds balance totalling RM190,000,000.00 in the current financial year.

ADDITIONAL COMPLIANCE INFORMATION

OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the FY2014.

AMERICAN DEPOSITORY RECEIPT OR GLOBAL DEPOSITORY RECEIPT

The Company did not sponsor any American Depository Receipt or Global Depository Receipt during the FY2014.

RESULTS VARIATION

There was no variation between the audited financial results in the audited financial statements for the FY2014 and the unaudited financial results for the financial year ended 31 January 2014 announced by the Company on 24 March 2014.

PROFIT GUARANTEE

The Company did not grant any profit guarantee during the FY2014.

LIST OF PROPERTIES

The Company does not own any material properties during the FY2014 as defined in the Main Market Listing Requirements.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests during the FY2014 save as disclosed in Note 36 of the financial statements as set out on pages 228 to 229 of this Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE AUDITED FINANCIAL STATEMENTS

The Companies Act, 1965 ("Act") requires the Board of Directors ("Board") to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company and the Group for each financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 31 January 2014 ("FY2014") have been prepared in accordance with the applicable approved Financial Reporting Standards in Malaysia and provisions of the Act.

In preparing the financial statements for the FY2014 set out on pages 126 to 275 of this Annual Report, the Directors consider that the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have the responsibility in ensuring that the Company and the Group maintain accounting records that disclose the financial position of the Company and the Group with reasonable accuracy which enable them to ensure that the financial statements are in compliance with the Act.

The Directors also have the overall responsibility to take such steps that are reasonably available to them to safeguard the assets of the Company and the Group as well as to prevent and detect fraud as well as other irregularities.

This Statement on Directors' Responsibility is made in accordance with a resolution passed by the Board of Directors on 22 May 2014.

CORPORATE RESPONSIBILITY

SapuraKencana Petroleum Berhad ("SapuraKencana" or "Group") believes that beyond the obligation to generate profits for shareholders, we have a responsibility to all stakeholders to ensure responsible and sustainable practices in all aspects of conducting our business. To this end, we have adopted a Corporate Responsibility ("CR") model that embodies a strategic approach that focuses CR programmes on key social development issues which align with the Group's businesses.

In the year under review, we continued to balance our strong financial performance with responsible social and environmental undertakings that were impactful in areas within the business, the communities where we operate and the environment at large.

OUR COMMITMENT TO NURTURING EMPOWERED EMPLOYEES

SapuraKencana's success to date is built upon the calibre of our workforce and is dependent on our ability to recruit and cultivate talents at the highest levels. We believe that people are the multiplier of our assets and our biggest source of success, resilience, growth and inspiration. As a key player in an industry that is continuously evolving and innovating, it is important that we build a strong talent pipeline and highly motivated workforce. Only then can we continue to hold our own in a complex and highly competitive playing field.

The Group remains fully committed to developing capable, confident and competent employees who will excel and compete globally. For the financial year ended 31 January 2014 ("FY2014"), the Group invested 5% of its total annual salary cost in external training and development, in addition to internal on-the-job training, mentoring and development to ensure the continuous growth and advancement of our people.

At SapuraKencana, we put people at the heart of everything we do as we recognise that great talents provide a competitive advantage. Hence, we are continually improving our Human Resources framework to identify and groom high-performing individuals. An essential component of the Group's talent management strategy revolves around holistic competency development in both technical and non-technical skill sets. Our programmes are tailor-made to support the training needs of employees at every phase to facilitate optimal job performance and professional growth.

While our employees are motivated to work hard, we also ensure that they have a healthy work-life balance by setting aside time for social and recreational activities. In FY2014, our Sports, Recreation and Community Committee ("Committee") organised the Petroleum Futsal League for the second consecutive year to provide a platform for our team to network with their industry peers. A total of 16 companies participated in the league, meeting every Sunday in the months of September and October 2013 to pit their skills against each other on the futsal pitch. The Committee also organised badminton sessions for employees on a weekly basis, organised *tazkirah* during the month of *Ramadhan*, and other social contribution activities such as blood donation drives.

OUR COMMITMENT TO DEVELOPING SUSTAINABLE COMMUNITIES

SapuraKencana is deeply committed to developing sustainable communities by undertaking community outreach initiatives focusing on the areas of community empowerment as well as focusing on youth and education. The people of SapuraKencana continue to volunteer their time and efforts to strengthen our ties with the community, and we proudly support their initiatives. In FY2014, we invested more than RM6.2 million for numerous causes throughout Malaysia.

In relation to community empowerment, we supported *Persatuan Thalassemia Malaysia's* efforts to cater to the needs of Thalassemia patients. We also lent support to representatives of International Islamic University Malaysia in their efforts to improve the living conditions of underprivileged communities in Aceh. The Group also sponsored the tri-partite effort by Nur Qilan Qaseh, Viva Palestina and the Perdana Global Peace Foundation to raise funds for women in Palestine though a microcredit scheme.

Our community empowerment efforts also extend to the MyKasih Food Aid and Bursary Programme in Lumut and Teluk Intan, Perak. Under this initiative, families in need of assistance are given a monthly stipend to be spent on groceries from nearby participating stores. Eligible students are also able to purchase textbooks, stationeries and food at school using their student cards. In time, this initiative will be extended to other towns within the vicinity of our operations.

SapuraKencana's employees have consistently sought to make a tangible difference in communities by implementing initiatives that meet a broad range of humanitarian needs benefiting all segments of the community. The SapuraKencana Volunteer Programme was launched in December 2012 to encourage employees to make a difference in the communities within the vicinity of their workplace. It has done much to inspire teamwork and strengthen the ties between our people and the communities where we operate.

CORPORATE RESPONSIBILITY

In FY2014, our people lent support to a host of community initiatives. In collaboration with Pertubuhan Tindakan Wanita Islam (Pertiwi) Soup Kitchen, we kicked off the SapuraKencana Soup Kitchen Programme in April 2013 to cater to the underprivileged within the Klang Valley. Our volunteers distributed meals sponsored by the Group and gift packs consisting of packet drinks, biscuits, wafers and vitamin supplements.

As part of our efforts to bring relief to victims affected by floods on the East Coast of Malaysia in 2013, we collaborated with Sapura Community to assist flood victims. Volunteers in more than 10 four-wheel drive vehicles went to Pekan, Pahang and Kemaman, Terengganu to assist with clean-up activities as well as to distribute rice, mineral water, instant noodles, cleaning materials, school bags and stationery.

Our volunteers visited *Pertubuhan Kebajikan Anak-Anak Yatim Al-Nasuha* and made cash donations which went towards school preparations and the purchase of *Hari Raya* clothes, school bags, stationeries, bedding and supplies for the orphanage. We also played host to the children during our Hari Raya Open House and Family Day events.

Under the auspices of *Jabatan Perikanan Perak*, our volunteers visited the Segari Turtle Sanctuary in Lumut, Perak and made a cash donation towards the day-to-day operations of the sanctuary. With the guidance of the centre, our volunteers also cleaned the turtle pools, the premises at the sanctuary and the turtle landing spot on the adjacent beach.

In collaboration with the National Blood Bank, our volunteers gathered at Menara SapuraKencana Petroleum to donate blood. The day-long activity managed to attract more than 110 donors.

OUR COMMITMENT TO EDUCATION AND YOUTH DEVELOPMENT

FY2014 saw SapuraKencana continue to develop human capital potential through a variety of programmes that served as catalysts for prosperous and vibrant communities.

We continued our involvement in the *Yayasan Peneraju Pendidikan Bumiputera* initiative. The primary objective of the fund is to enable eligible students from economically-challenged backgrounds access to quality education and up-skilling of competency and skills. To this end, the Group pledged to contribute a sum of RM5.0 million over a period of five years towards this programme with another RM5.0 million pledged to cover job placements, training and provision of equipment.

SapuraKencana is also a participating sponsor of *Skim Latihan 1 Malaysia* ("SL1M") which is a training initiative to assist unemployed fresh graduates. The SL1M programme serves to enhance the employability skills of graduates. It involves character building, inculcating an entrepreneurial spirit, promoting fluency in English and providing contacts and opportunities to boost their competitive advantage in the job market. The majority of our SL1M graduates have gone on to secure employment in the company and elsewhere in the marketplace.

We also lent support to the Malaysian Student Leaders Summit, the annual flagship event of the United Kingdom and Eire Council of Malaysian Students ("UKEC") that saw the participation of some 800 Malaysian student leaders from universities the world over. The event enabled participants to develop a better understanding of issues facing our nation and to be better prepared to undertake the unique challenges that lie ahead in charting the way forward for Malaysia. The year also saw us lending support to a Malaysian team from *Sekretariat Mahasiswa Fakulti Sains Pentadbiran and Pengajian Polisi* who visited Seoul National University in South Korea for an idea-sharing exchange on educational and general world issues affecting both countries.

Career fairs allow us to personally engage with a variety of talents from all over Malaysia. They not only serve as a platform to highlight jobs which are in demand, but also provide an opportunity to promote awareness of our corporate brand while showcasing our services to thousands of potential candidates, fresh graduates and experienced professionals.

In FY2014, we participated in several career fairs including the Universiti Teknologi PETRONAS' annual Technology, Education and Career exhibition and Universiti Teknologi Malaysia's Oil and Gas Festival 2013. Such fairs enabled us to connect with university students and provide them a deeper understanding of the latest industry developments and technologies involved.

The Group also participated in the inaugural PETRONAS International Human Capital Summit ("PIHCS 2013"), a unique integrated platform organised by industry owners for industry stakeholders. This international event that combines a conference, workshops, exhibition and social programmes allowed us to keep abreast of the human capital challenges faced by the oil and gas industry.

OUR COMMITMENT TO CREATING AN INCLUSIVE MARKETPLACE

As the Group grows, we believe that our success must be inclusive. To this end, we are committed to actively collaborate with industry players to develop local vendors across the value chain. Currently, our efforts extend to supporting PETRONAS' Vendor Development Programme to give small and medium-sized enterprises in Malaysia a head-start in the oil and gas business, strengthen their business capacity and help them move further up the value chain. This aligns with the Malaysian Government's plans to transform Malaysia into a regional hub for oil field services under the Economic Transformation Programme.

As a key player in the oil and gas industry, SapuraKencana is committed to upholding good and fair marketplace practices and to ensure the highest standards of transparency and accountability in all our dealings with the investor community, shareholders, customers and other stakeholders.

We place great emphasis on stakeholder engagement through regular interactions and updates which help communicate our corporate vision and strategies. Our senior management conduct regular briefings with analysts, investors and the media throughout the year as part of our stakeholder engagement activities. Further, our corporate website provides corporate information and that of the Group's capabilities across the oil and gas value chain.

In line with our corporate values, we continually endeavour to enhance our corporate governance standards and risk management practices to earn and keep the trust of our stakeholders as well as ensure the continued growth and success of the Group. We have a well-defined governance structure and sound system of internal controls in place to fulfil our obligations as a corporation. These are complemented by a robust risk management framework that sets out the roles and responsibilities for managing risks.

Given the scale of our global operations, we realise the importance of ethical procurement activities relating to the purchase of goods and the commissioning of services. To this end, we are in the process of developing and formalising a Procurement Policy that is in line with our goal of sustainable development and upholds our core corporate values of honesty, trust and respect for all.

OUR COMMITMENT TO SAFEGUARDING THE ENVIRONMENT

SapuraKencana remains committed to preserving the environment and operating in a responsible and environmentally friendly manner.

To date, our green initiatives encompass energy conservation activities, water sampling for wastewater and effluent discharge, as well as oil spill containment. We dispose our scheduled waste in accordance with legislative requirements with licensed contractors undertaking collection and disposal activities.

Our conservation efforts have brought about cost savings from energy, water and paper consumption, while providing the Group better control over the management of chemicals and other hazardous materials.

MOVING FORWARD

As our business grows, SapuraKencana remains committed to implementing tangible CR practices that will create value for, and impact positively our many stakeholders as well as the communities and environment that we operate in. We are committed to ensuring that we grow profitably in a responsible manner.

HIGHLIGHTS OF EVENTS

23 APRIL 2013
SapuraKencana Extraordinary General Meeting
Sapura@Mines, Seri Kembangan, Selangor

5-7 JUNE 2013
Oil and Gas Asia 2013 (OGA 2013)
Kuala Lumpur Convention Centre, Kuala Lumpur

4 JULY 2013
SapuraKencana Annual General Meeting
Sapura@Mines, Seri Kembangan, Selangor

20 AUGUST 2013
SapuraKencana Hari Raya Open House
Mandarin Oriental Hotel, Kuala Lumpur

6-9 MAY 2013

Offshore Technology Conference 2013 (OTC 2013)
Reliant Center, Houston, USA

18-19 JUNE 2013

Universiti Teknologi PETRONAS Technology, Education and Career (TEC 2013)
Universiti Teknologi PETRONAS, Tronoh, Perak

5 JULY 2013

Donation and visit to *Pertubuhan Kebajikan Anak-Anak Yatim Al-Nasuha*
Batu Caves, Selangor

7 SEPTEMBER 2013

SapuraKencana Family Fest
Bukit Kiara Equestrian & Country Club, Kuala Lumpur

HIGHLIGHTS OF EVENTS

27 SEPTEMBER 2013

***Sapura Diamante* Vessel Naming and Launch Ceremony**
IHC Merwede Shipyard, Rotterdam, Netherlands

24-27 OCTOBER 2013

CIMB Classic
Kuala Lumpur Golf & Country Club, Kuala Lumpur

29-30 OCTOBER 2013

PETRONAS International Human Capital Summit
Intercontinental Hotel, Kuala Lumpur

30 SEPTEMBER 2013

SapuraKencana First Half Financial Results Analysts Briefing
Menara SapuraKencana Petroleum, Kuala Lumpur

27 OCTOBER 2013

Closing & Prize-Giving Ceremony of Petroleum Futsal League 2013
Sports Planet Ampang, Selangor

9 NOVEMBER 2013

SapuraKencana Turtle Conservation Programme
Segari Turtle Sanctuary, Lumut, Perak

19 NOVEMBER 2013

Forbes Asia Fabulous 50 Awards Ceremony
Regent Beijing, Beijing, China

HIGHLIGHTS OF EVENTS

20-22 NOVEMBER 2013

Universiti Teknologi Malaysia Oil and Gas Festival 2013
Universiti Teknologi Malaysia, Skudai, Johor

6 DECEMBER 2013

SapuraKencana Extraordinary General Meeting
Sapura@Mines Seri Kembangan, Selangor

20-22 DECEMBER 2013

SapuraKencana Aid Mission for Flood Victims
Pekan, Pahang & Kemaman, Terengganu

16 FEBRUARY 2014

***SapuraKencana 1200* Vessel Naming Ceremony**
COSCO Shipyard, Nantong, China

26 NOVEMBER 2013

SapuraKencana Blood Donation Drive
Menara SapuraKencana Petroleum,
Kuala Lumpur

8 DECEMBER 2013

SapuraKencana – SIC Sepang Criterium Series
Sepang International Circuit, Selangor

13 FEBRUARY 2014

SapuraKencana Chinese New Year Celebration
Menara SapuraKencana Petroleum, Kuala Lumpur

17 FEBRUARY 2014

***SapuraKencana 3500* Vessel Naming Ceremony**
COSCO Shipyard, Qidong, China

HIGHLIGHTS OF EVENTS

17 FEBRUARY 2014

SKD T-18 **Vessel Naming Ceremony**
COSCO Shipyard, Nantong, China

25-28 MARCH 2014

Offshore Technology Conference Asia 2014 (OTC 2014)
Kuala Lumpur Convention Centre, Kuala Lumpur

27 MARCH 2014

Senior Multi-Currency Term & Revolving Facilities Signing Ceremony
Grand Hyatt Hotel, Kuala Lumpur

20 FEBRUARY 2014

Sapura Topazio **Vessel Naming & Launch Ceremony**
IHC Merwede Shipyard, Rotterdam, Netherlands

13 MARCH 2014

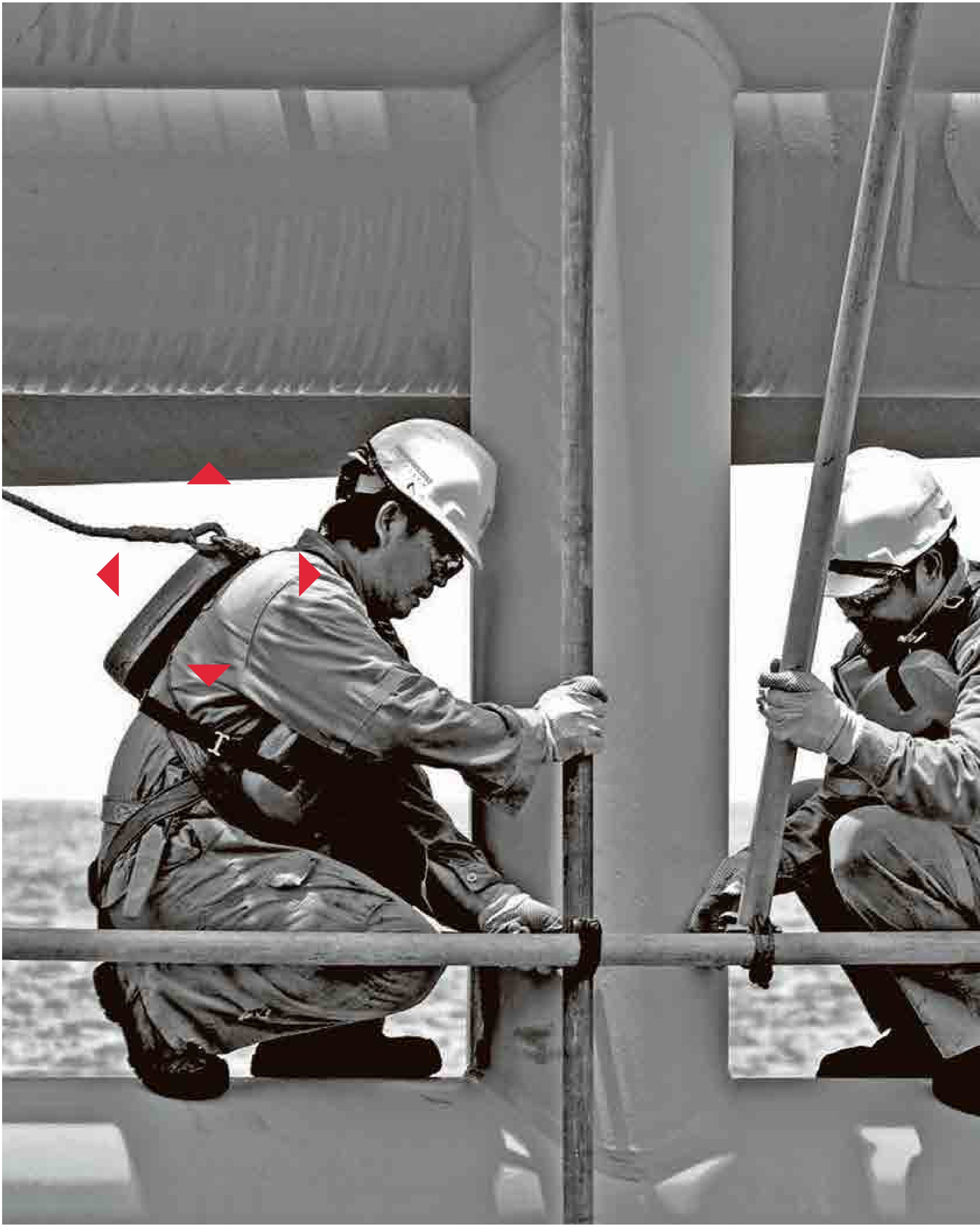
PETRONAS Carigali Outstanding Vendor Awards 2014
Kuala Lumpur Convention Centre, Kuala Lumpur

25 MARCH 2014

SapuraKencana Fourth Quarter 2014 Financial Results Analysts Briefing
Grand Hyatt Hotel, Kuala Lumpur

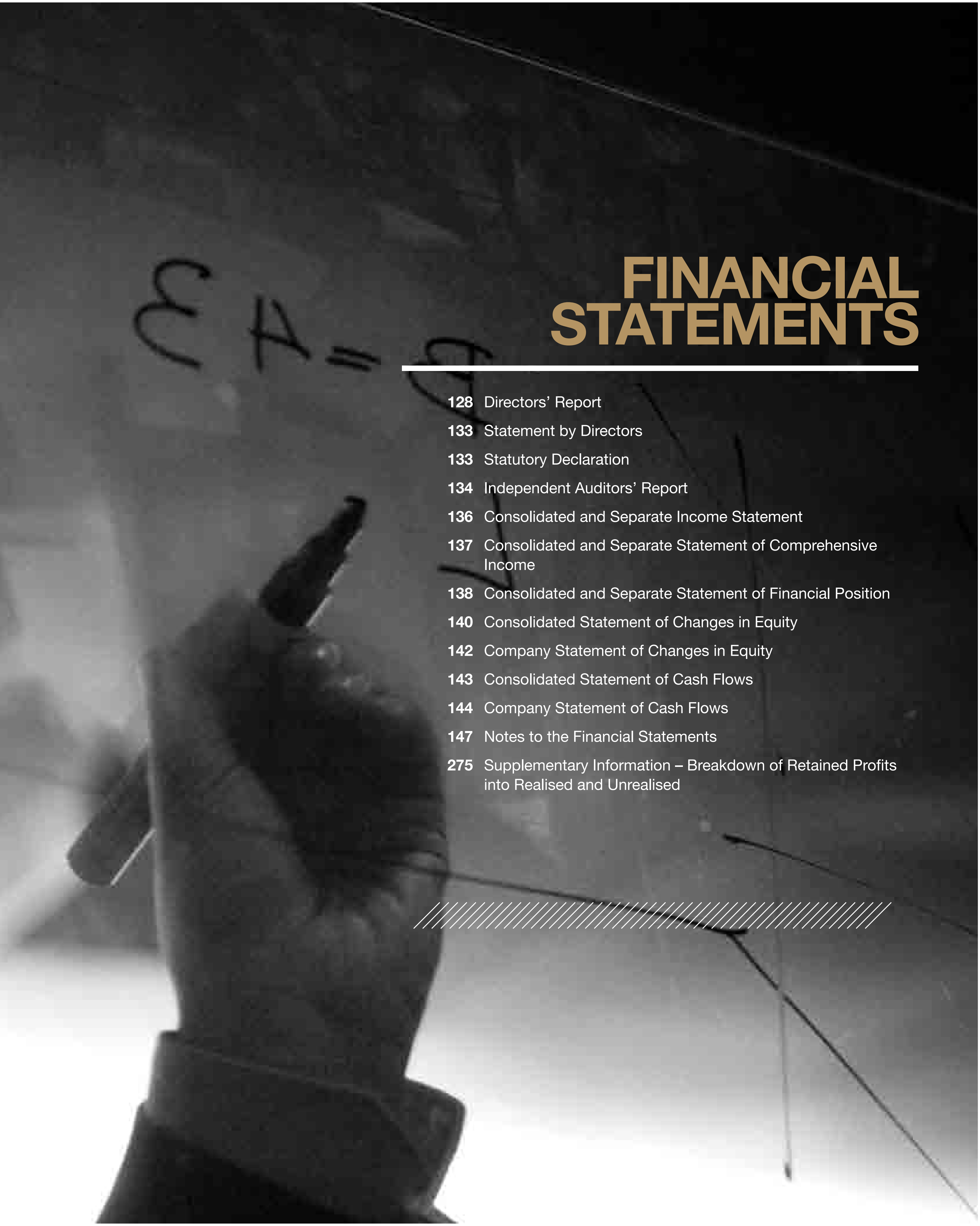
27 MARCH 2014

Malaysia Grand Prix Welcome Dinner
Shangri-la Hotel, Kuala Lumpur



SAFE EXECUTION

Operating in a safety-oriented industry, we are committed to uphold the highest HSE standards and best-in-class quality processes in delivering to customer expectations.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are as described in Note 41 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	1,123,697	413,982
Attributable to:		
Owners of the Parent	1,086,914	413,982
Non-controlling interests	36,783	–
	1,123,697	413,982

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the date of last report. The directors do not recommend any dividend in respect of the financial year ended 31 January 2014.

DIRECTORS

Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Hamzah bin Bakar
Tan Sri Dato' Seri Shahril bin Shamsuddin
Dato' Mokhzani bin Mahathir
Ramlan bin Abdul Malek (Appointed on 1 March 2014)
Dato' Shahriman bin Shamsuddin
Tor Olav Trøim (Redesignated from Alternate Director to John Fredriksen to Non-Independent Non-Executive Director on 30 January 2014)
Yeow Kheng Chew
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Mohamed Rashdi bin Mohamed Ghazalli
Gee Siew Yoong (Appointed on 5 July 2013)
John Fredriksen (Redesignated from Non-Independent Non-Executive Director to Alternate Director to Tor Olav Trøim on 30 January 2014)
Chong Hin Loon (Demised on 14 October 2013)
Tan Sri Nik Mohamed bin Nik Yaacob (Resigned on 10 December 2013)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.2.2013 '000	Acquired '000	Sold '000	As at 31.1.2014 '000
The Company				
Indirect interest				
Tan Sri Dato' Seri Shahril bin Shamsuddin	1,001,023	–	–	**1,001,023**
Dato' Mokhzani bin Mahathir	795,320	–	–	**795,320**
Dato' Shahriman bin Shamsuddin	1,001,023	–	–	**1,001,023**
Mohamed Rashdi bin Mohamed Ghazalli	49	–	–	**49**
Direct interest				
Dato' Hamzah bin Bakar	5,000	–	–	**5,000**
Tan Sri Dato' Seri Shahril bin Shamsuddin	7,876	–	–	**7,876**
Dato' Mokhzani bin Mahathir	9,494	–	–	**9,494**
Dato' Shahriman bin Shamsuddin	506	–	–	**506**
Yeow Kheng Chew	22,181	–	–	**22,181**
Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo	256	–	–	**256**
Mohamed Rashdi bin Mohamed Ghazalli	98	–	–	**98**

Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahriman bin Shamsuddin by virtue of their interests in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUANCE OF SHARES

The Company had on 25 April and 30 April 2013 increased its issued ordinary share capital from RM5,004,366,198 to RM5,992,155,087 as part of the consideration for the acquisition of the tender rig business of Seadrill Limited (“Seadrill’) by way of the following:

(i) Issuance of 587,000,000 new ordinary shares of RM1.00 each at an issue price of RM2.80 per ordinary share on 25 April 2013 via a private placement; and

(ii) Issuance of 400,788,889 new ordinary shares of RM1.00 each to Seadrill at an issue price of RM2.70 per ordinary share on 30 April 2013. For the purpose of accounting for the shares consideration, the fair value of RM3.09 per share as at the completion date of the acquisition was recorded.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 42 to the financial statements.

Subsequent events are disclosed in Note 43 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 May 2014.

Dato' Hamzah bin Bakar **Tan Sri Dato' Seri Shahril bin Shamsuddin**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of SapuraKencana Petroleum Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 136 to 274 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2014 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out on page 275 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 May 2014.

Dato' Hamzah bin Bakar

Tan Sri Dato' Seri Shahril bin Shamsuddin

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tengku Muhammad Taufik, being the officer primarily responsible for the financial management of SapuraKencana Petroleum Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 136 to 275 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Tengku Muhammad Taufik
at Kuala Lumpur in the Federal Territory
on 22 May 2014

Tengku Muhammad Taufik

Before me,
Mohammad Roslan bin Mustafa (W562)
Commissioner for Oaths, Malaysia
H-1-10, Plaza Damas
Jalan Sri Hartamas 1
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SAPURAKENCANA PETROLEUM BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SapuraKencana Petroleum Berhad, which comprise the statements of financial position as at 31 January 2014 of the Group and of the Company, income statements, statements of 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 a summary of significant accounting policies and other explanatory notes as set out on pages 136 to 274.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements 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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2014 and of their financial performance and 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, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 (“Act”) in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors’ reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 41 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors’ reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out on page 275 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountant (“MIA Guidance”) and the directive of Bursa Malaysia Securites Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis bin Bahatiar
No. 2921/04/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 May 2014

CONSOLIDATED AND SEPARATE INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	3	**8,378,776**	6,912,414	**856,116**	481,809
Cost of sales	4	**(6,270,871)**	(5,377,904)	**–**	–
Gross profit		**2,107,905**	1,534,510	**856,116**	481,809
Other income	5	**236,764**	111,236	**91,525**	33,797
Other expenses		**(163,314)**	(147,440)	**–**	–
Administration expenses		**(764,578)**	(576,318)	**(402,785)**	(291,215)
Operating profit		**1,416,777**	921,988	**544,856**	224,391
Finance costs	6	**(443,831)**	(227,446)	**(163,051)**	(129,476)
Share of profit from associates		**1,833**	271	**–**	–
Share of profit from joint venture companies		**232,978**	134,937	**–**	–
Profit before tax	7	**1,207,757**	829,750	**381,805**	94,915
Income tax (expense)/credit	10	**(84,060)**	(165,969)	**32,177**	(19,980)
Profit net of tax		**1,123,697**	663,781	**413,982**	74,935
Profit attributable to:					
Owners of the Parent		**1,086,914**	524,596	**413,982**	74,935
Non-controlling interests		**36,783**	139,185	**–**	–
		1,123,697	663,781	**413,982**	74,935
Earnings per share attributable to owners of the Parent (sen per share)					
Basic	11	**18.92**	10.48		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit net of tax	**1,123,697**	663,781	**413,982**	74,935
Other comprehensive income:				
Items that may be reclassified to income statements in subsequent periods:				
Foreign currency translation	**33,521**	48,676	**–**	–
Share of other comprehensive income of joint venture and associated companies	**(3,258)**	5,267	**–**	–
Total other comprehensive income	**30,263**	53,943	**–**	–
Total comprehensive income for the year	**1,153,960**	717,724	**413,982**	74,935
Total comprehensive income attributable to:				
Owners of the Parent	**1,151,925**	547,883	**413,982**	74,935
Non-controlling interests	**2,035**	169,841	**–**	–
	1,153,960	717,724	**413,982**	74,935

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	**12,518,547**	4,222,486	**30,385**	26,695
Intangible assets	14	**7,452,446**	5,034,662	**–**	–
Expenditure on oil and gas properties	15	**769,672**	780,063	**–**	–
Investment in subsidiaries	16	**–**	–	**6,172,165**	6,171,862
Investment in associates	17	**44,251**	42,601	**–**	–
Investment in joint venture companies	18	**984,322**	552,117	**–**	–
Deferred tax assets	19	**114,497**	43,802	**39,464**	7,287
Trade receivables	22	**55,432**	29,484	**–**	–
		21,939,167	10,705,215	**6,242,014**	6,205,844
Current assets					
Inventories	20	**472,287**	244,253	**–**	–
Amount due from subsidiaries	21	**–**	–	**5,151,968**	2,563,536
Trade and other receivables	22	**2,734,419**	3,136,114	**19,680**	10,038
Tax recoverable		**81,957**	85,337	**4,280**	7,562
Cash and cash equivalents	24	**1,386,661**	1,025,772	**145,544**	112,577
		4,675,324	4,491,476	**5,321,472**	2,693,713
Total assets		**26,614,491**	15,196,691	**11,563,486**	8,899,557

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	25	**5,992,155**	5,004,366	**5,992,155**	5,004,366
Share premium	25	**2,074,255**	242,886	**2,074,255**	242,886
Other reserves	26	**12,405**	(19,190)	**–**	–
Retained profits		**2,115,986**	1,109,072	**473,954**	59,972
		10,194,801	6,337,134	**8,540,364**	5,307,224
Non-controlling interests		**6,301**	405,775	**–**	–
Total equity		**10,201,102**	6,742,909	**8,540,364**	5,307,224
Non-current liabilities					
Borrowings	28	**11,326,261**	3,805,776	**2,347,510**	2,338,636
Other payables	32	**625,422**	–	**–**	–
Derivatives	33	**893**	1,284	**–**	1,284
Deferred tax liabilities	19	**71,128**	91,203	**–**	–
		12,023,704	3,898,263	**2,347,510**	2,339,920
Current liabilities					
Amount due to subsidiaries	27	**–**	–	**70,660**	151,385
Borrowings	28	**1,034,362**	2,135,196	**280,911**	899,494
Trade and other payables	32	**3,250,430**	2,325,111	**322,266**	200,950
Derivatives	33	**1,775**	2,206	**1,775**	584
Income tax payable		**103,118**	93,006	**–**	–
		4,389,685	4,555,519	**675,612**	1,252,413
Total liabilities		**16,413,389**	8,453,782	**3,023,122**	3,592,333
Total equity and liabilities		**26,614,491**	15,196,691	**11,563,486**	8,899,557

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

		I---------- Attributable to the owners of the parent ----------I						
		I-------- Non-distributable ---------I			Distributable			
	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 February 2013		5,004,366	242,886	(19,190)	1,109,072	6,337,134	405,775	6,742,909
Total comprehensive income		–	–	65,011	1,086,914	1,151,925	2,035	1,153,960
		5,004,366	242,886	45,821	2,195,986	7,489,059	407,810	7,896,869
Transactions with owners								
Issuance of ordinary shares, net	25	587,000	992,238	–	–	1,579,238	–	1,579,238
Shares issued pursuant to the acquisition of subsidiaries, net	25	400,789	839,131	–	–	1,239,920	–	1,239,920
Dividends to non-controlling interest of a subsidiary		–	–	–	–	–	(44,475)	(44,475)
Fair value adjustment arising from acquisition of non-controlling interest		–	–	–	(80,000)	(80,000)	80,000	–
Acquisition of non-controlling interest	41(u)	–	–	(33,416)	–	(33,416)	(432,480)	(465,896)
Effect arising from step acquisition of a subsidiary		–	–	–	–	–	(4,554)	(4,554)
Total transactions with owners		987,789	1,831,369	(33,416)	(80,000)	2,705,742	(401,509)	2,304,233
At 31 January 2014		**5,992,155**	**2,074,255**	**12,405**	**2,115,986**	**10,194,801**	**6,301**	**10,201,102**

	I---------- Attributable to the owners of the parent -----------I						
	I-------- Non-distributable ---------I			Distributable			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 February 2012	*	–	708,748	584,476	1,293,224	332,120	1,625,344
Total comprehensive income	–	–	23,287	524,596	547,883	169,841	717,724
	–	–	732,035	1,109,072	1,841,107	501,961	2,343,068
Transactions with owners							
Arising from merger exercise	–	–	(760,681)	–	(760,681)	–	(760,681)
Shares issued pursuant to the acquisition of subsidiaries	5,004,366	242,886	9,456	–	5,256,708	–	5,256,708
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	2,722	2,722
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	(98,908)	(98,908)
Total transactions with owners	5,004,366	242,886	(751,225)	–	4,496,027	(96,186)	4,399,841
At 31 January 2013	5,004,366	242,886	(19,190)	1,109,072	6,337,134	405,775	6,742,909

* Represents a balance of RM2.00

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	Note	I--------- Non-distributable Share capital RM'000	Share premium RM'000	--------I Other reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 February 2013		5,004,366	242,886	–	59,972	5,307,224
Total comprehensive income		–	–	–	413,982	413,982
		5,004,366	242,886	–	473,954	5,721,206
Transactions with owners:						
Issuance of ordinary shares, net	25	587,000	992,238	–	–	1,579,238
Shares issued pursuant to acquisition of subsidiaries, net	25	400,789	839,131	–	–	1,239,920
At 31 January 2014		**5,992,155**	**2,074,255**	**–**	**473,954**	**8,540,364**
At 1 February 2012		*	–	760,681	(14,963)	745,718
Total comprehensive income		–	–	–	74,935	74,935
		–	–	760,681	59,972	820,653
Transactions with owners:						
Arising from merger exercise		–	–	(760,681)	–	(760,681)
Issuance of shares		5,004,366	242,886	–	–	5,247,252
At 31 January 2013		5,004,366	242,886	–	59,972	5,307,224

* represents a balance of RM2.00

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before tax	**1,207,757**	829,750
Adjustments for:		
Amortisation of intangible assets	**13,473**	8,800
Amortisation of expenditure on oil and gas properties	**120,472**	25,372
Short term accumulating compensated absences	**2,856**	1,405
Net allowance for/(reversal of) impairment on trade and other receivables	**10,169**	(558)
Depreciation of property, plant and equipment	**504,129**	226,619
Gain on disposal of investment	**–**	(1,651)
Property, plant and equipment written off	**306**	1,951
(Gain)/loss on disposal of property, plant and equipment	**(3)**	417
Net fair value gain on derivatives	**(93)**	(211)
Share of profits from joint venture companies	**(232,978)**	(134,937)
Share of profits from associates	**(1,833)**	(271)
Gain arising from acquisition of a subsidiary	**–**	(41,950)
Net unrealised foreign exchange (gain)/loss	**(168,273)**	10,589
Interest expense	**443,831**	227,446
Interest income	**(17,168)**	(32,150)
Operating profit before working capital changes	**1,882,645**	1,120,621
Increase in inventories	**(98,069)**	(75,566)
Decrease/(increase) in trade and other receivables	**786,636**	(838,268)
(Decrease)/increase in trade and other payables	**(401,592)**	725,434
Changes in derivatives	**(729)**	(52)
Changes in balances with joint venture companies and associates	**19,257**	(20,195)
Cash generated from operating activities	**2,188,148**	911,974
Taxes paid	**(185,526)**	(180,489)
Net cash generated from operating activities	**2,002,622**	731,485

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	2014 RM'000	2013 RM'000
Cash flows from investing activities		
Arising from merger exercise	**–**	(875,066)
Investment in joint venture companies	**–**	(73,885)
Changes in balances with joint venture companies	**297,600**	(567,279)
Net cash outflow on acquisition of subsidiaries (Note 41(u))	**(5,697,673)**	(283,191)
Deposit on acquisition of Newfield Malaysia Holding Inc. (Note 42(g))	**(300,335)**	–
Proceeds from disposal of property, plant and equipment	**61**	16,352
Purchase of property, plant and equipment	**(2,366,418)**	(808,056)
Purchase of intangible assets	**(35,283)**	(2,417)
Expenditure on oil and gas properties	**(173,234)**	(396,817)
Interest received	**9,627**	20,484
Dividends received from a joint venture company	**–**	26,688
Acquisition of non-controlling interests	**(437,034)**	–
Dividend paid to non-controlling interest of a subsidiary	**(44,475)**	(98,908)
Net cash used in investing activities	**(8,747,164)**	(3,042,095)
Cash flows from financing activities		
Issuance of ordinary shares, net	**1,579,238**	–
Net repayment of Ijarah facility	**–**	(185,805)
Net repayment of hire purchase and finance lease creditors	**(5,679)**	(13,169)
Net drawdown of term loans	**4,397,430**	2,495,399
Issuance of Sukuk Mudharabah	**–**	194,680
Redemption of Mudharabah Commercial Paper ("MCP")	**–**	(95,000)
Redemption of Istisna' Bonds	**(190,000)**	(60,000)
Net drawdown of revolving credit	**1,690,158**	465,522
Net repayment of other short term borrowings	**–**	(4,819)
Interest paid	**(388,209)**	(190,126)
Net cash generated from financing activities	**7,082,938**	2,606,682
Net increase in cash and cash equivalents	**338,396**	296,072
Effects of exchange rate changes	**22,493**	24,787
Cash and cash equivalents at beginning of the year	**1,025,772**	704,913
Cash and cash equivalents at end of year (Note 24)	**1,386,661**	1,025,772

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before tax	**381,805**	94,915
Adjustments for:		
Depreciation of plant and equipment	**5,889**	3,206
Short term accumulating compensated absences	**786**	481
Net fair value gain on derivatives	**(93)**	(211)
Dividend income	**(651,105)**	(327,383)
Gain on disposal of fixed assets	**(65)**	–
Net unrealised foreign exchange (gain)/loss	**(16,301)**	7,476
Interest expense	**163,051**	129,476
Interest income	**(74,824)**	(33,697)
Operating loss before working capital changes	**(190,857)**	(125,737)
Net changes in balances with related companies	**(1,368,505)**	(529,343)
Increase in other receivables	**(9,291)**	(367)
Increase in other payables	**195,252**	112,506
Cash used in operating activities	**(1,373,401)**	(542,941)
Taxes refund/(paid)	**3,282**	(26,196)
Net cash used in operating activities	**(1,370,119)**	(569,137)
Cash flows from investing activities		
Arising from merger exercise	**–**	(875,066)
Investment in a subsidiary	**–**	(2)
Additional investment in an existing subsidiary	**–**	(499)
Net cash outflow on acquisition of assets and liabilities of Kencana Petroleum Berhad	**–**	(790,531)
Proceeds from disposal of plant and equipment	**65**	–
Purchase of plant and equipment	**(9,029)**	(11,865)
Interest received	**3,180**	4,101
Dividends received from subsidiaries	**616,640**	109,983
Net cash generated from/(used in) investing activities	**610,856**	(1,563,879)

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2014

	2014 RM'000	2013 RM'000
Cash flows from financing activities		
Issuance of ordinary shares, net	**1,579,238**	–
Repayment of hire purchase creditors	**(1,869)**	(78)
(Repayment)/drawdown of revolving credit, net	**(277,048)**	126,485
Issuance of Sukuk Mudharabah	**–**	194,680
(Repayment)/drawdown of term loan, net	**(358,750)**	2,021,684
Interest paid	**(149,341)**	(111,611)
Net cash generated from financing activities	**792,230**	2,231,160
Net increase in cash and cash equivalents	**32,967**	98,144
Cash and cash equivalents at beginning of year	**112,577**	14,433
Cash and cash equivalents at end of year (Note 24)	**145,544**	112,577

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

1. CORPORATE INFORMATION

SapuraKencana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Lot 6.08, 6th Floor, Plaza First Nationwide, No. 161 Jalan Tun H.S. Lee, 50000 Kuala Lumpur and the principal place of business is located at Level 6, Menara SapuraKencana Petroleum, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are as described in Note 41 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 May 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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 ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on a historical cost basis unless otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 February 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3: Business Combinations (IFRS 3: Business Combination issued by IASB in March 2004)	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of Interests in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128: Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009 – 2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities : Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company as discussed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 10: Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when:

(a) the investor has power over an investee;
(b) the investor has exposure, or rights, to variable returns from its investment with the investee; and
(c) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The above change in accounting policy has no significant impact to the financial statements of the Group.

MFRS 11: Joint Arrangements

MFRS 11 replaces MFRS 131: Interests in Joint Ventures and IC Interpretation 113: Jointly-Controlled Entities-Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

MFRS 11: Joint Arrangements (cont'd.)

MFRS 11 removes the option to accounts for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The above change in accounting policy has no significant impact to the financial statements of the Group.

MFRS 12: Disclosures of Interest in Other Entities

MFRS 12 includes all disclosure requirements for interest in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosure only and has no impact on the Group's financial position or performance.

MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair value were determined.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to income statement at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

MFRS 127: Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128: Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The standards and interpretation that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21: Levies	1 January 2014
Annual improvements to MFRS 2010 – 2012 Cycle	1 July 2014
Annual improvements to MFRS 2011 – 2013 Cycle	1 July 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9: Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7, and MFRS 139	To be announced

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of application except as discussed below:

MFRS 9: Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139.

The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: *Mandatory Effective Date of MFRS 9 and Transition Disclosures,* issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 Feb 2014, it was announced that the new effective date will be decided when the project is closer to completion.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 9: Financial Instruments (cont'd.)

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instruments meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation, if any.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in income statement.

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to income statement or where applicable, transferred directly to retained profit. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of an investment.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either a fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in income statement or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Business Combinations (cont'd.)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in income statement. The accounting policy for goodwill is set out in Note 2.11(a).

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

2.6 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Investments in associates and joint ventures (cont'd.)

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate or a joint venture after date of acquisition. When the Group share of losses in an associate or joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139: *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136: *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in income statement. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at a cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRS applicable to the particular assets, liabilities, revenues and expenses.

2.8 Transaction with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.9 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Foreign currency (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is only probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Property, plant and equipment (cont'd.)

Dry docking costs which enhance the useful lives of the assets are capitalised when incurred and the remaining carrying amount of the cost during the previous dry docking, if any, is derecognised. The costs capitalised is amortised over a period of 60 months or the period until the next drydocking date, which ever is shorter.

Depreciation is computed on a straight line basis over the estimated useful life of the assets as follows:

Leasehold land	1% – 2%
Freehold office premises	2%
Building and structure	2%
Vessels, remotely operated vehicles ("ROV") and Saturation Diving System ("SAT System")	4% – 20%
Tender assisted drilling rigs, and plant and machinery	3% – 50%
Other equipments, tools and implements	20% – 33.3%
Furniture, equipments and motor vehicles	14% – 50%

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

(i) Patents

Patents have a finite useful life and is amortised on a straight line basis over its finite useful life of 10 years.

(ii) Intellectual property rights

Intellectual property rights were acquired separately and is amortised on a straight line basis over its finite useful life of 5 years.

(iii) Software development costs

Software development costs are recognised when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use, its intention to complete and its ability to use, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development. Software development costs have a finite useful life and are amortised over the period of use on a straight line basis of 3 years.

(iv) Customer contracts

Customer contracts acquired as part of a business combination are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. These customer contracts are valued at fair value and amortised over the remaining contractual period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

(v) Development costs

Deferred development costs arising from development expenditures on certain projects are recognised when the Group can demonstrate:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditures attributable to the asset during development.

Deferred development costs have finite useful life and are amortised over the period of expected sales from the related projects on a straight line basis.

2.12 Expenditure on oil and gas properties

Expenditure on oil and gas properties is stated at cost less accumulated amortisation and any impairment. Cost comprises the purchase price or construction cost and any costs directly attributable in making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortisation is computed on a straight line basis over the remaining term of the Risk Service Contract ("RSC").

The carrying amount is derecognised at the end of contract or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition is included in the income statement when the asset is derecognised.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial assets (cont'd.)

(a) Financial assets at fair value through profit or loss (cont'd.)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in income statement as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in income statement. Dividends on an available-for-sale equity instrument are recognised in income statement when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in income statement.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in income statement.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in income statement, is transferred from equity to income statement.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Impairment of financial assets (cont'd.)

(b) Available-for-sale financial assets (cont'd.)

Impairment losses on available-for-sale equity investments are not reversed in income statement in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in income statement.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period for which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is classified as amount due from customers on contract. When progress billings exceed costs incurred plus recognised profits (less recognised losses) the balance is classified as amount due to customers on contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.18 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first-in-first-out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in income statement. Net gains or losses on derivatives include exchange differences.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make a specified payments to reimburse the holder for a loss it incurs because a specified debtors fails to make payment when due in accordance with the original or modified terms of a debt instruments. Financial guarantee contracts are classified as deferred income and are amortised to income statement using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statement upon discharge of the guarantee contract becomes probable, an estimate of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in income statement in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

(i) Short term benefit

Wages, salaries and bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated leave. Short term non-accumulating compensated leave such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2.23 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Leases (cont'd.)

(a) As lessee (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(f).

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivables.

(a) Revenue from services

Revenue from services is recognised net of service taxes and discounts as and when the services are performed.

(b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method, as described in Note 2.17.

(c) Hire revenue

Revenue earned on the hire of equipment and employees is accounted for on an accrual basis.

(d) Interest income

Interest income is recognised on accrual basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Revenue (cont'd.)

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(f) Rental income

Rental income is recognised on an accrual basis.

(g) Management fees

Management fees are recognised when services are rendered.

(h) Intellectual property rights, trademarks and branding fees

Intellectual property rights, trademarks and branding fees are charged to subsidiaries for the use of the Company's intellectual property, trademarks and brand.

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Income taxes (cont'd.)

(c) Sales tax

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax except:

- where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Hedge accounting

The Group uses derivatives to manage its exposure to foreign currency risk, interest rate risk and liquidity risk, including forward currency contracts and cross currency interest rate swaps. The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedging relationship are classified as:

(i) Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

(ii) Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

(iii) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

(a) Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognised in the income statement as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in income statement as finance costs.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Hedge accounting (cont'd.)

(a) Fair value hedges (cont'd.)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in income statement.

Fair value hedge accounting is discontinued if the hedging instrument expires or sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

The Group has not designated any derivative under fair value hedge.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in income statement as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to income statement when the hedged transaction affects income statement, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are removed and included in the initial carrying amount of the non-financial asset or liability. The Group has elected not to apply basis adjustments to hedges of forecast transactions that result in the recognition of a non-financial asset or a non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects income statement.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Treatment of contract variation

Included in the financial statements are values of change orders that have not yet been approved which are at various stages of process with the customers. These are included in Note 23. In this respect, the values are estimated based on the management's assessment and judgement as to the realisable amount.

The complexity of estimation process, risks and uncertainties will affect the amounts reported in the financial statements. Depending on the outcome of negotiations with customers, this could result in reduction/increase in attributable profits/losses.

The directors are of the opinion that the change orders recognised in the financial statements represents the best estimate, with justifiable grounds for the claims submitted and favourable progress of discussions with the customers.

(b) Key sources of estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 January 2014 were RM7,312,326,000 (2013: RM4,985,439,000). Further details are disclosed in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Significant accounting judgements and estimates (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Construction contracts

The Group recognises construction contracts revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that construction contracts costs incurred for work performed to date to the estimated total construction contracts costs.

Significant judgement is required in determining the stage of completion, the extent of the construction contracts costs incurred, the estimated total construction contracts revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 35 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Installation of pipelines and facilities	**2,889,240**	3,418,179	**–**	–
Engineering, procurement, construction and commissioning	**1,755,829**	1,668,530	**–**	–
Offshore drilling services	**2,295,178**	719,858	**–**	–
Subsea and offshore support services	**709,992**	610,393	**–**	–
Geotechnical and maintenance services	**302,143**	316,834	**–**	–
Oilfield development and production	**379,054**	138,085	**–**	–
Technical consultation services	**47,340**	40,535	**–**	–
Dividend income	**–**	–	**651,105**	327,383
Management fees from subsidiaries	**–**	–	**135,011**	104,426
Intellectual property rights, trademarks and branding fees from subsidiaries	**–**	–	**70,000**	50,000
	8,378,776	6,912,414	**856,116**	481,809

4. COST OF SALES

Cost of sales comprise of costs related to construction contracts, services rendered and inventories sold.

5. OTHER INCOME

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Interest income				
– third parties	**11,094**	20,484	**3,180**	4,101
– joint venture companies	**6,074**	11,666	**–**	–
– subsidiaries	**–**	–	**71,644**	29,596
Net fair value gains on derivatives	**93**	211	**93**	211
Gain on disposal of scrap materials	**3,941**	5,768	**–**	–
Gain on disposal of investment	**–**	1,651	**–**	–
Realised gain on settlement of derivatives	**–**	1,421	**–**	(113)
Gain arising from acquisition of a subsidiary	**–**	41,950	**–**	–
Gain on remeasurement arising from step acquisition of a subsidiary	**–**	15,599	**–**	–
Foreign exchange differences:				
– unrealised exchange gain	**168,273**	–	**16,301**	–
– realised exchange gain	**40,361**	–	**–**	–
Miscellaneous income	**6,928**	12,486	**307**	2
	236,764	111,236	**91,525**	33,797

6. FINANCE COSTS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Interest expense on borrowings	**458,552**	227,446	**163,051**	129,476
Less: Interest expense capitalised in property, plant and equipment	**(14,721)**	–	**–**	–
	443,831	227,446	**163,051**	129,476

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

7. PROFIT BEFORE TAX

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
This is arrived at after charging/(crediting):				
Employee benefits expense (Note 8)	**1,441,108**	702,533	**218,368**	62,745
Non-executive directors' remuneration (Note 9)	**2,415**	2,431	**2,324**	2,281
Auditors' remuneration:				
– Statutory audits:				
– Group auditors	**2,782**	2,022	**100**	100
– Other auditors	**106**	151	**–**	–
– Other services:				
– Group auditors	**2,229**	1,360	**1,022**	1,360
Charter of vessels, barges and rigs and hire of equipment	**339,193**	279,243	**–**	–
Depreciation of property, plant and equipment*	**500,605**	222,265	**5,889**	3,206
Amortisation of intangible assets (Note 14)	**13,473**	8,800	**–**	–
Amortisation of expenditure of oil and gas properties (Note 15)	**120,472**	25,372	**–**	–
(Gain)/loss on disposal of property, plant and equipment	**(3)**	417	**(65)**	–
Property, plant and equipment written off	**306**	1,951	**–**	–
Rental of premises	**34,372**	25,973	**3,949**	6,863
Foreign exchange differences:				
– net unrealised exchange loss	**–**	10,589	**–**	7,476
– net realised exchange loss	**–**	4,118	**13,347**	1,102
Net allowance for/(reversal of) impairment on trade and other receivables (Note 22)	**10,169**	(558)	**–**	–
Realised loss on settlement of derivatives	**4,168**	113	**3,342**	113
Intellectual property rights, trademarks and branding fees (Note 36)	**70,000**	62,500	**70,000**	62,500

* Depreciation of property, plant and equipment shown above excludes depreciation charged in the construction contract costs.

8. EMPLOYEE BENEFITS EXPENSE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Wages and salaries	**1,229,857**	639,725	**192,310**	56,143
Social security contributions	**4,525**	2,378	**167**	101
Contributions to defined contribution plan	**86,101**	45,362	**23,168**	5,689
Other benefits	**120,625**	15,068	**2,723**	812
	1,441,108	702,533	**218,368**	62,745

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration as disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**113,425**	44,968	**113,425**	44,968
Benefits-in-kind	**974**	55	**974**	55
	114,399	45,023	**114,399**	45,023
Non-Executive:				
Fees	**2,374**	1,803	**2,283**	1,653
Other emoluments	**41**	628	**41**	628
Total remuneration (Note 7)	**2,415**	2,431	**2,324**	2,281
Benefits-in-kind	**34**	70	**7**	–
	2,449	2,501	**2,331**	2,281
	116,848	47,524	**116,730**	47,304
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration, excluding benefits-in-kind (Note 36(b))	**113,425**	44,968	**113,425**	44,968
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	**2,415**	2,431	**2,324**	2,281
Total directors' remuneration excluding benefits-in-kind	**115,840**	47,399	**115,749**	47,249

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

10. INCOME TAX EXPENSE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Income tax:				
Malaysian income tax	**129,129**	165,034	**–**	21,499
Foreign tax	**54,722**	7,680	**–**	–
	183,851	172,714	**–**	21,499
(Over)/underprovided in prior years:				
Malaysian income tax	**(5,819)**	(1,491)	**–**	1,304
Foreign tax	**(745)**	–	**–**	–
	(6,564)	(1,491)	**–**	1,304
	177,287	171,223	**–**	22,803
Deferred tax: (Note 19)				
Relating to origination of temporary differences	**(91,737)**	(4,437)	**(34,644)**	(3,125)
Overprovided in prior years	**(1,490)**	(817)	**2,467**	302
	(93,227)	(5,254)	**(32,177)**	(2,823)
Total income tax expense/(credit)	**84,060**	165,969	**(32,177)**	19,980

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year tax rate of 25%, effective 2016.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit before tax 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:

	2014 RM'000	2013 RM'000
Group		
Profit before tax	**1,207,757**	829,750
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**301,939**	207,438
Effect of different tax rates in other countries	**(127,920)**	44
Effect of different tax rates in other jurisdiction – Labuan	**(78,802)**	(76,356)
Losses from foreign sources not deductible for tax purpose	**15,275**	615
Effect of income not subject to tax	**(24,521)**	(26,550)
Effect of double deduction of expenses and tax incentive	**(84)**	(1,383)
Effect of expenses not deductible for tax purposes	**104,790**	59,654
Effects of share of results of associates and joint venture companies	**(58,703)**	(33,802)
Effect of current year reinvestment allowance	**(13,193)**	(12,752)
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(4,280)**	(1,879)
Deferred tax assets recognised on previously unrecognised losses carried forward	**(23,381)**	–
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**994**	53,248
Overprovision of deferred tax in prior years	**(1,490)**	(817)
Overprovision of tax expense in prior years	**(6,564)**	(1,491)
Income tax expense for the year	**84,060**	165,969
Company		
Profit before tax	**381,805**	94,915
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	**95,451**	23,729
Effect of income not subject to tax	**(162,176)**	(54,341)
Effect of expenses not deductible for tax purposes	**32,081**	40,797
Deferred tax assets not recognised on unabsorbed tax losses	**–**	8,189
Underprovision of deferred tax in prior years	**2,467**	302
Underprovision of tax expense in prior years	**–**	1,304
Income tax (credit)/expense for the year	**(32,177)**	19,980

NOTES TO THE FINANCIAL STATEMENTS
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11. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2014	2013
Profit for the year attributable to owner of the parent (RM'000)	**1,086,914**	524,596
Weighted average number of ordinary shares in issue ('000)	**5,745,208**	5,004,366
Basic earnings per share (sen)	**18.92**	10.48

12. DIVIDENDS

No dividend has been paid or declared by the Company since the date of last report. The directors do not recommend any dividend in respect of the financial year ended 31 January 2014.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land and building RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Furniture, equipment and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group								
At 31 January 2014								
Cost								
At 1 February 2013	4,568	378,768	2,189,309	2,051,286	15,243	204,954	706,514	5,550,642
Additions	–	86,253	373,692	1,157,107	1,915	39,957	1,463,494	3,122,418
Acquisition of subsidiaries (Note 41 (u))	–	–	–	5,151,487	–	2,593	241,557	5,395,637
Disposals	–	–	(2,545)	(5,239)	–	(692)	–	(8,476)
Write-off	–	–	–	(575)	–	(825)	–	(1,400)
Reclassification	–	–	–	161,058	–	–	(161,058)	–
Exchange differences	–	–	30,674	666,451	–	(2,167)	38,675	733,634
At 31 January 2014	4 ,568	465,021	2,591,130	9,181,575	17,158	243,820	2,289,182	14,792,454

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and building RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Furniture, equipment and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2014 (cont'd.)								
Accumulated Depreciation and Impairment								
At 1 February 2013	–	29,000	472,639	724,335	12,690	89,492	–	1,328,156
Acquisition of subsidiaries (Note 41(u))	–	–	–	336,506	–	1,647	–	338,153
Depreciation charge for the year	–	7,268	117,811	354,296	1,082	23,672	–	504,129
Disposals	–	–	(2,627)	(5,248)	–	(543)	–	(8,418)
Write-off	–	–	–	(491)	–	(603)	–	(1,094)
Exchange differences	–	–	6,163	107,076	–	(258)	–	112,981
At 31 January 2014	–	36,268	593,986	1,516,474	13,772	113,407	–	2,273,907
Net carrying amount								
At 31 January 2014	4,568	428,753	1,997,144	7,665,101	3,386	130,413	2,289,182	12,518,547

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and building RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Furniture, equipment and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group								
At 31 January 2013								
Cost								
At 1 February 2012	–	–	1,077,009	1,045,205	14,632	93,944	78,132	2,308,922
Additions	–	46,586	62,925	158,485	611	42,018	498,347	808,972
Acquisition of subsidiaries	4,568	332,244	1,085,931	846,325	–	75,009	130,035	2,474,112
Disposals	–	(10)	(30,467)	(5,963)	–	(3,209)	–	(39,649)
Write-off	–	–	–	(20,694)	–	(2,115)	–	(22,809)
Reclassification	–	–	(2,491)	–	–	–	–	(2,491)
Adjustments	–	–	(765)	–	–	–	–	(765)
Exchange differences	–	(52)	(2,833)	27,928	–	(693)	–	24,350
At 31 January 2013	4,568	378,768	2,189,309	2,051,286	15,243	204,954	706,514	5,550,642

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Leasehold land and building RM'000	Vessels and related dry docking, ROVs, and SAT system RM'000	Tender assisted drilling rigs and related dry docking, and plant and machinery RM'000	Other equipments, tools and implements RM'000	Furniture, equipment and motor vehicles RM'000	Tender assisted drilling rigs, vessels and SAT system under construction RM'000	Total RM'000
Group (cont'd.)								
At 31 January 2013 (cont'd.)								
Accumulated Depreciation and Impairment								
At 1 February 2012	–	–	299,440	507,630	11,321	43,680	–	862,071
Acquisition of subsidiaries	–	24,730	92,525	124,253	–	29,626	–	271,134
Depreciation charge for the year	–	4,278	93,007	109,537	1,369	18,428	–	226,619
Disposals	–	(8)	(17,645)	(3,549)	–	(1,678)	–	(22,880)
Write-off	–	–	–	(19,657)	–	(1,201)	–	(20,858)
Exchange differences	–	–	5,312	6,121	–	637	–	12,070
At 31 January 2013	–	29,000	472,639	724,335	12,690	89,492	–	1,328,156
Net carrying amount								
At 31 January 2013	4,568	349,768	1,716,670	1,326,951	2,553	115,462	706,514	4,222,486

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Furniture, equipment and motor vehicles RM'000
Company	
At 31 January 2014	
Cost	
At 1 February 2013	**37,859**
Additions	**9,579**
Disposal	**(347)**
At 31 January 2014	**47,091**
Accumulated Depreciation	
At 1 February 2013	**11,164**
Depreciation charge for the year (Note 7)	**5,889**
Disposal	**(347)**
At 31 January 2014	**16,706**
Net carrying amount	
At 31 January 2014	**30,385**
At 31 January 2013	
Cost	
At 1 February 2012	11,788
Acquisition of assets from Kencana Petroleum Berhad	13,289
Additions	12,782
At 31 January 2013	37,859
Accumulated Depreciation	
At 1 February 2012	7,958
Depreciation charge for the year (Note 7)	3,206
At 31 January 2013	11,164
Net carrying amount	
At 31 January 2013	26,695

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Motor vehicles	**4,538**	2,651	**2,854**	1,365
Plant and machinery	**29,167**	1,213	**–**	–
	33,705	3,864	**2,854**	1,365

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 29.

(b) The Group and the Company acquired property, plant and equipment by the following means:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash	**2,366,418**	808,056	**9,029**	11,865
Payables	**716,417**	–	**–**	–
Hire purchase and finance lease arrangements	**24,862**	916	**550**	917
Borrowing costs capitalised	**14,721**	–	**–**	–
	3,122,418	808,972	**9,579**	12,782

(c) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Notes 28, 30 and 31) are as follows:

	Group	
	2014 RM'000	2013 RM'000
Freehold land	**4,568**	4,568
Tender assisted drilling rigs and plant and machinery	**6,749,028**	509,354
Vessels, ROVs and SAT system	**965,828**	998,166
	7,719,424	1,512,088

14. INTANGIBLE ASSETS

	Software Development Costs RM'000	Intellectual Property Right RM'000	Patent RM'000	Development Costs RM'000	Customer Contracts RM'000	Goodwill RM'000	Total RM'000
Group							
At 31 January 2014							
Cost							
At 1 February 2013	10,241	1,638	121	1,833	47,246	4,985,439	5,046,518
Acquisition of subsidiaries (Note 41(u))	–	–	–	–	62,622	2,114,379	2,177,001
Additions	7,220	–	–	28,063	–	–	35,283
Exchange differences	–	–	–	–	6,465	212,508	218,973
At 31 January 2014	17,461	1,638	121	29,896	116,333	7,312,326	7,477,775
Accumulated amortisation							
At 1 February 2013	5,227	1,238	78	–	5,313	–	11,856
Charge for the year (Note 7)	4,404	127	11	–	8,931	–	13,473
At 31 January 2014	9,631	1,365	89	–	14,244	–	25,329
Net carrying amount							
At 31 January 2014	7,830	273	32	29,896	102,089	7,312,326	7,452,446

NOTES TO THE FINANCIAL STATEMENTS
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14. INTANGIBLE ASSETS (CONT'D.)

	Software Development Costs RM'000	Intellectual Property Right RM'000	Patent RM'000	Development Costs RM'000	Customer Contracts RM'000	Goodwill RM'000	Total RM'000
Group							
At 31 January 2013							
Cost							
At 1 February 2012	9,657	1,638	121	–	–	211,883	223,299
Acquisition of subsidiaries	–	–	–	–	47,246	4,771,662	4,818,908
Additions	584	–	–	1,833	–	–	2,417
Exchange differences	–	–	–	–	–	1,894	1,894
At 31 January 2013	10,241	1,638	121	1,833	47,246	4,985,439	5,046,518
Accumulated amortisation							
At 1 February 2012	1,878	1,111	67	–	–	–	3,056
Charge for the year (Note 7)	3,349	127	11	–	5,313	–	8,800
At 31 January 2013	5,227	1,238	78	–	5,313	–	11,856
Net carrying amount							
At 31 January 2013	5,014	400	43	1,833	41,933	4,985,439	5,034,662

14. INTANGIBLE ASSETS (CONT'D.)

Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to business segment as follows:

	Group	
	2014 RM'000	2013 RM'000
Offshore Construction and Subsea Services	**314,416**	301,470
Fabrication, Hook-up and Commissioning	**3,795,851**	3,795,851
Drilling and Energy Services	**3,202,059**	888,118
	7,312,326	4,985,439

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections covering a 5-year period based on a 3-year financial budgets approved by the Board of Directors. Cash flow beyond the 3-year period is extrapolated using the growth rates of 1% to 6% (2013: 1% to 5%).

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Discount rate

The discount rates reflect specific risks relating to the relevant CGU. The range of discount rate is from 10% to 13% (2013: 10% to 12%).

(iii) Growth rate beyond 5-year

Cash flow beyond the 5-year period is extrapolated using the growth rates of 2% to 3% (2013: 2% to 3%).

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14. INTANGIBLE ASSETS (CONT'D.)

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed their recoverable amounts.

15. EXPENDITURE ON OIL AND GAS PROPERTIES

	Group	
	2014 RM'000	2013 RM'000
Cost		
At 1 February 2013/2012	**805,435**	178,820
Acquisition of a subsidiary	**–**	270,582
Net addition	**89,136**	347,096
Exchange differences	**32,350**	8,937
At 31 January	**926,921**	805,435
Accumulated Amortisation		
At 1 February 2013/2012	**25,372**	–
Amortisation for the year (Note 7)	**120,472**	25,372
Exchange differences	**11,405**	–
At 31 January	**157,249**	25,372
Net carrying amount		
At 31 January	**769,672**	780,063

Expenditure on oil and gas properties represent the costs incurred as per the risk service contract (RSC) agreement with Petroliam Nasional Berhad (PETRONAS). According to the agreement, the Group will incur costs on development, drilling, offshore pipeline, offshore well head process and host platform modification and will recover the expenditure on quarterly basis over the RSC operating period from the commencement of the production of first gas. The title of the constructed asset rests with PETRONAS, however as per the risk service contract, the Group is entitled to use the assets constructed to produce gas from the Berantai field for the period of the RSC. Berantai's gas reserve belongs to PETRONAS, hence the Group will not perform any reserve booking. The Group will recover the costs together with remuneration fee set out in the contract. Reimbursement of the expenditure will be made from agreed percentage of ceiling of the field revenue. Should the share of field revenue available be insufficient in any period, such shortfall be carried forward to subsequent quarter.

The Berantai field has commenced its first gas production on 20 October 2012.

16. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares, at cost	**6,179,043**	6,178,740
Less: Accumulated impairment losses	**(6,878)**	(6,878)
	6,172,165	6,171,862

Acquisition of investment in subsidiaries in the current financial year are disclosed in Note 41 to the financial statements.

The details of the subsidiaries are set out in Note 41.

17. INVESTMENT IN ASSOCIATES

	Group 2014 RM'000	Group 2013 RM'000
Unquoted shares, at cost	**27,765**	27,765
Share of post-acquisition reserves	**16,486**	14,836
	44,251	42,601

(a) Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
* Geowell Sdn. Bhd.	Malaysia	Production for wireline, production testing and associated services for oil and gas companies	**30**	30
Subang Properties Sdn. Bhd.	Malaysia	Dormant	**36.2**	36.2

* Audited by firms other than Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS
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17. INVESTMENT IN ASSOCIATES (CONT'D.)

(a) Details of the associates are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Labuan Shipyard and Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repair, naval craft maintenance and oil and gas fabrication	**50**	30
* Best Wide Engineering (M) Sdn. Bhd.	Malaysia	Undertaking of engineering and technical services	**30**	30
* Matrix Maintenance Sdn. Bhd.	Malaysia	Provision of maintenance services for petrol chemical plants and general industries	**30**	30

* Audited by firms other than Ernst & Young

The financial statements of the above associates that are not coterminous with those of the Company are as follows:

		Financial year end
(i)	Geowell Sdn. Bhd. ("Geowell")	31 December
(ii)	Labuan Shipyard Engineering Sdn. Bhd. ("LSE")	31 December
(iii)	Matrix Maintenance Sdn. Bhd. ("Matrix")	31 December
(iv)	Best Wide Engineering (M) Sdn. Bhd. ("BWE")	30 November

For the purpose of applying the equity method of accounting, the financial statements of Geowell, LSE, Matrix and BWE have been used and appropriate adjustments have been made for the effects of significant transactions between the respective financial year end and 31 January 2014.

(b) Aggregate information of associates that are not individually material

	2014 RM'000	2013 RM'000
Share of profit before tax	**1,833**	271
Share of profit after tax, representing share of total comprehensive income	**1,650**	271

18. INVESTMENT IN JOINT VENTURE COMPANIES

	Group 2014 RM'000	Group 2013 RM'000
Unquoted shares, at cost	**158,703**	158,703
Share of post-acquisition reserves	**398,285**	156,106
	556,988	314,809
Shareholders' advances to joint venture companies	**427,334**	237,308
	984,322	552,117

The shareholders' advances are unsecured, not due within twelve months and non-interest bearing except for advances of RM95,479,000 (2013: RM172,053,000) provided to a joint venture company, Berantai Floating Production Limited for the acquisition of a Floating Production, Storage and Offloading vessel ("FPSO") for Berantai field activities which is subject to interest rate of LIBOR + 2% per annum.

Details of the joint venture companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
* Uzmal Oil Inc.	Uzbekistan	Oilfield production	**50**	50
SapuraAcergy Sdn. Bhd.	Malaysia	Management and operation of vessel and provision of offshore related works	**50**	50
SapuraAcergy Assets Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessel and operational equipment	**50**	50
SapuraAcergy (Australia) Pty. Ltd.	Australia	Management and operation of vessel and provision of offshore related works	**50**	50
* L&T Sapura Shipping Pvt. Ltd.	India	Vessel owner	**40**	40

* Audited by firms other than Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS
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18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

Details of the joint venture companies are as follows (cont'd.):

	Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2014 %	2013 %
*	L&T Sapura Offshore Pvt. Ltd.	India	Provision of engineering and installation services	**40**	40
	SapuraCrest Qatar LLC	Qatar	Dormant	**49**	49
#	Peritus International Limited	United Kingdom	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	**51**	51
#	Peritus International Pty. Ltd.	Australia	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	**51**	51
	Peritus International Incorporated	United States of America	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	**51**	51
	Peritus International Sdn. Bhd.	Malaysia	Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects	**51**	51
	Berantai Floating Production Limited	Federal Territory of Labuan, Malaysia	Provision of leasing of FPSO	**49**	49
*	Seabras Sapura Participações S.A.	Brazil	Investment holding	**50**	50
	Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	**50**	50

* Audited by firms other than Ernst & Young
\# Audited by affiliate of Ernst & Young, Malaysia

18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

Details of the joint venture companies are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2014 %	2013 %
* Sapura Navegação Maritima S.A	Brazil	Vessel owner and chartering	**50**	50
TL Offshore PLSV1 Ltd.	Bermuda	Vessel owner and chartering	**50**	50
TL Offshore PLSV2 Ltd.	Bermuda	Vessel owner and chartering	**50**	50
* Best Wide MCCS Sdn. Bhd.	Malaysia	Dormant	**50**	50
* Seabras Sapura Holding, GmbH	Austria	Investment holding	**50**	–
TL Offshore PLSV3 Ltd.	Bermuda	Vessel owner and chartering	**50**	–
TL Offshore PLSV4 Ltd.	Bermuda	Vessel owner and chartering	**50**	–
TL Offshore PLSV5 Ltd.	Bermuda	Vessel owner and chartering	**50**	–
* Seabras Sapura PLSV Holding GmbH	Austria	Investment holding	**50**	–
* Sapura Diamante GmbH	Austria	Vessel owner and chartering	**50**	–
* Sapura Topazio GmbH	Austria	Vessel owner and chartering	**50**	–

* Audited by firms other than Ernst & Young, Malaysia

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18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

The financial statements of the above joint venture companies that are not coterminous with those of the Company are as follows:

		Financial year end
(i)	L&T Sapura Shipping Pvt. Ltd.	31 March
(ii)	L&T Sapura Offshore Pvt. Ltd.	31 March
(iii)	Peritus International Limited	30 June
(iv)	Peritus International Pty. Ltd.	30 June
(v)	Peritus International Incorporated	30 June
(vi)	Peritus International Sdn. Bhd.	30 June
(vii)	Berantai Floating Production Limited	31 December
(viii)	Best Wide MCCS Sdn. Bhd.	31 December
(ix)	Seabras Sapura Holding, GmbH	31 December

For the purpose of applying the equity method of accounting, the financial statements of the above joint venture companies have been used, and appropriate adjustments have been made for the effects of significant transactions between the respective financial year end and 31 January 2014.

(a) In financial year 2008, Sapura Acergy Assets Pte. Ltd. ("SAAPL") obtained a banking facility which consist of a seven year term loan of USD200,000,000 and reducing revolving credit facility of USD25,000,000 from a foreign financial institution in Singapore.

In order to hedge its exposure to interest risks arising from its term loan, SAAPL entered into an interest rate swap contract with its lender.

(b) The details on commitments relating to the Group's interest in the joint venture companies are disclosed in Note 35.

18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

(c) Summarised financial information of the Group's material joint ventures i.e. SapuraAcergy Sdn. Bhd. ("SASB") and Berantai Floating Production Limited ("BFPL") is set out below. The summarised information represent the amounts in the MFRS financial statements of joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position:

	2014		2013	
	SASB RM'000	BFPL RM'000	SASB RM'000	BFPL RM'000
Cash and cash equivalents	**307,366**	**71,547**	401,538	35,630
Other current assets	**352,718**	**199,194**	420,453	50
Total current assets	**660,084**	**270,741**	821,991	35,680
Non-current assets	**5,060**	**1,157,800**	20,386	1,160,973
Total assets	**665,144**	**1,428,541**	842,377	1,196,653
Trade and other payables and provisions	**186,887**	**57,576**	637,792	34,039
Other current liabilities	**11,706**	**137,054**	36,002	–
Total current liabilities	**198,593**	**194,630**	673,794	34,039
Other non-current liabilities	**–**	**1,064,591**	–	1,100,988
Total liabilities	**198,593**	**1,259,221**	673,794	1,135,027
Net assets	**466,551**	**169,320**	168,583	61,626

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18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

(c) Summarised financial information of the Group's material joint ventures i.e. SapuraAcergy Sdn. Bhd. ("SASB") and Berantai Floating Production Limited ("BFPL") is set out below. The summarised information represent the amounts in the MFRS financial statements of joint ventures and not the Group's share of those amounts. (cont'd.)

(ii) Summarised statements of comprehensive income:

	2014		2013	
	SASB RM'000	BFPL RM'000	SASB RM'000	BFPL RM'000
Revenue	**1,081,724**	**149,654**	773,227	75,539
Other expenses	**(686,879)**	**(41,979)**	(643,446)	(14,927)
Profit before tax	**394,845**	**107,675**	129,781	60,612
Income tax expense	**(120,583)**	**(19)**	(32,423)	–
Profit after tax	**274,262**	**107,656**	97,358	60,612
Other comprehensive income	**23,706**	**–**	4,676	–
Total comprehensive income	**297,968**	**107,656**	102,034	60,612
Dividends received during the year	**–**	**–**	(53,374)	–

18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)

(d) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures:

	2014 SASB RM'000	2014 BFPL RM'000	2013 SASB RM'000	2013 BFPL RM'000
Net assets as at 1 February	**168,583**	**61,626**	66,549	1,014
Profit for the year	**274,262**	**107,656**	97,358	60,612
Other comprehensive income	**23,706**	**–**	4,676	–
Net assets as at 31 January	**466,551**	**169,282**	168,583	61,626
Interest in joint ventures	**50%**	**49%**	50%	49%
Carrying value of interest in joint ventures	**233,276**	**82,948**	84,292	30,197
Shareholders' advances	**–**	**97,726**	–	172,053
Net carrying value of interest in joint ventures	**233,276**	**180,674**	84,292	202,250

(e) Aggregate information of joint ventures that are not individually material.

	2014 RM'000	2013 RM'000
Share of profit before tax	**45,016**	40,348
Share of profit after tax, representing share of total comprehensive income	**43,079**	56,559

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19. DEFERRED TAX

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 February 2013/2012	**47,401**	(2,383)	**(7,287)**	(4,464)
Recognised in the income statement (Note 10)	**(93,227)**	(5,254)	**(32,177)**	(2,823)
Acquisition of subsidiaries (Note 41(u))	**3,919**	54,705	**–**	–
Exchange differences	**(1,462)**	333	**–**	–
At 31 January	**(43,369)**	47,401	**(39,464)**	(7,287)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(114,497)**	(43,802)	**(39,464)**	(7,287)
Deferred tax liabilities	**71,128**	91,203	**–**	–
	(43,369)	47,401	**(39,464)**	(7,287)

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

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 February 2013	100,246	5,323	105,569
Recognised in the income statement	(24,259)	(502)	(24,761)
Acquisition of subsidiaries	5,494	–	5,494
Exchange differences	576	(588)	(12)
At 31 January 2014	**82,057**	**4,233**	**86,290**
At 1 February 2012	28,966	5,323	34,289
Recognised in the income statement	3,092	–	3,092
Acquisition of subsidiaries	68,134	–	68,134
Exchange differences	54	–	54
At 31 January 2013	100,246	5,323	105,569

19. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Others RM'000	Total RM'000
At 1 February 2013	(29,580)	(17,040)	(11,548)	(58,168)
Recognised in the income statement	(16,907)	(48,722)	(2,839)	(68,468)
Acquisition of subsidiaries	(1,575)	–	–	(1,575)
Exchange differences	(1,259)	(189)	–	(1,448)
At 31 January 2014	**(49,321)**	**(65,951)**	**(14,387)**	**(129,659)**
At 1 February 2012	(13,946)	(17,040)	(5,686)	(36,672)
Recognised in the income statement	(2,201)	–	(6,145)	(8,346)
Acquisition of subsidiaries	(13,428)	–	–	(13,428)
Exchange differences	(5)	–	283	278
At 31 January 2013	(29,580)	(17,040)	(11,548)	(58,168)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 February 2013	1,068
Recognised in the income statement	3,142
At 31 January 2014	**4,210**
At 1 February 2012	441
Recognised in the income statement	627
At 31 January 2013	1,068

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19. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Company:

	Tax losses and unabsorbed capital allowances RM'000	Provisions for liabilities RM'000	Total RM'000
At 1 February 2013	–	(8,355)	(8,355)
Recognised in the income statement	(5,008)	(30,311)	(35,319)
At 31 January 2014	**(5,008)**	**(38,666)**	**(43,674)**
At 1 February 2012	(328)	(4,577)	(4,905)
Recognised in the income statement	328	(3,778)	(3,450)
At 31 January 2013	–	(8,355)	(8,355)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2014 RM'000	2013 RM'000
Unutilised tax losses	**392,779**	436,042
Unabsorbed capital allowances	**34,745**	102,126
	427,524	538,168

The unutilised tax losses and unabsorbed capital allowances of the Group are available indefinitely against future taxable profit of the respective entities within the Group. Deferred tax assets have not been recognised due to uncertainty of its recoverability as they may not be used to offset against any future profits of other entities in the Group.

20. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
At cost:		
Consumable and spares	**361,383**	146,475
Work-in-progress	**110,904**	97,778
	472,287	244,253

The cost of inventories recognised as an expense during the financial year amounted to RM173 million (2013: RM104 million).

21. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Amount due from subsidiaries	**5,323,263**	2,734,831
Less: Allowance for impairment	**(171,295)**	(171,295)
	5,151,968	2,563,536

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM1,599,706,000 (2013: RM424,397,000) which is subject to interest rates ranging from 3.30% to 8.00% (2013: 5.50% to 8.00%) per annum.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks are disclosed in Note 37.

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22. TRADE AND OTHER RECEIVABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non current				
Trade receivables				
Retention sum	**55,432**	29,484	**–**	–
Current				
Trade receivables				
Third parties	**1,300,490**	1,352,581	**–**	–
Retention sum	**27,631**	42,043	**–**	–
Joint venture companies	**6,975**	26,344	**–**	–
	1,335,096	1,420,968	**–**	–
Less: Allowance for impairment				
Third parties	**(33,874)**	(14,487)	**–**	–
	1,301,222	1,406,481	**–**	–
Construction contracts:				
Due from customers on contracts (Note 23)	**551,655**	944,873	**–**	–
Trade receivables, net	**1,852,877**	2,351,354	**–**	–
Other receivables				
Amount due from:				
Related parties	**322**	322	**322**	322
Joint venture companies	**98,269**	586,192	**3,916**	426
	98,591	586,514	**4,238**	748
Deposits and prepayments	**450,637**	82,682	**7,785**	8,207
Sundry receivables	**332,395**	115,745	**7,657**	1,083
	783,032	198,427	**15,442**	9,290
Less: Allowance for impairment				
Third parties	**(81)**	(181)	**–**	–
	782,951	198,246	**15,442**	9,290
	2,734,419	3,136,114	**19,680**	10,038

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (2013: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables (excluded amount due from customer on contracts)

The ageing analysis of the Group's trade receivables is as follows:

	2014 RM'000	2013 RM'000
Neither past due nor impaired	**852,058**	990,191
1 to 30 days past due not impaired	**270,664**	124,246
31 to 60 days past due not impaired	**51,514**	74,417
61 to 90 days past due not impaired	**47,204**	153,734
91 to 120 days past due not impaired	**56,544**	65,117
More than 121 days past due not impaired	**78,670**	28,260
	504,596	445,774
Impaired	**33,874**	14,487
	1,390,528	1,450,452

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group trade receivables arise from customers with many years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Included in trade receivables of the Group are retention sums from contract customers of RM83.1 million (2013: RM71.5 million). These retention sums from contract customers are unsecured, interest-free and are expected to be collected in accordance with the terms of the respective contract agreements.

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM504.6 million (2013: RM445.8 million) that are past due at the reporting date but not impaired. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, are periodically monitored.

The receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2014 RM'000	2013 RM'000
Trade receivables – nominal amounts	**33,874**	14,487
Less: Allowance for impairment	**(33,874)**	(14,487)
	–	–

Movement in allowance accounts:

	Group	
	2014 RM'000	2013 RM'000
At 1 February 2013/2012	**14,487**	11,336
Acquisition of subsidiaries	**8,988**	3,226
Impairment loss recognised	**10,169**	1,091
Write off	**(95)**	–
Reversal of impairment losses	**–**	(1,328)
Exchange differences	**325**	162
At 31 January	**33,874**	14,487

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables

Other receivables (excluding prepayment) are non trade, unsecured, interest free and repayable on demand. Included in deposits and prepayments is RM300,335,000 relating to deposits paid for the acquisition of Newfield Malaysia Holding Inc.

Certain receivables of a subsidiary are pledged as securities for borrowings as disclosed in Note 28.

Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM81,000 (2013: RM181,000) for impairment of sundry debtors with a nominal amount of RM81,000 (2013: RM248,500). This sundry debtors are in financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

Movement in allowance accounts:

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 February 2013/2012	**181**	421
Acquisition of subsidiaries	**–**	81
Reversal of impairment losses	**–**	(321)
Write off	**(100)**	–
At 31 January	**81**	181

(c) Amount due from related parties

Related parties are companies in which the directors of the Company have interests.

Amount due from related parties are unsecured, interest free and repayable on demand.

(d) Amount due from joint venture companies

Amount due from joint venture companies are unsecured, interest free and repayable on demand except for advances of RMNil (2013: RM377,996,000) provided to a joint venture company, Berantai Floating Production Limited for the acquisition of a Floating Production Storage and Offloading ("FPSO") for Berantai field activities which is subject to interest rate of LIBOR + 2% per annum.

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23. DUE FROM CUSTOMERS ON CONTRACTS

	Group	
	2014 RM'000	2013 RM'000
Construction contract costs incurred to date*	**6,357,398**	8,569,770
Attributable profits	**683,576**	558,311
	7,040,974	9,128,081
Less: Progress billings	**(6,492,236)**	(8,332,227)
	548,738	795,854
Due to customers on contracts (Note 32)	**2,917**	149,019
Due from customers on contracts (Note 22)	**551,655**	944,873

* The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2014 RM'000	2013 RM'000
Hire of barges and vessels and operational equipment	**845,168**	446,727
Depreciation of property, plant and equipment	**3,524**	4,354
Rental of motor vehicles	**1,565**	1,333
Rental expense for buildings	**14,270**	10,998

Included in the construction contract costs incurred and attributable profits less progress billings were projects completed in the previous years but pending finalisation of contract sum of RM1.1 billion (2013: RM2.8 billion).

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash on hand and at banks	**999,971**	705,268	**5,663**	38,098
Deposits with licensed banks	**386,690**	320,504	**139,881**	74,479
Cash and cash equivalents	**1,386,661**	1,025,772	**145,544**	112,577

24. CASH AND CASH EQUIVALENTS (CONT'D.)

Included in cash and bank balances of the Group is an amount of RM15,821,000 (2013: RM15,336,000) maintained pursuant to Istisna' Bonds and may be used only specifically in relation to purchase of oil and gas assets.

Mandatory balances kept in the Finance Service Reserve Account is amounted to RM188,806,000 (2013: RM124,581,000).

Deposits with licensed banks of the Group amounting to RM87,796,000 (2013: RM67,340,000) are pledged as securities for credit facilities granted to certain subsidiaries.

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

The range of the interest rate (per annum) and the range of remaining maturities as at the reporting date are as follows:

	Group		Company	
	2014	2013	2014	2013
Interest rate (%)	**0.16 – 6.40**	0.27 – 3.45	**3.00 – 3.10**	3.00 – 3.10
Maturities (days)	**1 – 90**	1 – 74	**1 – 90**	4 – 27

25. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	RM'000
Authorised share capital				
Ordinary shares of RM1.00 each				
At 1 February 2013/date of incorporation and 31 January	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid				
Ordinary shares of RM1.00 each				
At 1 February 2013/date of incorporation	**5,004,366**	*	**5,004,366**	*
Issued during the year	**987,789**	5,004,366	**987,789**	5,004,366
At 31 January	**5,992,155**	5,004,366	**5,992,155**	5,004,366

* Represents a balance of RM2.00

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. All ordinary shares rank equally with regard to the Company's residual assets.

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25. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

Issuance of shares

The Company had on 25 April and 30 April 2013 increased its issued ordinary share capital from RM5,004,366,198 to RM5,992,155,087 as part of the consideration for the acquisition of the tender rig business of Seadrill Limited ("Seadrill') by way of the following:

(i) Issuance of 587,000,000 new ordinary shares of RM1.00 each at an issue price of RM2.80 per ordinary share via a private placement; and

(ii) Issuance of 400,788,889 new ordinary shares of RM1.00 each to Seadrill at an issue price of RM2.70 per ordinary share. For the purpose of accounting for the shares consideration issued to Seadrill, the fair value of RM3.0937 per share as at the issuance date was recorded instead of issue price of RM2.70 per share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

Share premium

	2014 RM'000	2013 RM'000
At 1 February 2013/2012	**242,886**	–
Arising from issuance of new ordinary shares	**1,831,369**	242,886
At 31 January	**2,074,255**	242,886

26. OTHER RESERVES

	Group 2014 RM'000	 2013 RM'000
Foreign currency translation reserve	**(39,534)**	(74,387)
Revaluation reserve	**13,309**	13,309
Hedge reserve	**(16,878)**	(13,620)
Capital reserve	**3,519**	3,519
Merger reserve	**51,989**	51,989
	12,405	(19,190)

26. OTHER RESERVES (CONT'D.)

The movement in the reserves are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Foreign currency translation reserve		
At 1 February 2013/2012	**(74,387)**	(101,862)
Exchange difference on translation of foreign subsidiaries, joint ventures and associated companies	**34,853**	27,475
At 31 January	**(39,534)**	(74,387)
Hedge reserve		
At 1 February 2013/2012	**(13,620)**	(18,888)
Net fair value (loss)/gain on hedged items	**(3,258)**	5,268
At 31 January	**(16,878)**	(13,620)
Merger reserve		
At 1 February 2013/2012	**51,989**	812,670
Arising from merger exercise	**–**	(760,681)
At 31 January	**51,989**	51,989

The nature and purpose of each category of reserve are as follows:

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Revaluation reserve

This reserve includes the cumulative net change in fair value of vessels above their costs.

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26. OTHER RESERVES (CONT'D.)

(c) Hedge reserve

The hedge reserve represents the share of hedge reserve from a joint venture companies. Further details are disclosed in Note 18.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedge instruments related to hedged transactions that have not yet occurred.

(d) Capital reserve

The capital reserve comprises profits, which would otherwise have been available for dividend, being used to redeem preference shares of the Company in previous years.

(e) Merger reserve

The closing merger reserve represents the excess of the consideration paid over the share capital and reserves of Probadi Sdn. Bhd.

The difference between the recorded carrying value of the investment in Probadi Sdn. Bhd. (that is the value of the shares of the Company issued as consideration) and the value of Probadi Sdn. Bhd. shares transferred to the Company had been treated as a merger reserve in the consolidated financial statements.

27. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Amount due to subsidiaries	**70,660**	151,385

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for RM2,003,550 (2013: RM2,003,550) which is subject to interest rate of 7.5% (2013: 7.5%) per annum.

Further details on related party transactions are disclosed in Note 36.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 37.

28. BORROWINGS

	Group 2014 RM'000	Group 2013 RM'000
Short term borrowings		
Secured:		
Term loans	**78,680**	1,020,100
Revolving credits	**655,343**	461,906
Hire purchase and finance lease liabilities (Note 29)	**7,686**	1,958
Istisna' Bonds (Note 30)	**–**	59,756
	741,709	1,543,720
Unsecured:		
Revolving credits	**292,653**	554,133
Bankers' acceptances	**–**	273
Bank overdrafts	**–**	37,070
	292,653	591,476
	1,034,362	2,135,196
Long term borrowings		
Secured:		
Term loans	**10,603,281**	3,002,442
Hire purchase and finance lease liabilities (Note 29)	**22,980**	3,939
Istisna' Bonds (Note 30)	**–**	129,472
Sukuk Mudharabah Programme (Note 31)	**700,000**	669,923
	11,326,261	3,805,776

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28. BORROWINGS (CONT'D.)

	Group	
	2014 RM'000	2013 RM'000
Total borrowings		
Term loans	**10,681,961**	4,022,542
Revolving credits	**947,996**	1,016,039
Bankers' acceptances	**–**	273
Hire purchase and finance lease liabilities (Note 29)	**30,666**	5,897
Istisna' Bonds (Note 30)	**–**	189,228
Sukuk Mudharabah Programme (Note 31)	**700,000**	669,923
Bank overdrafts	**–**	37,070
	12,360,623	5,940,972

	Group	
	2014 RM'000	2013 RM'000
Maturity of borrowings (excluding hire purchase and finance lease):		
Within one year	**1,026,676**	2,133,238
More than 1 year and less than 2 years	**9,033,876**	689,876
More than 2 years and less than 5 years	**2,265,929**	2,916,087
More than 5 years	**3,476**	195,874
	12,329,957	5,935,075

28. BORROWINGS (CONT'D.)

	Company 2014 RM'000	Company 2013 RM'000
Short term borrowings		
Secured:		
Term loans	–	353,795
Hire purchase and finance lease liabilities (Note 29)	358	247
	358	354,042
Unsecured:		
Revolving credits	280,553	545,452
	280,553	545,452
	280,911	899,494
Long term borrowings		
Secured:		
Term loans	1,646,547	1,667,889
Hire purchase and finance lease liabilities (Note 29)	963	824
Sukuk Mudharabah Programme (Note 31)	700,000	669,923
	2,347,510	2,338,636
Total borrowings		
Term loans	1,646,547	2,021,684
Revolving credits	280,553	545,452
Hire purchase and finance lease liabilities (Note 29)	1,321	1,071
Sukuk Mudharabah Programme (Note 31)	700,000	669,923
	2,628,421	3,238,130
Maturity of borrowings (excluding hire purchase and finance lease):		
Within one year	280,553	899,247
More than 1 year and less than 2 years	799,003	1,015,080
More than 2 years and less than 5 years	1,547,544	1,322,732
	2,627,100	3,237,059

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28. BORROWINGS (CONT'D.)

The range of the interest rates (per annum) as at the reporting date for borrowings, excluding hire purchase and finance lease liabilities, Istisna' Bonds and Sukuk Mudharabah were as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Term loans	**2.25 to 7.60**	1.56 to 7.60	**5.82**	4.70
Revolving credits	**2.05 to 4.70**	1.61 to 5.72	**2.05 to 4.70**	1.61 to 5.72
Bankers' acceptances	**–**	2.20 to 6.70	**–**	–
Bank overdrafts	**–**	8.00	**–**	–

Included in the borrowings are USD denominated borrowings as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
US Dollar	**9,072,132**	2,204,966	**153,426**	398,484

The term loans are secured by the following:

(a) Legal charges over certain vessels, tender assisted drilling rigs, buildings and structures and leasehold land of certain subsidiaries as disclosed in Note 13;

(b) Assignment of proceeds over the existing contracts of certain subsidiaries;

(c) Assignment and charge over designated accounts of SapuraKencana;

(d) Assignment by SapuraKencana of all income received from subsidiaries, associated companies and investees;

(e) Legal charge over project accounts of subsidiaries;

(f) Legal charge over the shares of subsidiaries held directly by the Company; and

(g) Corporate guarantee by the Company.

The revolving credits are secured by the following:

(a) Assignment of proceeds over the existing contracts of a subsidiary;

(b) Legal charges over certain vessels of subsidiaries as disclosed in Note 13;

(c) The charge of certain bank accounts of subsidiaries; and

(d) The letter of undertaking by the Company.

29. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Future minimum lease payments:				
Not later than 1 year	**9,443**	1,948	**403**	276
Later than 1 year and not later than 2 years	**6,112**	2,664	**403**	264
Later than 2 years and not later than 5 years	**19,275**	1,660	**678**	656
Total future minimum lease payment	**34,830**	6,272	**1,484**	1,196
Less: Future finance charges	**(4,164)**	(375)	**(163)**	(125)
Present value of hire purchase and finance lease liabilities (Note 28)	**30,666**	5,897	**1,321**	1,071
Analysis of present value of hire purchase and finance lease liabilities:				
Not later than 1 year	**7,686**	1,958	**358**	247
Later than 1 year and not later than 2 years	**5,713**	1,450	**358**	236
Later than 2 years and not later than 5 years	**17,267**	2,489	**605**	588
	30,666	5,897	**1,321**	1,071
Due within 12 months (Note 28)	**(7,686)**	(1,958)	**(358)**	(247)
Due after 12 months (Note 28)	**22,980**	3,939	**963**	824

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 4% to 6% (2013: 5% to 10%) per annum.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 38.

30. ISTISNA' BONDS

The amount recognised in the statement of financial position of the Group is analysed as follows:

	Group 2014 RM'000	Group 2013 RM'000
Istisna' Bonds		
Nominal value	–	190,000
Less: Discount and issuance expenses	–	(7,017)
Net proceeds	–	182,983
Accumulated amortisation of discount and issuance expenses	–	6,245
Amount included within borrowings	–	189,228
Maturity of Istisna' Bonds:		
More than 1 year and less than 2 years	–	59,756
More than 2 years and less than 5 years	–	129,472
	–	189,228

In the current financial year, the Istisna' Bonds has been fully settled in advance.

Previously, the Istisna' Bonds are secured by the following:

(i) Debenture from subsidiaries of the Company, charged over all its asset and properties;

(ii) Assignment over receivables and Bai' Bithaman Ajil Agreement by a subsidiary and the Company in respect of a strategic vessel;

(iii) Assignment and supplemental assignment over designated accounts by a subsidiary;

(iv) A guarantee and supplemental guarantee from the Company to secure the payment and repayment of the Istisna' Bonds;

(v) A priority and security sharing agreement and supplemental priority and security sharing agreement to regulate the priority and security sharing among the Company, certain subsidiaries and security agent;

30. ISTISNA' BONDS (CONT'D.)

Previously, the Istisna' Bonds are secured by the following: (cont'd.)

(vi) Mortgage on a vessel created by a subsidiary in favour of security agent;

(vii) Deed of covenant between security agent and a subsidiary; and

(viii) Specific debenture between security agent and a subsidiary on certain assets.

The Istisna' Bonds bear coupon rates ranging from 5.20% to 7.55% (2013: 5.20% to 7.55%) per annum.

31. SUKUK MUDHARABAH

The amount recognised in the statement of financial position of the of the Group and of the Company is analysed as follows:

	2014 RM'000	2013 RM'000
Nominal value	**700,000**	700,000
Less: Issuance expenses	**(35,003)**	(35,003)
Net proceeds	**664,997**	664,997
Accumulated amortisation of issuance expenses	**35,003**	4,926
Amount included within borrowings	**700,000**	669,923
Maturity of Sukuk Mudharabah Programme:		
More than 2 years and less than 5 years	**700,000**	669,923

Sukuk Mudharabah Programme are secured by the following:

(i) Legal charge over the shares of certain subsidiaries held directly and indirectly by the Company;

(ii) Assignment and charge over designated accounts of SapuraKencana;

(iii) Assignment by SapuraKencana of all income received from its subsidiaries, associated companies and investees; and

(iv) Assignment and charge over Shariah-compliant accounts and financial service reserve account.

Sukuk Mudharabah Programme bore effective interest rate range between 4.5% to 5.5% per annum (2013: 4.5% to 5.5% per annum).

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32. TRADE AND OTHER PAYABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current liability				
Other payables	**625,422**	–	**–**	–
Current liabilities				
Trade payables				
Third parties	**1,190,127**	1,595,225	**–**	–
Construction contracts:				
Due to customers on contract (Note 23)	**2,917**	149,019	**–**	–
	1,193,044	1,744,244	**–**	–
Other payables				
Staff costs	**317,663**	130,730	**155,771**	35,174
Accruals	**1,497,654**	344,060	**164,165**	156,772
Sundry payables	**199,302**	86,023	**491**	6,294
	2,014,619	560,813	**320,427**	198,240
Amount due to:				
Joint venture companies	**26,890**	16,227	**–**	–
Related parties	**15,877**	3,827	**1,839**	2,710
	42,767	20,054	**1,839**	2,710
Trade and other payables	**3,250,430**	2,325,111	**322,266**	200,950

(a) Non-current liability – Other payables

The non-current liability relates to deferred considerations payable to Seadrill Limited arising from acquisition of tender rig business in April 2013 which are due within 3 years and bears interest rate of LIBOR + 5%.

(b) Current liability - Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2013: 30 days to 90 days).

32. TRADE AND OTHER PAYABLES (CONT'D.)

(c) Other payables

Other payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2013: 7 days to 90 days).

(d) Amount due to joint venture companies and related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

33. DERIVATIVES

	2014		2013	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
Group				
Non-hedging derivatives:				
Current				
IRS	–	–	139,478	(1,622)
CCIRS	18,500	(1,775)	14,765	(584)
		(1,775)		(2,206)
Non-current				
IRS	140,000	(893)	–	–
CCIRS	–	–	18,500	(1,284)
Total derivatives		(2,668)		(3,490)
Company				
Non-hedging derivatives:				
Current				
CCIRS	18,500	(1,775)	14,765	(584)
Non-current				
CCIRS	–	–	18,500	(1,284)
Total derivatives		(1,775)		(1,868)

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33. DERIVATIVES (CONT'D.)

The Group uses forward currency contracts, Cross Currency Interest Rate Swap ("CCIRS") and Interest Rate Swap ("IRS") to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

CCIRS

CCIRS is used to hedge its exposure to interest risk and currency risk arising from its Istisna' Bonds.

During the financial year, the Group recognised a loss of RM3,342,000 (2013: gain of RM211,000) arising from fair value changes of derivative liabilities.

IRS

IRS is used to manage exposure to interest rate movements on bank borrowings, by swapping a proportion of those borrowings from floating rates to fixed rates. The Group recognised a loss of RM826,000 (2013: RM1,426,000) arising from fair value changes of derivative liabilities.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 38(c).

34. COMMITMENTS

	Group 2014 RM'000	Group 2013 RM'000
(a) Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**1,167,219**	1,944,220
Approved but not contracted for:		
Property, plant and equipment	**223,414**	912,807
	1,390,633	2,857,027
Share of capital commitments of joint venture companies*	**2,042,749**	988,546
Equity commitment in joint venture companies	**120,806**	–
	3,554,188	3,845,573

* These capital commitments will be self-funded by the joint venture companies without financial assistance from the Group.

34. COMMITMENTS (CONT'D.)

	Group 2014 RM'000	Group 2013 RM'000
(b) Operating leases		
Non-cancellable operating commitments as lessee		
– Within 1 year	**18,740**	14,490
– Later than 1 year but less than 5 years	**12,571**	17,314
	31,311	31,804

The Group leases premises under non-cancellable operating leases expiring within 3 years (2013: 3 years). The leases have various terms and escalation clauses.

35. CORPORATE GUARANTEES

The fair value of the corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and joint venture companies is deemed immaterial as the value of the underlying collateral provided by the respective subsidiaries is sufficient to cover the outstanding loan amounts.

The corporate guarantees are secured by way of deposits pledged, legal charges over certain vessels and assignment of proceeds from receivables of certain subsidiaries.

The nominal value of the corporate guarantees given by the Group and the Company is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Secured				
Corporate guarantees given to financial institutions for credit facilities granted to:				
– subsidiaries	**–**	–	**463,304**	736,674
– joint venture companies	**610,309**	423,262	**610,309**	423,262
	610,309	423,262	**1,073,613**	1,159,936
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**–**	–	**12,100**	17,000
	610,309	423,262	**1,085,713**	1,176,936

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36. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	2014 RM'000	2013 RM'000
Group		
(a) Transactions with a subsidiary of a shareholder		
(i) Purchase of drilling technical services	**37,533**	12,165
(ii) Rental of bareboat for drilling services from a related party	**86,304**	107,769
(iii) Provision of bareboat charter for drilling services to a related party	**80,390**	50,371
(iv) Purchases of consumable spares	**–**	56,435
(v) Purchase of information technology support and maintenance services	**30,919**	–
(b) Transactions with companies connected to directors		
(i) Intellectual property rights, trademarks and branding fees paid/payable to Corporate shareholders	**70,000**	62,500
(ii) Rental of office premises	**21,572**	12,636
Company		
(a) Transactions with subsidiaries		
(i) Dividend income from subsidiaries	**651,105**	327,383
(ii) Management fees received/receivable from subsidiaries	**135,011**	104,426
(iii) Intellectual property rights, trademarks and branding fees received/receivables from subsidiaries	**70,000**	50,000
(iv) Interest charged to subsidiaries	**71,644**	29,596

36. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions (cont'd.)

	2014 RM'000	2013 RM'000
Company (cont'd.)		
(b) Transactions with companies connected to directors		
(i) Intellectual property rights, trademarks and branding fees paid/payable to Corporate shareholders	**70,000**	62,500
(ii) Rental of office premises	**7,300**	6,179

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and on a negotiated basis.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term employee benefits	**165,911**	53,940	**110,766**	35,092
Contributions to defined contribution plan	**20,291**	16,130	**16,275**	4,548
	186,202	70,070	**127,041**	39,640

Included in the total key management personnel compensation are executive directors' remuneration as detailed in Note 9.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, liquidity risk and credit risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign currencies, liquidity and credit risks. The Group operates within clearly defined guidelines approved by the Board and the Group's policy is not to engage in speculative transactions.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group will fluctuate because of changes in market interest rates.

The Group's earnings are affected by changes in interest rates due to the changes in interest bearing financial assets and liabilities. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

At the reporting date, after taking into account the effect of an interest rate swap, approximately 21% (2013: 49%) of the Group's borrowings are at fixed rates of interest.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. In order to hedge its exposure to interest rate risk arising from certain term loans, the Group enters into Cross Currency Interest Rate Swap ("CCIRS") and Interest Rate Swap ("IRS").

<u>Sensitivity analysis for interest rate risk</u>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of Group's profit net of tax (through the impact on interest expense on floating rate borrowings).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk (cont'd.)

	2014 Increase/ (decrease) in basis points	2014 Effect on profit net of tax RM'000	2013 Increase/ (decrease) in basis points	2013 Effect on profit net of tax RM'000
Group				
– Ringgit Malaysia	**+ 25**	**(22,206)**	+ 25	(1,713)
– US Dollar	**+ 25**	**(226,803)**	+ 25	(5,812)
– Ringgit Malaysia	**- 25**	**22,206**	- 25	1,713
– US Dollar	**- 25**	**226,803**	- 25	5,812
Company				
– Ringgit Malaysia	**+ 25**	**(2,875)**	+ 25	–
– US Dollar	**+ 25**	**(4,139)**	+ 25	(1,130)
– Ringgit Malaysia	**- 25**	**2,875**	- 25	–
– US Dollar	**- 25**	**4,139**	- 25	1,130

(b) Foreign currency risk

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Foreign currency risk (cont'd.)

As at 31 January 2014, approximately 11% (2013: 47%) and 47% (2013: 27%) of the Group's receivables and payables are denominated in foreign currencies respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM126,166,000 (2013: RM153,146,000) and RM554,000 (2013: RM233,000) for the Group and the Company respectively.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Profit net of tax Group		Profit net of tax Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
USD/RM – strengthened 1%	**89,099**	(856)	**40,224**	(4,519)
– weakened 1%	**(89,099)**	856	**(40,224)**	4,519

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company may encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio.

At the reporting date, approximately 8% (2013: 36%) and 11% (2013: 27%) of the Group's and Company's borrowings (Note 28) will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2014		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Financial liabilities:			
Trade and other payables	**1,218,124**	**723,675**	**1,941,799**
Borrowings	**1,272,363**	**11,679,592**	**12,951,955**
Derivatives	**1,775**	**893**	**2,668**
Total undiscounted financial liabilities	**2,492,262**	**12,404,160**	**14,896,422**

	2013		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group			
Financial liabilities:			
Trade and other payables	889,131	–	889,131
Borrowings	2,248,852	4,388,574	6,637,426
Derivatives	2,206	1,284	3,490
Total undiscounted financial liabilities	3,140,189	4,389,858	7,530,047

NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2014		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Financial liabilities:			
Amount due to subsidiaries	**70,660**	**–**	**70,660**
Other payables	**68,487**	**–**	**68,487**
Borrowings	**439,450**	**2,583,171**	**3,022,621**
Derivatives	**1,775**	**–**	**1,775**
Total undiscounted financial liabilities	**580,372**	**2,583,171**	**3,163,543**

	2013		
	On demand or within one year RM'000	One to five years RM'000	Total RM'000
Company			
Financial liabilities:			
Amount due to subsidiaries	273,567	111,171	384,738
Other payables	9,004	–	9,004
Borrowings	1,005,505	2,670,120	3,675,625
Derivatives	584	1,284	1,868
Total undiscounted financial liabilities	1,288,660	2,782,575	4,071,235

At the reporting date, the counterparty to the financial guarantees have no right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Credit approvals are performed in accordance to approved Limits of Authority. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

- Corporate guarantees provided by the Group and the Company of RM610.3 million (2013: RM423.3 million) and RM1.1 billion (2013: RM1.2 billion) respectively (Note 35).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2014		2013	
	RM'000	% of total	RM'000	% of total
By country/region				
Malaysia	**870,493**	**67%**	1,270,754	90%
South East Asia (Note 40(b)(i))	**195,022**	**15%**	34,059	2%
Australia	**94,578**	**7%**	98,304	7%
United States of America	**10,291**	**1%**	–	–
Republic of Angola	**93,191**	**7%**	–	–
Republic of Trinidad and Tobago	**35,955**	**3%**	–	–
Others	**1,692**	**0%**	3,364	1%
	1,301,222	**100%**	1,406,481	100%

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

The Group's principal customers with which it conducts business are diversified and there is no significant concentration of credit risk at reporting date.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

38. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The accounting policies in Note 2.14 and Note 2.20 describe how the categories of financial instruments are measured, and how income and expenses, including changes in fair value, are recognised.

The table below reflects the financial assets and liabilities in the statement of financial position by the categories of financial instrument to which they are assigned:

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2014					
Group					
Assets					
Trade and other receivables	22	1,846,567	–	–	1,846,567
Cash and cash equivalents	24	1,386,661	–	–	1,386,661
Total financial assets		3,233,228	–	–	3,233,228
Total non-financial assets					23,381,263
Total assets					26,614,491
Liabilities					
Borrowings	28	–	12,360,623	–	12,360,623
Trade and other payables	32	–	1,843,546	–	1,843,546
Derivatives	33	–	–	2,668	2,668
Total financial liabilities		–	14,204,169	2,668	14,206,837
Total non-financial liabilities					2,206,552
Total liabilities					16,413,389

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38. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2013					
Group					
Assets					
Trade and other receivables	22	2,158,230	–	–	2,158,230
Cash and cash equivalents	24	1,025,772	–	–	1,025,772
Total financial assets		3,184,002	–	–	3,184,002
Total non-financial assets					12,012,689
Total assets					15,196,691
Liabilities					
Borrowings	28	–	5,940,972	–	5,940,972
Trade and other payables	32	–	889,131	–	889,131
Derivatives	33	–	–	3,490	3,490
Total financial liabilities		–	6,830,103	3,490	6,833,593
Total non-financial liabilities					1,620,189
Total liabilities					8,453,782

38. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2014					
Company					
Assets					
Amount due from subsidiaries	21	5,151,968	–	–	5,151,968
Other receivables	22	16,057	–	–	16,057
Cash and cash equivalents	24	145,544	–	–	145,544
Total financial assets		5,313,569	–	–	5,313,569
Total non-financial assets					6,249,917
Total assets					11,563,486
Liabilities					
Amount due to subsidiaries	27	–	70,660	–	70,660
Borrowings	28	–	2,628,421	–	2,628,421
Other payables	32	–	68,487	–	68,487
Derivatives	33	–	–	1,775	1,775
Total financial liabilities		–	2,767,568	1,775	2,769,343
Total non-financial liabilities					253,779
Total liabilities					3,023,122

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38. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

	Note	Loans and receivables RM'000	Other financial liabilities RM'000	Fair value through profit or loss RM'000	Total RM'000
2013					
Company					
Assets					
Amount due from subsidiaries	21	2,563,536	–	–	2,563,536
Other receivables	22	5,528	–	–	5,528
Cash and cash equivalents	24	112,577	–	–	112,577
Total financial assets		2,681,641	–	–	2,681,641
Total non-financial assets					6,217,916
Total assets					8,899,557
Liabilities					
Amount due to subsidiaries	27	–	151,385	–	151,385
Borrowings	28	–	3,238,130	–	3,238,130
Other payables	32	–	44,178	–	44,178
Derivatives	33	–	–	1,868	1,868
Total financial liabilities		–	3,433,693	1,868	3,435,561
Total non-financial liabilities					156,772
Total liabilities					3,592,333

38. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group Carrying amount RM'000	Group Fair value RM'000
Financial liabilities:		
As at 31 January 2014:		
Term loans	**1,646,547**	**1,283,927**
Hire purchase and lease payables	**30,666**	**26,723**
As at 31 January 2013		
Term loans	2,021,684	1,744,994
Istisna' Bonds and MCPs	189,228	206,971
Hire purchase and lease payables	5,897	5,254

(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	22
Trade and other payables	32
Borrowings (floating rate borrowings, excluding those in Note 38(b))	28
Amount due from subsidiaries	21
Amount due to subsidiaries	27

The carrying amounts of the current financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the long term payables are reasonable approximations of fair values due to the insignificant impact of discounting.

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38. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Determination of fair value

Derivatives

Forward currency contracts and cross currencies interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

Non-derivative financial liabilities

Fair value for non-derivative financial liabilities 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. The market rate of interest is determined by reference to similar borrowing arrangements.

(e) Fair value hierarchy

The Group and the Company's financial instruments are analysed in a three level fair value hierarchy based on the significance of inputs.

The three level of fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input 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: Input for the asset or liability that are not based on observable market data (unobservable input)

The fair value of all the financial instruments of the Group and of the Company are determined using Level 2 inputs.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's endeavours to maintain healthy gearing ratio and regularly monitor the gearing level to ensure compliance with loans covenant. The Group includes within net debt, borrowings, less cash and cash equivalent. Capital includes total equity less non-controlling interests.

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Borrowings	28	**12,360,623**	5,940,972	**2,628,421**	3,238,130
Less: Cash and cash equivalent	24	**(1,386,661)**	(1,025,772)	**(145,544)**	(112,577)
Net debt		**10,973,962**	4,915,200	**2,482,877**	3,125,553
Total equity		**10,201,102**	6,742,909	**8,540,364**	5,307,224
Less: Non-controlling interest		**(6,301)**	(405,775)	**–**	–
Total capital		**10,194,801**	6,337,134	**8,540,364**	5,307,224
Net gearing ratio		**1.08**	0.78	**0.29**	0.59

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40. SEGMENT INFORMATION

(a) Operating segments

With the completion of the Group's acquisition of Seadrill's tender rigs business on 30 April 2013, the Group re-organised its reportable operating segments into four major segments to be more reflective of the current Group business operations as follows:

(i) Offshore Construction and Subsea Services - installation of offshore platforms, marine pipelines and subsea services;

(ii) Fabrication, Hook-Up and Commissioning - engineering, procurement, construction and commissioning services;

(iii) Drilling and Energy Services; and

(iv) Corporate - investment holding and provision of management services.

Drilling and Energy Services segment comprises of Drilling, Energy and Joint Ventures and Geotech and Maintenance Services business divisions. Major activities of the segment are:

– Provisions of drilling rigs and services;
– Oilfield development and production, leasing of floating, production, storage and offloading; and
– Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of-sale systems for petrol stations and asset management services for offshore installations.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Corporate assets, group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on negotiated basis in a manner similar to transactions with third parties.

40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2014						
Revenue						
External sales	3,479,394	1,877,479	3,021,903	–	–	8,378,776
Inter-segment sales	8,334	174,410	20,258	856,157	(1,059,159)	–
Total revenue	3,487,728	2,051,889	3,042,161	856,157	(1,059,159)	8,378,776
Results						
Operating results	355,081	314,139	1,191,712	494,930	(956,253)	1,399,609
Finance costs						(443,831)
Interest income						17,168
Share of results from associates	–	518	1,315	–	–	1,833
Share of results from joint venture companies	181,905	–	51,073	–	–	232,978
Profit before tax						1,207,757
Income tax expense						(84,060)
Profit net of tax						1,123,697
Non-controlling interests						(36,783)
Profit for the year attributable to owners of the Parent						1,086,914

* Inter-segment revenue are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS
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40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations^ RM'000	Consolidated RM'000
31 January 2014 (cont'd.)						
Assets						
Segment assets	4,385,185	1,943,238	11,203,815	752,270	(207,410)	18,077,098
Investment in associates	–	2,778	41,473	–	–	44,251
Investment in joint venture companies	807,621	–	180,733	–	(4,032)	984,322
Goodwill	314,416	3,795,851	3,202,059	–	–	7,312,326
Unallocated corporate assets						196,494
Consolidated total assets						26,614,491

^ Intercompany transactions are eliminated on consolidation

40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations^ RM'000	Consolidated RM'000
31 January 2014 (cont'd.)						
Liabilities						
Segment liabilities	1,363,281	572,594	1,705,309	331,434	(94,098)	3,878,520
Borrowings						12,360,623
Unallocated corporate liabilities						174,246
Consolidated total liabilities						16,413,389
Other Information						
Capital expenditure	1,331,369	256,554	1,523,970	10,525	–	3,122,418
Depreciation of property, plant and equipment	100,495	75,165	316,998	11,471	–	504,129
Amortisation of intangible assets	4,333	–	9,140	–	–	13,473
Amortisation of expenditure on oil and gas properties	–	–	120,472	–	–	120,472
Allowance for impairment on receivables, net	6,138	–	4,031	–	–	10,169

^ Intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS
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40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations* RM'000	Consolidated RM'000
31 January 2013						
Revenue						
External sales	3,705,171	1,991,930	1,215,313	–	–	6,912,414
Inter-segment sales	–	–	–	481,809	(481,809)	–
Total revenue	3,705,171	1,991,930	1,215,313	481,809	(481,809)	6,912,414
Results						
Operating results	539,627	361,322	301,613	205,869	(518,593)	889,838
Finance costs						(227,446)
Interest income						32,150
Share of results from associates	–	197	74	–	–	271
Share of results from joint venture companies	96,428	–	38,509	–	–	134,937
Profit before tax						829,750
Income tax expense						(165,969)
Profit net of tax						663,781
Non-controlling interests						(139,185)
Profit for the year attributable to owners of the Parent						524,596

* Inter-segment revenue are eliminated on consolidation

40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations^ RM'000	Consolidated RM'000
31 January 2013 (cont'd.)						
Assets						
Segment assets	3,621,981	2,003,577	3,617,869	230,547	13,421	9,487,395
Investment in associates	–	2,442	40,159	–	–	42,601
Investment in joint venture companies	346,044	–	206,073	–	–	552,117
Goodwill	301,470	3,795,851	888,118	–	–	4,985,439
Unallocated corporate assets						129,139
Consolidated total assets						15,196,691

^ Intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS
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40. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning RM'000	Drilling and Energy Services RM'000	Corporate RM'000	Eliminations^ RM'000	Consolidated RM'000
31 January 2013 (cont'd.)						
Liabilities						
Segment liabilities	1,105,262	722,853	346,419	189,856	(35,789)	2,328,601
Borrowings						5,940,972
Unallocated corporate liabilities						184,209
Consolidated total liabilities						8,453,782
Other Information						
Capital expenditure	499,261	109,097	188,831	11,783	–	808,972
Depreciation of property, plant and equipment	71,394	60,114	91,906	3,205	–	226,619
Amortisation of intangible assets	3,360	–	5,440	–	–	8,800
Amortisation of expenditure on oil and gas properties	–	–	25,372	–	–	25,372
Allowance for impairment on receivables, net	1,090	(321)	(1,327)	–	–	(558)

^ Intercompany transactions are eliminated on consolidation

40. SEGMENT INFORMATION (CONT'D.)

(b) Geographical information

The Group operates in five principal geographical areas in the world. In Malaysia, its home country, the Group's areas of operation are principally installation of pipelines and facilities, engineering, procurement, construction and commissioning, offshore oil and gas drilling services, subsea and offshore support services and geotechnical and maintenance services. Other operations in Malaysia include oilfield development and production, investment holding and provision of management services.

The Group also operates in other countries/region:

(i) South East Asia, comprise Singapore, Indonesia, Brunei and Thailand - provision for drilling rigs and services, provision of geotechnical and geophysical services to the oil and gas industry and vessel chartering.

(ii) Australia - installation of pipelines and facilities and development of marine technology and marine chartering, specialising on remotely operated underwater vehicle ("ROV").

(iii) United States of America - provision of technical consulting and advising to oil and gas companies.

(iv) Hong Kong – provision of engineering works.

(v) Republic of Angola and Republic of Trinidad and Tobago - provision of offshore oil and gas drilling services.

The following table provides an analysis of the Group's revenue by geographical areas:

	2014 RM'000	2013 RM'000
Total revenue from external customers		
Malaysia	**6,241,946**	5,622,413
South East Asia	**858,687**	63,312
Australia	**774,540**	1,168,033
Hong Kong	**18,268**	18,125
United States of America	**47,400**	40,531
Republic of Angola	**324,853**	–
Republic of Trinidad and Tobago	**113,082**	–
Consolidated	**8,378,776**	6,912,414

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40. SEGMENT INFORMATION (CONT'D.)

(b) Geographical information (cont'd.)

The following table provides an analysis of the carrying amount of certain assets analysed by geographical areas:

	2014 RM'000	2013 RM'000
Segment assets		
Malaysia	**12,018,410**	7,924,282
South East Asia	**2,688,561**	695,230
Australia	**946,375**	834,244
Hong Kong	**13,709**	12,977
United States of America	**26,320**	20,662
Republic of Angola	**1,494,748**	–
Republic of Trinidad and Tobago	**888,975**	–
Consolidated (Note 40(a))	**18,077,098**	9,487,395

41. SUBSIDIARIES AND ACTIVITIES

(i) Details of the subsidiaries are as follows:

(a) Subsidiaries of SapuraKencana Petroleum Berhad

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Aurabayu Sdn. Bhd.	Malaysia	Special Purpose Vehicle for the Ijarah Facilities	**100**	100
SapuraCrest Deepwater Pte. Ltd.	Bermuda/ Malaysia	Chartering and hiring out of barges	**100**	100
TL GeoSciences Sdn. Bhd.	Malaysia	Provision of offshore geotechnical and geophysical services	**100**	100

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Sapura Energy Sdn. Bhd.	Malaysia	Investment holding, provision of operation and maintenance services, provision of management services and lease financing	**100**	100
Petcon (Malaysia) Sdn. Bhd.	Malaysia	License holder for drilling of offshore oilwells	**100**	100
SapuraCrest Ventures Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Crest Hidayat (L) Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
Sasaran Perdana Sdn. Bhd.	Malaysia	Dormant	**100**	100
SapuraCrest Dana SPV Pte. Ltd.	Federal Territory of Labuan, Malaysia	Chartering and hiring out of barges	**100**	100
SapuraCrest Petroleum Berhad	Malaysia	Dormant	**100**	100
Probadi Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Bayu Padu Sdn. Bhd.	Malaysia	Special Purpose Vehicle for the Istisna' Bonds, MCPs and MMTNs	**100**	100
Nautical Essence Sdn. Bhd.	Malaysia	Investment holding	**100**	100

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
TL Offshore Sdn. Bhd.	Malaysia	Installation of offshore platforms and marine pipelines	**100**	100
Crest Marine Engineering Sdn. Bhd.	Malaysia	Rental of equipment and provision of engineering services	**100**	100
Geomark Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Sapura Energy Ventures Sdn. Bhd.	Malaysia	Development and production of petroleum resources	**100**	100
Sapura Petroleum Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Momentum Energy Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Kencana HL Sdn. Bhd.	Malaysia	Integrated engineering and fabrication of oil and gas production facilities and drilling rigs	**100**	100
Kencana Torsco Sdn. Bhd.	Malaysia	Engineering, fabrication and construction works	**100**	100
Kencana Bestwide Sdn. Bhd.	Malaysia	Engineering, procurement construction (fabrication) and commissioning, design and engineering and project management	**100**	100

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Kencana Pinewell Sdn. Bhd.	Malaysia	Offshore and onshore construction support services, hook-up, commissioning, maintenance and de-commissioning services	**100**	100
Kencana Petroleum Ventures Sdn. Bhd.	Malaysia	Investment holding	**100**	100
Kencana Energy Sdn. Bhd.	Malaysia	Development and production of petroleum resources	**100**	100
Allied Marine & Equipment Sdn. Bhd.	Malaysia	Provision of subsea services	**100**	100
Kencana Petroleum Berhad	Malaysia	Dormant	**100**	100
SapuraKencana TMC Sdn. Bhd.	Malaysia	Provision of treasury management services	**100**	100
SapuraKencana Drilling Pte. Ltd. (Labuan)	Federal Territory of Labuan, Malaysia	Investment holding	**100**	–
SapuraKencana 900 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	–
SapuraKencana (B) Sdn. Bhd.	Brunei	Investment holding	**100**	–
SapuraKencana 1200 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	–

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
SapuraKencana 3500 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	–
SapuraKencana FLB-1 Pte. Ltd.	Federal Territory of Labuan, Malaysia	Vessel owner and chartering	**100**	–
SapuraKencana Energy Sdn. Bhd.	Malaysia	Investment holding	**100**	–

(b) Held through Probadi Sdn. Bhd. and SapuraKencana Drilling Asia Ltd.

Tioman Drilling Company Sdn. Bhd.	Malaysia	Managing rigs involved in drilling offshore oilwells under contracts	**100**	51
Varia Perdana Sdn. Bhd.	Malaysia	Drilling of offshore oilwells under contracts and managing of rigs chartered out as bareboats	**100**	51
Crest Tender Rigs Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of vessels/ barges	**100**	51

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(c) Held through TL Offshore Sdn. Bhd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
#	Total Marine Technology Pty. Ltd.	Australia	Development of marine technology and marine chartering, specialising on ROVs	**94**	94
#	Exercize Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	**94**	94
#	Babalon Pty. Ltd.	Australia	Owner and operator of ROVs for the offshore oil and gas industries	**94**	94
	SapuraKencana Talent Ltd.	Bermuda	In-house recruitment operations for crews/seafarers	**100**	–

(d) Held through TL GeoSciences Sdn. Bhd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	2014 %	2013 %
	TL Geohydrographics Sdn. Bhd.	Malaysia	Hydrographic surveys and related services	**100**	100
#	TL Geotechnics (S) Pte. Ltd.	Singapore	Soil investigation and geotechnical services	**100**	100
	TL Geotechnics Sdn. Bhd.	Malaysia	Soil investigation and geotechnical services	**100**	100
	TL Jaya Sdn. Bhd.	Malaysia	Chartering of vessels	**100**	100
#	TL Geohydrographics Pte. Ltd.	Singapore	Hydrographic surveys and related services	**100**	100

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(d) Held through TL GeoSciences Sdn. Bhd. (cont'd.)

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
#	TL Geohydrographics Pty. Ltd.	Australia	Hydrographic surveys and related services	**100**	100
	TL Oilserve Sdn. Bhd.	Malaysia	Provision of marine vessel transportation services	**100**	100
	Oilserve (L) Berhad	Federal Territory of Labuan, Malaysia	Leasing of vessels/barges	**100**	100

(e) Held through Sapura Energy Sdn. Bhd.

Sapura Diving Services Sdn. Bhd.	Malaysia	Provision of rental of equipments	**100**	100
Sapura Retail Solutions Sdn. Bhd.	Malaysia	Retail automation systems and maintenance services	**100**	100
SE Projects Sdn. Bhd.	Malaysia	Systems integration, software development, general engineering, maintenance and related activities	**100**	100
Sapura Power Services Sdn. Bhd.	Malaysia	Provision of maintenance services to the power utility and oil and gas industries	**94.4**	94.4

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(e) Held through Sapura Energy Sdn. Bhd. (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Sapura Petroleum Technologies Sdn. Bhd.	Malaysia	Provision of maintenance services to the oil and gas industries	**99.7**	99.7
Malaysian Advanced Refurbishment Services Sdn. Bhd.	Malaysia	Provision of maintenance services to the energy sector	**100**	100
Energy Unlimited Sdn. Bhd.	Malaysia	Investment holding and provision of operations and maintenance services to the oil and gas industry	**100**	100
Sarku Resources Sdn. Bhd.	Malaysia	Investment holding and provision of management services	**100**	100
Sarku Engineering Services Sdn. Bhd.	Malaysia	Provision of offshore engineering and diving services and marine support and logistic assistance for the oil and gas industries	**100**	100
Sarku Marine Sdn. Bhd.	Malaysia	Chartering and hiring out of barges, vessels and operational equipment	**100**	100
Sarku Engineering Services (Offshore) Sdn. Bhd.	Malaysia	Chartering and hiring out of barges, vessels and operational equipment	**100**	100
Sarku 2000 Sdn. Bhd.	Malaysia	Dormant	**100**	100
Sarku Samudera Sdn. Bhd.	Malaysia	Dormant	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(e) Held through Sapura Energy Sdn. Bhd. (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Sarku Sambang Sdn. Bhd.	Malaysia	Dormant	**100**	100
Sarku Semantan Sdn. Bhd.	Malaysia	Special Purpose Vehicle for financial facilities	**100**	100
Sarku Utama Sdn. Bhd.	Malaysia	Dormant	**100**	100
Sarku Vessels Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing of barges, vessels and operational equipment	**100**	100
Prominent Energy Sdn. Bhd.	Malaysia	Dormant	**100**	100
SapuraKencana Services Sdn. Bhd.	Malaysia	Investment holding	**100**	100
SapuraKencana GE Oil & Gas Services Sdn. Bhd.	Malaysia	To provide after-sale services of rotating oil and gas equipment to customer located in Malaysia	**51**	–

(f) Held through Sapura Petroleum Sdn. Bhd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	2014 %	2013 %
#	Nautical Bay Pte. Ltd.	Singapore	Provision of manpower and procurement services	**100**	100
	SapuraKencana Petroleum Inc.	United States of America	Regional Office for business development and marketing	**100**	–
	SapuraKencana Oil & Gas DMCC	United Arab Emirates	Regional Office for business development and marketing	**100**	–

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(g) Held through Nautical Bay Pte. Ltd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
#	Nautical Power Pte. Ltd.	Singapore	Investment holding	**100**	100

(h) Held through Momentum Energy Sdn. Bhd.

#	Sapura Australia Pty. Ltd.	Australia	Investment holding	**100**	100

(i) Held through Sapura Australia Pty. Ltd.

#	SapuraClough Offshore Pty. Ltd.	Australia	Investment holding	**100**	100
#	SapuraClough USA Holdings Incorporated	United States of America	Investment holding	**100**	100
#	Sapura Petroleum Australia Pty. Ltd.	Australia	Investment holding	**100**	100
#	SC Projects Pty. Ltd.	Australia	Investment holding	**100**	100
#	Normand Sapura Pty. Ltd.	Australia	Sub-charter and provision of project delivery capabilities, proprietary technology and offshore assets	**100**	100
#	SC Projects Australia Pty. Ltd.	Australia	Investment holding	**100**	100
#	SapuraClough Java Offshore Pte. Ltd.	Singapore	Vessel owner and chartering	**100**	100

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(i) Held through Sapura Australia Pty. Ltd. (cont'd.)

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
#	SapuraClough Singapore Constructor Pte. Ltd.	Singapore	Vessel leasing and chartering	**100**	100
#	Sapura REM Clough Pty. Ltd.	Australia	Owner and operator of marine assets	**100**	100

(j) Held through SapuraClough USA Holdings Incorporated

*	Ocean Flow International LLC	United States of America	Provision of technical consulting and advising to oil and gas companies	**100**	70

(k) Held through Geomark Sdn. Bhd.

#	Quippo Prakash Pte. Ltd.	Singapore	Vessel owner and chartering	**100**	100

(l) Held through Kencana HL Sdn. Bhd.

	Kencana Marine Sdn. Bhd.	Malaysia	Operation and management of fabrication yard	**100**	100
	Kencana Infrastructure Sdn. Bhd.	Malaysia	Specialised fabrication and infrastructure construction	**100**	100

* Audited by firms other than Ernst & Young
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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(l) Held through Kencana HL Sdn. Bhd. (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Kencana Metering Sdn. Bhd.	Malaysia	Dormant	**100**	100
Kencana Steelworks Sdn. Bhd.	Malaysia	Dormant	**70**	70

(m) Held through Kencana Torsco Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	2014 %	2013 %
Kencana Torsco Overseas Sdn. Bhd.	Malaysia	Provision of engineering, fabrication and construction works	**100**	100
Kencana Torsco Assets Sdn. Bhd.	Malaysia	Property investment	**100**	100
Kencana Torsco (Hong Kong) Private Limited	Hong Kong	Engineering, fabrication and construction works	**100**	100
* King Hang Engineering Company Limited	Hong Kong	Provision of engineering works	**60**	60
* Dong Guan Hang Hoi Steel Structural Company Limited	China	Provision of engineering works	**60**	60

* Audited by firms other than Ernst & Young

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(n) Held through Kencana Petroleum Ventures Sdn. Bhd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
	Kencana Marine Drilling Sdn. Bhd.	Malaysia	Offshore drilling and related services in the oil and gas industry	**100**	100
#	Kencana Marine Rig 1 Pte. Ltd.	Singapore	Dormant	**100**	100
	Kencana Marine Rig 1 (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Leasing activities	**100**	100
	Kencana Marine Rig 2 (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
	Kencana Marine Rig 3 (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100
	Kencana Nautlius Sdn. Bhd.	Malaysia	Provision of marine transportation and support services	**100**	100

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41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(o) Held through Kencana Nautilus Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
Gemia (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Owner and operator of an offshore support vessel	**100**	100
Teras-Kencana Ventures Sdn. Bhd.	Malaysia	Owner and operator of an offshore support vessel	**67**	67
Redang (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Owner and operator of an offshore support vessel	**100**	100
Dhow Offshore Sdn. Bhd.	Malaysia	Provision of ship management services	**100**	100
Kencana Marine Assets (Labuan) Pte. Ltd.	Federal Territory of Labuan, Malaysia	Dormant	**100**	100

(p) Held through Allied Marine & Equipment Sdn. Bhd.

AME Marine Services Sdn. Bhd.	Malaysia	Provision of vessel related management services	**100**	100
Allied Support Corporation	Federal Territory of Labuan, Malaysia	Vessels owner and letting of dynamic positioning vessels and related equipment	**100**	100
Maju Hydro Sdn. Bhd.	Malaysia	Dormant	**100**	100
AME Corporation	Federal Territory of Labuan, Malaysia	Provision of subsea services	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(p) Held through Allied Marine & Equipment Sdn. Bhd. (cont'd.)

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
	AME Robotics Corporation	Federal Territory of Labuan, Malaysia	Provision of ROVs for rental	**100**	100
#	Allied Marine & Equipment (Thailand) Pte. Ltd.	Thailand	Provision of offshore diving and related services and diving equipment for rental	**100**	100

(q) Held through SapuraKencana Drilling Pte. Ltd. (Labuan)

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	2014 %	2013 %
# ^	SapuraKencana Drilling Pte. Ltd.	Singapore	Leasing of offshore oil and gas drilling rigs and providing management services	**100**	–
^	SapuraKencana Drilling (Bermuda) Ltd. (formerly known as Seadrill Tender Rig Ltd.)	Bermuda	Investment holding	**100**	–
# ^	PT Nordrill Indonesia	Indonesia	Offshore oil and gas construction and drilling services	**95**	–
	SapuraKencana Drilling Resources Ltd.	Bermuda	Provision of crew services	**100**	–

^ Arising from acquisition of Seadrill Tender Rig Ltd.
\# Audited by affiliate of Ernst & Young, Malaysia

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(r) Held through SapuraKencana Drilling (Bermuda) Ltd.

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
^	SapuraKencana Drilling T-4 Ltd. (formerly known as Seadrill T-4 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling T-7 Ltd. (formerly known as Seadrill T-7 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling T-11 Ltd. (formerly known as Seadrill T-11 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling T-12 Ltd. (formerly known as Seadrill T-12 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling T-17 Ltd. (formerly known as Seadrill T-17 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling T-18 Ltd. (formerly known as Seadrill T-18 Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–
^	SapuraKencana Drilling Menang Ltd. (formerly known as Seadrill Menang Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	**100**	–

^ Arising from acquisition of Seadrill Tender Rig Ltd.

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(r) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)

	Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
^	SapuraKencana Drilling Berani Ltd. (formerly known as Seadrill Tender Rig Indonesia Ltd.)	Bermuda/ Indonesia	Leasing of offshore oil and gas drilling rig	100	–
^	SapuraKencana Drilling Alliance Ltd. (formerly known as Seadrill Alliance Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	–
^	SapuraKencana Drilling Pelaut Ltd. (formerly known as Seadrill Pelaut Ltd.)	Bermuda	Leasing of offshore oil and gas drilling rig	100	–
^	Seadrill Setia Ltd.	Bermuda	Leasing of drilling rig and providing drilling service to offshore oil and gas industry	100	–
^	Seadrill Esperanza Ltd.	Bermuda/ Equatorial Guinea	Leasing of offshore oil and gas drilling rig	100	–
^	Seadrill Jaya Ltd.	Bermuda/ Republic of Trinidad and Tobago	Leasing of offshore oil and gas drilling rig	100	–

^ Arising from acquisition of Seadrill Tender Rig Ltd.

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(r) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
# ^ SapuraKencana Drilling Asia Ltd. (formerly known as Seadrill Asia Ltd.)	Hong Kong/ Thailand	Provision of oil drilling services	**100**	–
^ SapuraKencana Drilling Labuan Leasing Ltd. (formerly known as Seadrill Labuan Leasing Ltd.)	Federal Territory of Labuan, Malaysia	Hire and charter of the oil drilling rigs	**100**	–
^ SapuraKencana Drilling Services Sdn. Bhd. (formerly known as Seadrill Rig Services Sdn. Bhd.)	Malaysia	Provision of oil drilling services	**100**	–
^ SapuraKencana Drilling Holdings (Panama) Inc. (formerly known as Petrodril Holdings Inc.)	Panama	Investment holding	**100**	–
# ^ SapuraKencana Drilling Holdings Ltd.	Hong Kong	Dormant	**100**	–

^ Arising from acquisition of Seadrill Tender Rig Ltd.
\# Audited by affiliate of Ernst & Young, Malaysia

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(i) Details of the subsidiaries are as follows: (cont'd.)

(s) Held through SapuraKencana Drilling Holdings (Panama) Inc.

Name of Subsidiaries	Country of Incorporation/ Principal place of business	Principal Activities	Proportion of ownership interest 2014 %	2013 %
# ^ SapuraKencana Drilling Sdn. Bhd. (formerly known as Seadrill Sdn. Bhd.)	Brunei	Offshore drilling, workover and development of oil and gas wells	**100**	–

(t) Held through SapuraKencana Energy Sdn. Bhd.

SapuraKencana Energy Inc.	Bahamas	Investment holding	**100**	–
SapuraKencana Energy Resources Ltd.	Bermuda	Employment of manpowers	**100**	–

^ Arising from acquisition of Seadrill Tender Rig Ltd.
# Audited by affiliate of Ernst & Young, Malaysia

(u) Acquisition during the year

On 30 April 2013, the Company, through its wholly-owned subsidiary, SapuraKencana Drilling Pte. Ltd., completed the integration and combination of tender rig business via acquisition of the entire issued share capital of Seadrill Tender Rig Ltd., a wholly-owned subsidiary of Seadrill Limited for a purchase consideration of RM7.7 billion (USD2.5 billion).

After taking into consideration all adjustments in accordance to the Sales and Purchase Agreement ("SPA"), the purchase consideration has been revised to RM8.0 billion.

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(u) Acquisition during the year (cont'd.)

The fair value of the identifiable assets and liabilities of the acquired group business as at the date of acquisition was:

	Fair value recognised on acquisition RM'000
Assets	
Property, plant and equipment	5,057,484
Intangible assets	62,622
Deferred tax assets	1,136
Other investments	187
Inventories	115,158
Trade and other receivables	344,781
Cash and cash equivalents	95,513
	5,676,881
Liabilities	
Trade and other payables	(144,418)
Provision for tax	(36,311)
Deferred tax liabilities	(5,055)
Other long term payables	(5,479)
	(191,263)
Fair value of identifiable net assets	5,485,618
Goodwill arising on acquisition, net	2,114,379
Total cost of business combination	7,599,997
Acquisition of non-controlling interests	432,480
Total	8,032,477
Purchase consideration consist of:	
Issuance of new ordinary shares	1,239,920
Deferred consideration and contingent consideration	566,891
Cash	6,225,666
	8,032,477
Analysis of cash flows on acquisition:	
Total cash paid	6,225,666
Less: Cash and cash equivalents of subsidiaries acquired	(95,513)
Less: Acquisition of non-controlling interests	(432,480)
Net cash flow on acquisition	5,697,673

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2014

41. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(u) Acquisition during the year (cont'd.)

As the acquired group did not exist at the beginning of the financial period, it would be impracticable to disclose the impact as if the combination had taken place since the beginning of financial year.

From the date of acquisition, the acquired group has contributed RM548.6 million to the Group's profit net of tax.

42. OTHER SIGNIFICANT EVENTS

In addition to the significant events disclosed in Note 41, the other significant events are as follows:

(a) On 10 May 2013, the Company's wholly-owned subsidiary company, TL GeoSciences Sdn. Bhd., was awarded by PETRONAS Carigali Sdn. Bhd. ("PCSB") with a contract for the provision of marine geohazards investigation services covering PCSB's offshore oil and gas fields in Peninsular Malaysia. The value of the contract is approximately RM60 million. The duration of the contract is for 3 years effective from 12 April 2013 until 11 April 2016, with the option to extend for an additional 1 year period until 11 April 2017.

(b) On 16 May 2013, the Company's wholly-owned subsidiary company, Kencana HL Sdn. Bhd., accepted a letter of award from ExxonMobil Exploration and Production Malaysia Inc. for the provision of hook up and commissioning and topside major maintenance services. The duration of the contract is for a term of 5 years with an option to extend for a further 1 year period.

The contract includes the supply of manpower and equipment, material purchases and provision of marine spread. The total value of the contract is estimated to be between RM300 million to RM500 million over the contract period based on unit rates of the services provided.

(c) On 4 June 2013, the Company through its wholly-owned subsidiary, TL Offshore Sdn. Bhd. ("TLO") was awarded with a contract for the provision of installation services for offshore facilities for Diamond Development Project, Blocks 01 & 02, with PTSC Offshore Services Joint Stock Company. The contract comprises of installation services for platform and pipeline in the Diamond field, located 18km North of Ruby field and 155km East of Vung Tau. TLO's scope of work is valued at approximately USD35 million (RM117 million).

(d) On 27 June 2013, Sapura Navegação Marítima S.A., Brazil ("SNM"), a joint venture company between TLO and Seabras Serviços De Petroleo S.A., a subsidiary of Seadrill Limited received notification from Petróleo Brasileiro S.A. ("Petrobras") that SNM has been awarded contracts to charter and operate 3 units of Pipe Laying Support Vessels ("PLSV") at total award value of approximately USD2.7 billion (RM9.0 billion). The contracts are for a period of 8 years with extension option for additional 8 years and are expected to commence by the second quarter of 2016. The 3 PLSVs will be constructed outside Brazil.

42. OTHER SIGNIFICANT EVENTS (CONT'D.)

(e) On 9 July 2013, the Company's wholly-owned subsidiary, Kencana HL Sdn. Bhd. received a letter of award from Trans Thai-Malaysia (Malaysia) Sdn. Bhd. ("TTM") for the provision of engineering, procurement, construction, installation and commissioning ("EPCIC") of JDA Gas Balancing Evacuation ("EVA") Project for TTM. The contract is valued at approximately USD181 million (RM605 million). The contract is for a period of three years which commenced in second quarter of 2013 and expected to be completed by the first quarter of 2016.

(f) On 12 July 2013, the Company's wholly-owned subsidiary, Crest Tender Rigs Pte. Ltd. ("CTR"), was awarded a contract for the provision of tender assisted rig services by PTTEP International Limited ("PTTEPI"). PTTEPI intend to use SKD T-9 for its Zawtika development drilling campaign offshore Myanmar. The initial operational period of T-9 Contract is approximately 300 days which commenced in July 2013 and the total contract value is expected to be USD40 million (RM134 million).

(g) On 22 October 2013, the Company and Newfield International Holdings Inc. entered into a conditional sale and purchase agreement, to acquire the entire issued and outstanding common shares of Newfield Malaysia Holding Inc. for a total purchase consideration of USD898 million (RM2.8 billion) to be satisfied entirely by cash and subject to adjustments as set out in the Sales and Purchase Agreement ("SPA").

The transaction, which was approved by shareholders was completed on 11 February 2014 following the fulfilment of all conditions, including payment of the remaining purchase price to the seller.

The adjusted price paid to the seller after incorporating adjustments required in accordance with the SPA was USD896 million (RM2.7 billion).

(h) On 25 October 2013, the Company's wholly-owned subsidiary, Allied Marine & Equipment Sdn. Bhd. ("AME") was awarded with a contract for the provision of subsea inspection services for Carigali Hess' facilities by Carigali Hess Operating Company Sdn. Bhd. The contract is valued at approximately RM62 million over a four year period on call out basis.

(i) On 16 December 2013, TLO was awarded contracts for Packages C and D by 11 PETRONAS's Production Sharing Contractors ("PSC's").

The contracts would require the provision and performance of various transportation and installations services for offshore oil and gas structures which includes topsides, jackets and risers as well as laying of subsea pipelines and its associated works for the durations of 3 years from 2014 to 2016 with the option of 1 year extension. The scope of work and project schedule will be specified and identified on an annual basis with contract value determined by actual work orders issued by the PSCs during the contract period. Works have commenced in March 2014 around various offshore locations in Malaysian waters.

All RM amounts are translated at closing exchange rate.

43. SUBSEQUENT EVENTS

(a) The RM700 million outstanding Sukuk Mudharabah has been fully redeemed by the Company on 7 February 2014.

(b) On 18 March 2014, SapuraKencana TMC Sdn. Bhd. entered into a facilities agreement with amongst others 13 domestic and international financial institutions for multi-currencies credit facilities of up to USD5.5 billion (RM18.4 billion) comprising term facilities and revolving credit facilities (collectively "Credit Facilities"). The repayment period of the Credit Facilities is up to 7 years.

The Credit Facilities will be utilised, inter alia for refinancing of existing borrowings, funding of capital expenditures as well as working capital requirements of the Group.

The Credit Facilities were undertaken as part of the Group's on-going capital management initiatives which are intended to improve the Group's funding position.

(c) On 1 April 2014, the Company's wholly-owned subsidiaries:

(i) SapuraKencana Drilling Pte. Ltd. was awarded a contract by Total E&P Congo, Republic of Congo ("Total Congo") for the provision of its semi-tender assist drilling rig i.e. ("SKD Berani") for a period of one year with an option for an extension of one year. Total Congo intends to utilise SKD Berani for its workover and development drilling campaign offshore Republic of Congo. The duration of the contract is from April 2014 until March 2015 and is valued at USD108 million (RM361 million).

(ii) SapuraKencana Drilling Sdn. Bhd. has accepted an extension to its contract with Brunei Shell Petroleum Company Sdn. Bhd. for the provision of offshore drilling rig and services by its semi-tender assist drilling rig i.e. SKD Pelaut.

The contract extension is for a period of 2 years commencing April 2015 until March 2017 and is valued at approximately USD92 million (RM308 million).

(iii) SapuraKencana Drilling Asia Limited, ("SKD Asia"), has accepted an extension to its contract with Cabinda Gulf Oil Company Limited ("CABGOC") for the provision of its tender assist drilling rig i.e. SKD Setia. CABGOC will continue to utilise SKD Setia for its development drilling campaign offshore Cabinda, Republic of Angola.

The contract extension is for a period of 2 years commencing August 2014 until July 2016 and is valued at approximately USD164 million (RM549 million).

(iv) SKD Asia has also accepted an extension to its contract with Chevron Thailand Exploration and Production Limited ("Chevron Thailand") for the provision of its tender assist drilling rig i.e. SKD T-12. Chevron Thailand will continue to utilise SKD T-12 for its development drilling campaign in the Gulf of Thailand.

The contract extension is for a period of 2 years commenced March 2014 until end of March 2016 and is valued at approximately USD90 million (RM301 million).

All RM amounts are translated at closing exchange rate.

44. SUPPLEMENTARY INFORMATION

The following analysis of realised and unrealised retained profits of the Group and the Company is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements as issued by the Malaysian Institute of Accountants and presented in accordance with the directive issued by Bursa Malaysia.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained profits of SapuraKencana and its subsidiaries				
– Realised	**2,217,945**	1,358,404	**434,490**	44,908
– Unrealised	**(136,277)**	(54,648)	**39,464**	15,064
	2,081,668	1,303,756	**473,954**	59,972
Total share of retained profits from joint venture and associates companies				
– Realised	**364,798**	151,080	**–**	–
– Unrealised	**(21,151)**	11,022	**–**	–
	343,647	162,102	**–**	–
Total retained profits	**2,425,315**	1,465,858	**473,954**	59,972
Less: Consolidation adjustments	**(309,329)**	(356,786)	**–**	–
Retained profits	**2,115,986**	1,109,072	**473,954**	59,972

The disclosure of realised and unrealised retained profits above is solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2014

Authorised Share Capital	:	RM10,000,000,000.00
Issued and Paid-Up Share Capital	:	RM5,992,155,087.00 comprising 5,992,155,087 Ordinary Shares of RM1.00 each
Class of Security	:	Ordinary Shares of RM1.00 each
Voting Rights	:	One vote per shareholder on show of hands One vote per Ordinary Share on poll
No. of Shareholders	:	25,632 shareholders

DISTRIBUTION BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	1,750	6.83	69,839	0.00
100 – 1,000	4,336	16.92	3,215,642	0.05
1,001 – 10,000	14,342	55.95	59,196,784	0.99
10,001 – 100,000	4,000	15.60	115,584,758	1.93
100,001 to less than 5% of issued shares	1,199	4.68	3,025,621,209	50.49
5% and above of issued shares	5	0.02	2,788,466,855	46.54
Total	**25,632**	**100.00**	**5,992,155,087**	**100.00**

TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

	Name of Shareholders	No. of Shares	% of Shares
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD SAPURA TECHNOLOGY SDN BHD	879,037,074	14.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	668,610,739	11.16
3	KHASERA BARU SDN BHD	454,573,862	7.59
4	HSBC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT MITSUBISHI UFJ SECURITIES INTERNATIONAL PLC FOR SEADRILL LIMITED	445,136,880	7.43
5	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	341,108,300	5.69

TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS (CONT'D.)

	Name of Shareholders	No. of Shares	% of Shares
6	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	105,954,968	1.77
7	CHONG HIN LOON	100,000,000	1.67
8	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	93,262,724	1.56
9	HSBC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AA NOMS SG FOR KHASERA BARU SDN BHD	91,761,000	1.53
10	CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	90,883,743	1.52
11	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	90,741,300	1.51
12	AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	75,052,765	1.25
13	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	70,866,200	1.18
14	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	62,016,540	1.03
15	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	60,711,025	1.01
16	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	50,849,008	0.85
17	BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD	47,800,000	0.80
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR DANSKE BANK A/S (CLIENT HOLDINGS)	45,222,811	0.75
19	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	44,672,099	0.75
20	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	41,984,200	0.70
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	39,263,250	0.66

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2014

TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS (CONT'D.)

	Name of Shareholders	No. of Shares	% of Shares
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SAPURA CAPITAL SDN BHD (PB)	37,387,227	0.62
23	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	37,168,400	0.62
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	35,307,639	0.59
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	30,484,220	0.51
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (USA)	29,866,004	0.50
27	PERMODALAN NASIONAL BERHAD	28,998,300	0.48
28	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD (591001)	26,167,400	0.44
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (BVI)	25,655,300	0.43
30	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR UNITED NATIONSJOINT STAFF PENSION FUND	25,000,000	0.42
	TOTAL	**4,175,542,978**	**69.68**

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest No. of Shares Held	Direct Interest %	Indirect Interest No. of Shares Held	Indirect Interest %
Sapura Technology Sdn Bhd	953,004,474	15.90	–	–
Sapura Holdings Sdn Bhd	–	–	1,001,022,718[a]	16.71
Brothers Capital Sdn Bhd	–	–	1,001,022,718[b]	16.71
Tan Sri Dato' Seri Shahril Shamsuddin	7,876,092	0.13	1,001,022,718[b]	16.71
Dato' Shahriman Shamsuddin	506,385	0.01	1,001,022,718[b]	16.71
Khasera Baru Sdn Bhd	605,000,313	10.10	–	–
Dato' Mokhzani Mahathir	9,494,121	0.16	605,000,313[c]	10.10
Seadrill Limited	490,329,691	8.18	–	–
Employees Provident Fund Board	772,162,889	12.89	–	–
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera	341,108,300	5.69	–	–

Notes:

(a) Deemed interested by virtue of being a substantial shareholder of Sapura Technology Sdn. Bhd., Sapura Resources Berhad, Sapura Capital Sdn Bhd and Indera Permai Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("Act").

(b) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn Bhd pursuant to Section 6A of the Act.

(c) Deemed interested by virtue of his shareholding in Khasera Baru Sdn Bhd pursuant to Section 6A of the Act.

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2014

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares Held	%	No. of Shares Held	%
Dato' Hamzah Bakar	5,000,249	0.08	–	–
Tan Sri Dato' Seri Shahril Shamsuddin	7,876,092	0.13	1,001,022,718[a]	16.71
Dato' Mokhzani Mahathir	9,494,121	0.16	605,000,313[b]	10.10
Ramlan Abdul Malek	–	–	–	–
Dato' Shahriman Shamsuddin	506,385	0.01	1,001,022,718[a]	16.71
Tor Olav Trøim	–	–	–	–
Yeow Kheng Chew	22,180,701	0.37	–	–
Tan Sri Datuk Amar (Dr) Hamid Bugo	256,405	0.00*	–	–
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	–	–	–	–
Mohamed Rashdi Mohamed Ghazalli	97,864	0.00*	48,932[c]	0.00*
Gee Siew Yoong	–	–	–	–
John Fredriksen *(Alternate Director to Tor Olav Trøim)*	–	–	–	–

* Negligible

Notes:

(a) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn Bhd ("Sapura Holdings") pursuant to Section 6A of the Act. Sapura Holdings is a substantial shareholder of Sapura Technology Sdn Bhd, Sapura Resources Berhad, Sapura Capital Sdn Bhd and Indera Permai Sdn Bhd.

(b) Deemed interested by virtue of his shareholding in Khasera Baru Sdn Bhd pursuant to Section 6A of the Act.

(c) Deemed interested by virtue of the shareholdings held by his spouse pursuant to Section 134 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRD ANNUAL GENERAL MEETING ("AGM") OF SAPURAKENCANA PETROLEUM BERHAD ("COMPANY") WILL BE HELD AT MULTI-PURPOSE HALL, GROUND FLOOR, SAPURA@MINES, NO. 7 JALAN TASIK, THE MINES RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN, MALAYSIA ON WEDNESDAY, 25 JUNE 2014 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

1. To receive the Audited Financial Statements together with the Directors and Auditors' Reports for the financial year ended 31 January 2014.

2. To approve the Directors' fees for the financial year ended 31 January 2014. **Resolution 1**

3. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offer themselves for re-election:

   (i) Dato' Mokhzani Mahathir **Resolution 2**

   (ii) Dato' Shahriman Shamsuddin **Resolution 3**

   (iii) Yeow Kheng Chew **Resolution 4**

4. To re-elect the following Directors who retire pursuant to Article 93 of the Articles of Association of the Company and being eligible, offer themselves for re-election:

   (i) Gee Siew Yoong **Resolution 5**

   (ii) Ramlan Abdul Malek **Resolution 6**

5. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act, 1965:

   (i) "THAT Dato' Hamzah Bakar who is over the age of 70 years, be and is hereby reappointed as a Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 8**

   (ii) "THAT Mr John Fredriksen who is over the age of 70 years, be and is hereby reappointed as an Alternate Director of the Company to hold office until the conclusion of the next annual general meeting of the Company." **Resolution 9**

7. To consider and if thought fit, to pass the following Ordinary Resolution:

   AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT subject to the provisions of the Company's Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance and that the Directors be and are also hereby empowered to obtain all necessary approvals from the relevant authorities for the issuance and the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 10**

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

MOHAMAD AFFENDI YUSOFF (MACS 01596)
NG HENG HOOI (MAICSA 7048492)
Company Secretaries

Kuala Lumpur
2 June 2014

NOTES:

1. Audited Financial Statements for the financial year ended 31 January 2014

This Agenda is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the Audited Financial Statements need not be approved by the shareholders and hence, the matter will not be put forward for voting.

2. Directors' Fees

The Directors' fees for the financial year ended 31 January 2014 of up to RM2,485,000.00.

3. Proxy Form

A member of the Company who is entitled to attend and vote at this AGM is entitled to appoint up to two proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

4. **Corporate Representative**

   As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend this AGM pursuant to Sections 147(3) and (4) of the Companies Act, 1965. For this purpose and pursuant to Section 147(5) of the Companies Act, 1965, the corporate member shall provide a certificate under its common seal as *prima facie* evidence of the appointment of the corporate representative. The corporate member may submit the certificate to the Share Registrar of the Company prior to the commencement of this AGM.

5. **Members Entitled to Attend**

   For the purpose of determining a member who shall be entitled to attend this AGM in accordance with Article 63(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 18 June 2014. Only a depositor whose name appears on the Record of Depositors as at 18 June 2014 shall be entitled to attend this AGM or appoint proxies to attend and/or vote on his/her behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Reappointment of Directors pursuant to Section 129(6) of the Companies Act, 1965**

   The proposed Resolutions 8 and 9 in relation to the reappointment of Dato' Hamzah Bakar and Mr John Fredriksen, if passed, would enable them to continue in office as Director and Alternate Director of the Company, respectively, until the conclusion of the next annual general meeting of the Company.

2. **Authority for Directors to Issue Shares under Section 132D of the Companies Act, 1965**

   As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 4 July 2013 which will lapse at the conclusion of the forthcoming Third AGM.

   Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Resolution 10, if passed, would enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance for such purpose as the Directors consider would be in the best interest of the Company.

   The mandate will enable Directors to take swift action in case of a need for corporate exercises or fund raising activities or in the event business opportunities arise which involve issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares. Proceeds raised from the corporate exercises or fund raising activities will be utilised for funding future investment projects, working capital and/or acquisitions.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

(I) Individuals who are standing for election as Directors at the Third AGM of the Company

There is no individual standing for election as Director (excluding directors standing for re-election).

(II) Directors who are standing for re-election or reappointment at the Third AGM of the Company

(a) The following Directors are retiring by rotation and standing for re-election pursuant to Article 87 of the Company's Articles of Association:

- Dato' Mokhzani Mahathir
- Dato' Shahriman Shamsuddin
- Yeow Kheng Chew

(b) The following Directors are retiring and standing for re-election pursuant to Article 93 of the Company's Articles of Association:

- Gee Siew Yoong
- Ramlan Abdul Malek

(c) The following Directors who are over the age of 70 years are standing for reappointment pursuant to Section 129(6) of the Companies Act, 1965:

- Dato' Hamzah Bakar
- John Fredriksen

Details of the above Directors who are standing for re-election and reappointment are provided in the "Profiles of Board of Directors" on pages 14 to 27 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 280 of this Annual Report.

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PROXY FORM

CDS Account No.		
Total number of ordinary shares held		
No. of ordinary shares to be represented by each proxy	Proxy 1	Proxy 2

SapuraKencana
PETROLEUM

SapuraKencana Petroleum Berhad
(Company No. 950894-T)
(Incorporated in Malaysia)

I/We ____
(Full Name as per NRIC/Passport/Certificate of Incorporation in Capital Letters)

of ____
(Full Address)

being a Member of SAPURAKENCANA PETROLEUM BERHAD, do hereby appoint ______________________
(Full Name as per NRIC/Passport in Capital Letters)

of ____
(Full Address)

or failing him/her, ____
(Full Name as per NRIC/Passport in Capital Letters)

of ____
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held at Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7 Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Wednesday, 25 June 2014 at 10.00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy will vote or abstain from voting at his/her discretion.

Resolutions		For	Against
ORDINARY RESOLUTION 1	Payment of Directors' Fees		
ORDINARY RESOLUTION 2	Re-election of Dato' Mokhzani Mahathir as Director of the Company		
ORDINARY RESOLUTION 3	Re-election of Dato' Shahriman Shamsuddin as Director of the Company		
ORDINARY RESOLUTION 4	Re-election of Yeow Kheng Chew as Director of the Company		
ORDINARY RESOLUTION 5	Re-election of Gee Siew Yoong as Director of the Company		
ORDINARY RESOLUTION 6	Re-election of Ramlan Abdul Malek as Director of the Company		
ORDINARY RESOLUTION 7	Reappointment of Messrs Ernst & Young as Auditors of the Company		
ORDINARY RESOLUTION 8	Reappointment of Dato' Hamzah Bakar as Director of the Company		
ORDINARY RESOLUTION 9	Reappointment of John Fredriksen as Alternate Director of the Company		
ORDINARY RESOLUTION 10	To authorise the Directors to allot and issue shares under Section 132D of the Companies Act, 1965.		

____
Signature/Common Seal of Shareholder

Dated this _________ day of _________2014

NOTES:

1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint up to two proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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Stamp

Share Registrar of SapuraKencana Petroleum Berhad

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

SapuraKencana Petroleum Berhad (950894-T)

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas, 1 Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia

Tel : +603-6209 8000 Fax : +603-6209 3800

www.sapurakencana.com