integrated strength

annual report 2013

SapuraKencana
PETROLEUM

Health, Safety and Environment

The people of SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum") are committed towards a Health, Safety and Environment ("HSE") performance that we can be proud of to earn the continuous confidence of our customers, employees, shareholders and the public at large.

HSE excellence is a critical component in our ability to achieve our business objectives and meet all of our stakeholders' expectations. Preventing incidents and managing risks are crucial to our business and to the well being of our people, the communities where we operate and the environment.

We aim to manage HSE risks through the development and institutionalisation of responsible governance, rigorous controls and solid compliance systems. We strive to communicate and cascade relevant information to all concerned individuals in a continuous and rigorous manner using different methods to ensure its effective internalisation.

Timely, transparent and comprehensive reviews of HSE incidents are considered paramount to our ability to learn and continuously improve our HSE performance. We devote considerable amount of management and operational resources to this end, with the ultimate objective of ensuring that we understand the root causes, identify appropriate solutions and share lessons learnt to prevent future incidents.

We endeavour to keep abreast with latest industry developments and continuously enhance our operations by implementing internationally recognised HSE practices. We are also cognisant of international conventions and protocols which are implemented alongside local laws and regulations. We expect everyone working in our facilities to know, understand and adhere to all HSE policies and procedures. We encourage and empower our employees to intervene in case of unsafe behaviours and unsafe conditions via our Stop Work Policy.

A variety of activities and initiatives were planned and executed throughout the year to ensure that HSE is embedded in our culture namely:

- Post-merger launch of HSE-related policies;
- Review of HSE plan in recognition of operational and regulatory requirements;
- Conduct both scheduled and unplanned management operational visits and site inspections;
- Inductions, workshops and conferences involving employees, clients and contractors; and
- Appointment of HSE counselors responsible to support, reinforce and communicate HSE information.

We are proud to have received client recognition for our HSE achievements. Amongst the most salient ones are:

- Achievement of 1.5 milion manhours without lost time injury ("LTI") for F13 Compression Project and E8K Compression Project by SARAWAK SHELL BERHAD, 5 April 2012;
- Achievement of 1.0 million manhours without LTI for provision of Wellhead Platforms for Cendor Phase 2 Development Project by Petrofac Malaysia Limited, 24 April 2012;
- Achievement of 1.5 million manhours without LTI for Dulang Field Drilling Operations Phase 1 Project by Petronas Carigali Sdn Bhd ("Petronas Carigali"), 8 November 2012;
- Achievement of 1.0 million manhours without LTI for Underwater Construction and Maintenance Campaign by Petronas Carigali, January 2013; and
- HSE Awards & Recognition 2012 – Best Contractor (Installation Category) for Allied Marine & Equipment Sdn Bhd ("AME") by Petronas Carigali.

We have also received several certifications for the operations, amongst others are as follows:

- ISO 9001 (Quality Management System Certification) by SIRIM QAS International Sdn Bhd for Sapura Energy Sdn Bhd;
- ISO 9001 (Quality Management System Certification) by Det Norske Veritas ("DNV") for TL GeoSciences Sdn Bhd;
- ISO 9001 (Quality Management System Certification) by Bureau Veritas ("BV") for TL Offshore Sdn Bhd;
- ISO 9001 (Quality Management System Certification), ISO 14001 (Environmental Management System Certification) and OHSAS 18001 (Occupational Health and Safety Management System Certification) by DNV for SapuraClough Offshore Pty Ltd and Total Marine Technology Pty Ltd;
- ISO 9001 (Quality Management System Certification) by Moody International Certification Ltd for Kencana Pinewell Sdn Bhd;
- ISO 9001 (Quality Management System Certification), ISO 14001 (Environmental Management System Certification), OHSAS 18001 (Occupational Health and Safety Management System Certification) by BV for AME; and
- ISO 14001 (Environmental Management System Certification), OHSAS 18001 (Occupational Health and Safety Management System Certification) by Association Francaise de Normalisation ("AFNOR") for Kencana HL Sdn Bhd.

We remain fully committed towards achieving zero fatalities and no significant incidents that may harm our employees, our assets or the environment.

contents

Notice of Annual General Meeting

2nd

NOTICE IS HEREBY GIVEN THAT the Second 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 on Thursday, 4 July 2013 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statements together with the Directors and Auditors' Reports for the financial year ended 31 January 2013.

2. To approve the Directors' fees for the financial year ended 31 January 2013. ***Ordinary Resolution 1***

3. To re-elect Mr John Fredriksen as Director of the Company who retires pursuant to Article 93 of the Articles of Association of the Company and being eligible, offers himself for re-election. ***Ordinary Resolution 2***

4. To re-elect Tan Sri Shahril Shamsuddin as Director of the Company who retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election. ***Ordinary Resolution 3***

5. To re-elect Tan Sri Nik Mohamed Nik Yaacob as Director of the Company who retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election. ***Ordinary Resolution 4***

6. To re-elect Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin as Director of the Company who retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election. ***Ordinary Resolution 5***

7. To re-elect Encik Mohamed Rashdi Mohamed Ghazalli as Director who retires by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election. ***Ordinary Resolution 6***

8. To reappoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 7***

As Special Business, to consider and if thought fit, to pass the following resolution:

9. **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." ***Ordinary Resolution 8***

10. 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
12 June 2013

NOTES:

1. **Audited Financial Statements for the financial year ended 31 January 2013**
   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 2013 of up to RM2,485,000.

3. **Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965**
The proposed Ordinary Resolution 8, if passed, would, subject to the Main Market Listing Requirements, 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.

There was no shareholders' mandate obtained from the shareholders of the Company at the last AGM held on 30 April 2012 for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.

The mandate will enable the 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 the issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares. The proceeds raised from the corporate exercises or fund raising activities will be utilised for funding future investment projects, working capital and/or acquisitions.

4. **Proxy Form**
A member of the Company who is entitled to attend and vote at this AGM is entitled to appoint up to two (2) 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 (1) 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 (2) 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, not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

5. **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.

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) Directors who are standing for election

There is no individual standing for election as Director (excluding directors standing for re-election) at the Second Annual General Meeting ("Second AGM") of the Company.

(II) Directors who are standing for re-election or reappointment at the Second AGM of the Company

(a) Mr John Fredriksen is retiring and standing for re-election pursuant to Article 93 of the Company's Articles of Association.

(b) The following Directors are retiring by rotation and standing for re-election pursuant to Article 87 of the Company's Articles of Association:

- Tan Sri Shahril Shamsuddin
- Tan Sri Nik Mohamed Nik Yaacob
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Encik Mohamed Rashdi Mohamed Ghazalli

Details of Directors who are standing for re-election are provided in the "Profiles of Board of Directors" on page 18 to 29 of this Annual Report. Details of their interests in the securities of the Company are set out in the "Analysis of Shareholdings" on page 196 of this Annual Report.

Our 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

SapuraKencana
P E T R O L E U M

About SapuraKencana Petroleum Berhad

SapuraKencana Petroleum Berhad is one of the world's largest integrated oil and gas service and solution providers. The Group's principal business revolves around the provision of end-to-end services and solutions to the upstream petroleum industry covering activities such as engineering, construction, installation and commissioning of offshore pipelines and structures, provision of accommodation and support vessels, drilling services, topside maintenance services, underwater and diving services, geotechnical and geophysical services and project management through to development and production. With a workforce of over 9,000 people, the Group's global presence can be seen in over 20 countries covering Malaysia, China, Australia, Middle East, America, Brazil and many more.

OUR CORE BUSINESSES

OFFSHORE CONSTRUCTION & SUBSEA SERVICES

The Group's Offshore Construction & Subsea Services ("OCSS") business segment provides integrated design, engineering and installation services for infrastructures and subsea pipe systems used in oil and gas production and transportation. OCSS principal activities comprise offshore construction and installation of offshore platforms, marine pipelines and facilities, installation of subsea umbilicals, risers and flowlines (SURF), offshore diving and underwater related services including the design, manufacture and operating of remotely operated vehicles ("ROV").

We are an installation of pipelines and facilities (IPF) service provider established since 1989 and have become a major player in Malaysia as well as in the region. Today, we have expanded our marine construction business in subsea and deepwater segments, including the subsea umbilicals, risers and flowlines (SURF) market. This has enabled us to penetrate the high-end area in both shallow and deepwater construction works.

The operation of our offshore activities are strongly supported by our own fleet of derrick lay barges & vessels, diving support vessels, saturation diving systems ("SDS") and ROV. To further increase our capacity and strengthen our capabilities to meet customer's requirement, we are currently building two new dynamic positioning heavy lift ("DP") and pipelaying vessels. In addition, three new pipelaying support vessels ("PLSVs") with a laying capability of up to 2,500 meters water depth are being built for the Brazilian market.

Presently, we have expanded our market horizon beyond South East Asia and established our footprint in the key offshore markets in Australia, India, China, Russia, Gulf of Mexico and Brazil.

ENERGY & JOINT VENTURES

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

In supporting these activities and providing an integrated solution for the extraction of petroleum resources, SapuraKencana Petroleum has enhanced its capabilities and expertise in conceptual engineering, front-end engineering and 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. In addition to that, EJV has investments in strategic production assets such as a Floating Production Storage and Offloading Unit and a Mobile Offshore Production Unit.

Group Corporate Structure

as at 3 June 2013

SapuraKencana PETROLEUM

- **SapuraCrest Dana SPV Pte Ltd 100%**
- **Momentum Energy Sdn Bhd 100%**
  - Sapura Australia Pty Ltd 100%
    - SapuraClough Offshore Pty Ltd 100%
      - Sapura Petroleum (Australia) Pty Ltd 100%
      - SapuraClough Java Offshore Pte Ltd 100%
        - SapuraClough Singapore Constructor Pte Ltd 100%
      - Sapura REM Clough Pty Ltd 100%
      - SC Projects Australia Pty Ltd 100%
      - SC Projects Pty Ltd 100%
      - Normand Sapura Pty Ltd[1] 50% *(formerly known as SapuraHelix Joint Venture Pty Ltd)*
    - SapuraClough USA Holdings Inc 100%
      - Ocean Flow International LLC 70%
      - Peritus International Inc 51%
    - Peritus International Limited 51%
    - Peritus International Pty Ltd 51%
      - Peritus International Sdn Bhd 100%
  - Normand Sapura Pty Ltd 50% *(formerly known as SapuraHelix Joint Venture Pty Ltd)*
- **Crest Marine Engineering Sdn Bhd 100%**
- **SapuraCrest Deepwater Pte Ltd 100%**
- **Nautical Essence Sdn Bhd 100%**
  - SapuraAcergy Assets Pte Ltd 49.5%
  - SapuraAcergy Sdn Bhd 50%
    - SapuraAcergy Australia Pty Ltd 100%
- **TL Offshore Sdn Bhd 100%**
  - Total Marine Technology Pty Ltd 94%
    - Excersize Pty Ltd 100%
    - Babalon Pty Ltd 100%
  - Seabras Sapura Holdco Ltd 50%
    - TL Offshore PLSV1 Ltd 100%
    - TL Offshore PLSV2 Ltd 100%
  - Seabras Sapura Participações S.A. 50%
    - Sapura Navegação Maritima S.A. 100%
- **Geomark Sdn Bhd 100%**
  - Quippo Prakash Pte Ltd 100%
- **Sapura Petroleum Sdn Bhd 100%**
  - Nautical Bay Pte Ltd 100%
    - Nautical Power Pte Ltd 100%
      - L&T Sapura Offshore Pvt Ltd 40%
      - L&T Sapura Shipping Pvt Ltd 40%
- **Allied Marine & Equipment Sdn Bhd 100%**
  - AME Marine Services Sdn Bhd 100%
  - Allied Support Corporation 100%
  - Maju Hydro Sdn Bhd 100%
  - AME Corporation 100%
  - AME Robotics Corporation 100%
  - Allied Marine & Equipment (Thailand) Ltd 100%
- **SapuraCrest Ventures Sdn Bhd 100%**
  - Labuan Shipyard & Engineering Sdn Bhd 50%
- **Probadi Sdn Bhd 100%**
  - Tioman Drilling Company Sdn Bhd[2] 51%
  - Varia Perdana Sdn Bhd[2] 51%
    - Crest Tender Rigs Pte Ltd 100%
  - Uzmal Oil Inc 50%
- **Petcon (Malaysia) Sdn Bhd 100%**
- **Sapura Energy Ventures Sdn Bhd 100%**
  - Berantai Floating Production Limited[3] 24.5%
- **Kencana Energy Sdn Bhd 100%**
- **Aurabayu Sdn Bhd 100%**
- **Bayu Padu Sdn Bhd 100%**
- **SapuraKencana TMC Sdn Bhd 100%** *(formerly known as Powertag Resources Sdn Bhd)*
- **SapuraKencana 900 Pte Ltd 100%**
- **Kencana HL Sdn Bhd 100%**
  - Kencana Marine Sdn Bhd 100%
  - Kencana Infrastructure Sdn Bhd 100%
  - SapuraKencana (B) Sdn Bhd[4] 50%
- **Kencana Bestwide Sdn Bhd 100%**
  - Best Wide Engineering (M) Sdn Bhd 30%
  - Matrix Maintenance Sdn Bhd 30%
- **Kencana Pinewell Sdn Bhd 100%**
- **Kencana Torsco Sdn Bhd 100%**
  - Kencana Torsco Overseas Sdn Bhd 100%
  - Kencana Torsco Assets Sdn Bhd 100%
  - Kencana Torsco (Hong Kong) Private Limited 100%
  - King Hang Engineering Company Limited 60%
    - Dong Guan Hang Hoi Steel Structure Company Limited 100%

TL GeoSciences Sdn Bhd 100%

- TL Geotechnics Sdn Bhd 100%
  - TL Oilserve Sdn Bhd 100%
    - Oilserve (L) Berhad 100%
  - TL Geotechnics (S) Pte Ltd 100%
- TL Jaya Sdn Bhd 100%
- TL Geohydrographics Sdn Bhd 100%
  - TL Geohydrographics Pte Ltd 100%
  - TL Geohydrographics Pty Ltd 100%

Sapura Energy Sdn Bhd 100%

- Sapura Retail Solutions Sdn Bhd 100%
- Sapura Diving Services Sdn Bhd 100%
- SE Projects Sdn Bhd 100%
- Energy Unlimited Sdn Bhd 100%
  - Sarku Resources Sdn Bhd 100%
    - Sarku Engineering Services (Offshore) Sdn Bhd 100%
    - Sarku Engineering Services Sdn Bhd 100%
    - Sarku Marine Sdn Bhd 100%
    - Prominent Energy Sdn Bhd 100%
- Sarku Vessels Pte Ltd 100%
- Malaysian Advanced Refurbishment Services Sdn Bhd 100%
- Sapura Petroleum Technologies Sdn Bhd 96.69%
- Sapura Power Services Sdn Bhd 94.44%
- Geowell Sdn Bhd 30%

SapuraKencana Drilling Pte Ltd(5) 100%

- SapuraKencana Drilling Pte Ltd(6) 100%
- Seadrill Tender Rig Ltd 100%
  - Seadrill T-4 Ltd 100%
  - Seadrill T-7 Ltd 100%
  - Seadrill T-11 Ltd 100%
  - Seadrill T-12 Ltd 100%
  - Seadrill T-17 Ltd 100%
  - Seadrill T-18 Ltd 100%
  - Seadrill Alliance Ltd 100%
  - Seadrill Pelaut Ltd 100%
  - Seadrill Menang Ltd 100%
  - Seadrill Setia Ltd 100%
  - Seadrill Esperanza Ltd 100%
  - Seadrill Jaya Ltd 100%
  - Seadrill Tender Rig Indonesia Ltd 100%
  - Seadrill Labuan Leasing Ltd 100%
  - Seadrill Rig Services Sdn Bhd 100%
  - Petrodril Holdings Inc 100%
    - Seadrill Sdn Bhd 49.99%
  - Seadrill Asia Ltd 100%
    - Seadrill Sdn Bhd(7)
    - Tioman Drilling Company Sdn Bhd 49%
    - PT Nordrill Indonesia 1%
    - Varia Perdana Sdn Bhd 49%
      - Crest Tender Rigs Pte Ltd 100%
- PT Nordrill Indonesia(8) 94%

Kencana Petroleum Ventures Sdn Bhd 100%

- Kencana Marine Drilling Sdn Bhd 100%
- Kencana Marine Rig 1 (Labuan) Pte Ltd 100%
- Kencana Nautilus Sdn Bhd 100%
  - Gemia (Labuan) Pte Ltd 100%
  - Redang (Labuan) Pte Ltd 100%
  - Kencana Marine Assets (Labuan) Pte Ltd 100%
    (formerly known as Badang (Labuan) Pte Ltd)
  - Dhow Offshore Sdn Bhd 100%
  - Teras-Kencana Ventures Sdn Bhd 67%
- Berantai Floating Production Limited 24.5%
- SapuraKencana (B) Sdn Bhd 50%

Notes:

(1) Momentum Energy Sdn Bhd holds the remaining 50% in Normand Sapura Pty Ltd and making it effectively a wholly-owned subsidiary under SapuraKencana Petroleum Berhad Group (the "Group").
(2) The remaining 49% is held by Seadrill Asia Ltd and making it effectively a wholly-owned subsidiary under the Group.
(3) Kencana Petroleum Ventures Sdn Bhd holds 24.5% in Berantai Floating Production Limited and making it an associate company under the Group.
(4) Kencana Petroleum Ventures Sdn Bhd holds the remaining 50% in SapuraKencana (B) Sdn Bhd and making it effectively a wholly-owned subsidiary under the Group.
(5) Incorporated in Labuan.
(6) Incorporated in Singapore.
(7) 1 share held by Seadrill Asia Ltd.
(8) Seadrill Asia Ltd holds 1% in PT Nordrill Indonesia making it a 95% owned subsidiary under the Group.

* The Group Structure excludes dormant companies.

FABRICATION, HOOK-UP & COMMISSIONING

Our 273 acres fabrication yard facility located in Lumut, Perak ("Yard") is able to undertake large and extensive projects for the fabrication of topsides including central processing platform ("CPP"), jackets and other related structures for local and international clients. Leveraging on our marine engineering expertise, the Yard is also involved in shipbuilding, conversion and repair of marine assets for the oil and gas industry. The Yard also has the experience and expertise in fabricating subsea deepwater manifolds and process modules.

Our onshore minor fabrication facilities in Teluk Kalong, Kemaman Supply Base and Labuan serve as a support base for our full fledged hook-up and commissioning ("HUC") team. In executing offshore projects, the HUC team also has direct access to our in-house marine assets, including accommodation vessels, anchor handling tugs and supply vessels.

With a highly skilled and qualified workforce led by a professional and market-oriented management, our team is committed to driving strong performance and delivering exceptional value to our clients.

DRILLING, GEOTECHNICAL AND OPERATIONS & MAINTENANCE SERVICES

One of SapuraKencana Petroleum's core revenue generators is contributed by our drilling business that lies within this division. Our world class drilling outfit is able to realise conceptual rig designs from the drawing board and work with our fabrication division to build in our own yard. As a wholly-owned rig owner, we are able to operate in a tailored and optimal manner to satisfy our clients. Our tender and semi tender rig fleet are used primarily for developing drilling activities on production platforms which are mainly located in shallow water areas.

Geotechnical operations comprising technical and physical investigations of seabed soil structures and profiles is another highlight for this division. It is a highly specialised operation to provide extensive seabed soil properties and survey providing operational insights and consideration to help our valued clients make informed decisions for their engineering projects. We own and operate four vessels and we are rapidly expanding to provide these services on a greater scale.

Operations & Maintenance services' main work scope is to provide maintenance and refurbishment of industrial gas turbines under license from GE Oil & Gas. Our GE certified service centre is capable of performing these services for all GE industrial gas turbines in Malaysia and South East Asia. Besides GE products, we also provide other services such as retail solutions software for petrol stations in Malaysia.

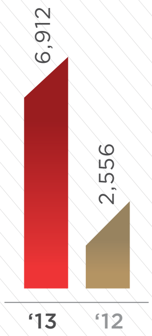
SapuraKencana PETROLEUM

Global Presence


UAE
CHINA
INDIA
THAILAND
VIETNAM
MALAYSIA
BRUNEI
INDONESIA
AUSTRALIA
SapuraKencana
PETROLEUM
1. Kedah 2. Perak 3. Kuala Lumpur 4. Putrajaya 5. Melaka
6. Johor 7. Sarawak 8. Labuan 9. Sabah
Malaysia

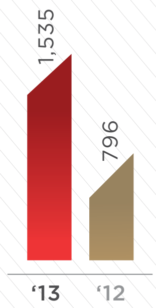
Financial Performance

Revenue (RM)



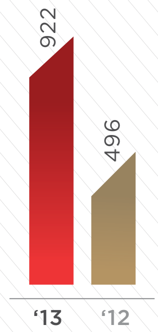
6,912
million

Gross Profit (RM)



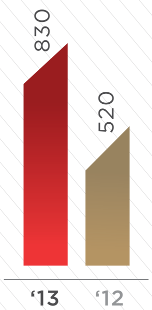
1,535
million

Operating Profit (RM)



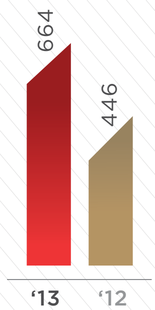
922
million

PBT (RM)



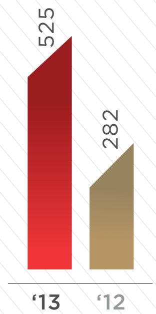
830
million

PAT (RM)



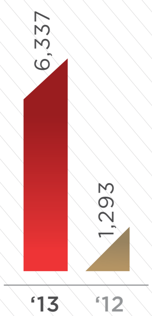
664
million

PATAMI (RM)



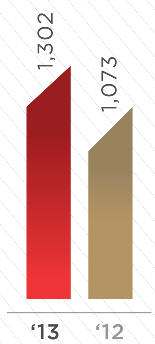
525
million

Shareholders Equity (RM)



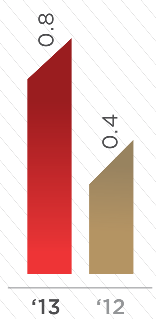
6,337
million

NTA (RM)



1,302
million

Net Debt/Equity (Ratio)



0.8

Note:

* The financial information for financial year ended 31 January 2012 relates to the combination of financial information of SapuraCrest Petroleum Berhad and SapuraKencana Petroleum Berhad as a result of merger accounting (pooling of interest method) as if the combination had occurred from the earliest date presented or from the date the entities came under common control.

Financial Calendar

Financial Year Ended 31 January 2013

24 September 2012

Announcement of the unaudited consolidated results for the second quarter ended 31 July 2012

10 December 2012

Announcement of the unaudited consolidated results for the third quarter ended 31 October 2012

21 March 2013

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

31 May 2013

Submission of the Audited Financial Statements for the financial year ended 31 January 2013

12 June 2013

Notice of Annual General Meeting and issuance of Annual Report for the financial year ended 31 January 2013

4 July 2013

Second Annual General Meeting

Corporate Information

BOARD OF DIRECTORS

Dato' Hamzah Bakar
Chairman
Non-Independent Non-Executive Director
(redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director w.e.f. 6 February 2013)

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

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

Dato' Shahriman Shamsuddin
Non-Independent Non-Executive Director

Yeow Kheng Chew
Non-Independent Executive Director

Chong Hin Loon
Non-Independent Executive Director

Tan Sri Nik Mohamed Nik Yaacob
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

John Fredriksen
Non-Independent Non-Executive Director
(appointed w.e.f. 14 May 2013)

Tor Olav Trøim
Alternate Director to John Fredriksen
(appointed w.e.f. 16 May 2013)

Mohd Adzahar Abdul Wahid
(resigned w.e.f. 27 September 2012)

Tan Sri Ibrahim Menudin
(resigned w.e.f. 11 December 2012)

AUDIT COMMITTEE

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Chairman
(appointed as Chairman w.e.f. 27 September 2012)

Tan Sri Nik Mohamed Nik Yaacob

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi Mohamed Ghazalli

Mohd Adzahar Abdul Wahid
Chairman
(resigned w.e.f. 27 September 2012)

NOMINATION COMMITTEE

Tan Sri Nik Mohamed Nik Yaacob
Chairman
(appointed as Chairman w.e.f. 6 February 2013)

Dato' Hamzah Bakar
(ceased to be Chairman w.e.f. 6 February 2013)

Tan Sri Datuk Amar (Dr) Hamid Bugo

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
(appointed w.e.f. 27 September 2012)

Mohd Adzahar Abdul Wahid
(resigned w.e.f. 27 September 2012)

REMUNERATION COMMITTEE

Dato' Hamzah Bakar
Chairman

Tan Sri Shahril Shamsuddin

Dato' Mokhzani Mahathir

Tan Sri Nik Mohamed Nik Yaacob

RISK COMMITTEE

Mohamed Rashdi Mohamed Ghazalli
Chairman

Dato' Shahriman Shamsuddin

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Yeow Kheng Chew

COMPANY SECRETARIES

Mohamad Affendi Yusoff (MACS 01596)
(appointed w.e.f. 4 December 2012)

Ng Heng Hooi (MAICSA 7048492)

Aliza Ashari (MIA 10400)
(resigned w.e.f. 4 December 2012)

DIRECTOR IN CHARGE OF SHAREHOLDERS' COMMUNICATIONS

Tan Sri Datuk Amar (Dr) Hamid Bugo

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas, 1 Jalan Dutamas 1
50480 Kuala Lumpur
Tel: +603-6209 8000 Fax: +603-6209 5744
Email: cosec@sapurakencana.com

AUDITORS

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

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7841 8000 Fax: +603-7841 8151/8152

REGISTERED OFFICE

Lot 6.08, 6th Floor
Plaza First Nationwide
No. 161 Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel: +603-2072 8100 Fax: +603-2072 8101

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
Affin Bank Berhad
AmBank (M) Berhad
BNP Paribas Labuan Branch
CIMB Bank Berhad
HSBC BanK Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

FORM OF LEGAL ENTITY

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.

Integrated Strength

Through Expertise

Our people are the multiplier of the value of our assets and the reason we remain competitive. Our collective skills and experiences enable us to meet and exceed our clients' expectations and be well positioned to achieve our business objectives.

Board of Directors

sitting, from left to right

Dato' Hamzah Bakar
Chairman

Dato' Mokhzani Mahathir
Executive Vice Chairman

Tan Sri Shahril Shamsuddin
President and Group Chief Executive Officer

standing, from left to right

Tan Sri Nik Mohamed Nik Yaacob

Tan Sri Datuk Amar (Dr) Hamid Bugo

standing, from left to right

Mr Chong Hin Loon

Dato' Shahriman Shamsuddin

Mr Yeow Kheng Chew

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Encik Mohamed Rashdi Mohamed Ghazalli

Note:
* Not in picture: Mr John Fredriksen and his Alternate Director, Mr Tor Olav Trøim

Profiles of Board of Directors

Dato' Hamzah Bakar
Chairman

Non-Independent Non-Executive

Dato' Hamzah Bakar, a Malaysian aged 69, was appointed to the Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum") on 9 December 2011 as Chairman and Independent Non-Executive Director. On 6 February 2013, Dato' Hamzah was redesignated as Non-Independent Non-Executive Chairman. He serves as the Chairman of the Remuneration Committee and also a member of the Nomination Committee of SapuraKencana Petroleum.

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

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 Bhd, 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 Boards of CIMB Group Holdings Berhad, CIMB Group Sdn Bhd and CIMB Investment Bank Berhad. He is also a member of the Board of Trustees of the Malaysian Institute of Economic Research.

Profiles of Board of Directors (cont'd.)

Tan Sri Shahril Shamsuddin, a Malaysian aged 52, was appointed as President and Group Chief Executive Officer ("PGCEO") and to the Board of SapuraKencana Petroleum as Non-Independent Executive Director on 9 December 2011. He is also a member of the Board Remuneration Committee.

Since taking the helm at SapuraKencana Petroleum, Tan Sri Shahril has steered the Company into a range of new businesses and projects in Malaysia, Australia, Brazil, Mexico, Vietnam, China, West Africa and several other countries.

Prior to the merger between SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") Group and Kencana Petroleum Berhad Group, Tan Sri Shahril was President and Executive Vice Chairman of SapuraCrest Petroleum. He was also previously Non-Executive Director and Executive Vice Chairman on the Board of SapuraCrest Petroleum.

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

Among the awards that Tan Sri Shahril has been conferred with include the Panglima Jasa Negara ("PJN") from the Federal Government of Malaysia which carries the title "Datuk" (June 1998), Darjah Seri Paduka Tuanku Ja'afar ("SPTJ") from Negeri Sembilan, Malaysia which carries the title "Dato' Seri" (July 2007), the Legion d' Honneur from the Republic of France (November 2007) and the Panglima Setia Mahkota ("PSM") which carries the title "Tan Sri" (June 2013).

He won the Malaysia Ernst & Young Entrepreneur of the Year Award in 2009.

In May 2013, Tan Sri Shahril was conferred an Honorary Doctorate in Technology Management by Universiti Teknologi Malaysia.

He graduated with a Master of Science in Management of Technology from the MIT Sloan School of Management and a Bachelor of Science Degree in Industrial Technology from California Polytechnic State University.

TAN SRI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer

Non-Independent Executive Director

Dato' Mokhzani Mahathir, a Malaysian aged 52, was appointed to the Board of SapuraKencana Petroleum on 9 December 2011 as Non-Independent Executive Director and Executive Vice Chairman. He is also a member of SapuraKencana Petroleum's Remuneration Committee.

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 of Kencana Petroleum 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 Group Executive Chairman of Tongkah Holdings Berhad (oil and gas, finance). A divestment exercise in 2001 saw him relinquish all positions and equity in these companies. He established Kencana Capital Sdn Bhd ("Kencana Capital") as an investment holding company later the same year.

Presently his portfolio of investments through Kencana Capital includes businesses in IT, oil and gas services, automotive trading and distribution, and 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 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.

He is a qualified Petroleum Engineer, having pursued his tertiary education at the University of Tulsa, Oklahoma, U.S.A. where he graduated with a Bachelor of Science in Petroleum Engineering.

DATO' MOKHZANI MAHATHIR
Executive Vice Chairman

Non-Independent Executive Director

Profiles of Board of Directors (cont'd.)

Dato' Shahriman Shamsuddin, a Malaysian aged 44, was appointed to the Board of SapuraKencana Petroleum as Non-Independent Non-Executive Director on 9 December 2011. Dato' Shahriman is also a member of Risk Committee of SapuraKencana Petroleum.

Dato' Shahriman was the 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 group portfolio which includes property investment, business aviation and education. Dato' Shahriman is currently the Managing Director of Sapura Resources Berhad. He is also Executive Director of Sapura Industrial Berhad and Sapura Holdings Sdn Bhd.

Dato' Shahriman holds a Master of Science in Engineering Business from Warwick University, U.K. and a Bachelor of Science in Industrial Technology from Purdue University, U.S.A.

DATO' SHAHRIMAN SHAMSUDDIN

Non-Independent Non-Executive Director

Mr Yeow Kheng Chew, a Malaysian aged 60, was appointed to the Board of SapuraKencana Petroleum on 9 December 2011 as Non-Independent Executive Director. He is a member of the Risk Committee of SapuraKencana Petroleum. He is also the Executive Vice President, Corporate Finance and Treasury Division.

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

Mr Yeow was appointed to the Board of Kencana Petroleum on 15 September 2005 and was the 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, Mr Yeow was appointed as the Executive Director of Sinpen Investment Pte Ltd, an investment holding company in Singapore. He was appointed as the Executive Director of Tongkah Holdings Berhad in 1987 and later appointed 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.

MR YEOW KHENG CHEW

Non-Independent Executive Director

Profiles of Board of Directors (cont'd.)

Mr Chong Hin Loon, a Malaysian aged 64, was appointed to the Board of SapuraKencana Petroleum on 9 December 2011 as Non-Independent Executive Director. He is also the Executive Vice President, Fabrication, Hook-up & Commissioning Division of SapuraKencana Petroleum.

Mr Chong holds a Master of Business Administration in Advanced Strategic Management from Northwestern International University, U.S.A. and a Diploma in Shipbuilding Construction from City and Guild, U.K.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Mr Chong was appointed to the Board of Kencana Petroleum on 15 September 2005 as Non-Independent Executive Director. He was also a member of the Options Committee of Kencana Petroleum. Mr Chong was primarily responsible for the operations, project management and yard operations of Kencana Petroleum Group.

Mr Chong began his career in 1970 with Keppel FELS Ltd in Singapore before leaving in 1975 as a Construction Supervisor. He later joined Promet Pte Ltd, Singapore, as a Project Engineer where he was responsible for the construction of oil rigs and vessels, ship repairs and other marine facilities in the O&G sector. In 1976, he joined Maroil Shipbuilding & Engineering Pte Ltd as a Project and Construction Manager where he was heavily involved in O&G related projects.

After gaining considerable experience abroad, Mr Chong moved back to Malaysia in 1982 where he started his own contractor line and established Kencana HL Sdn Bhd (formerly known as HL Engineering (M) Sdn Bhd ("Kencana HL")), a subcontractor principally engaged in the O&G fabrication, process piping and pipeline construction, plant maintenance, skilled manpower supply and project management. He has more than 40 years of experience in the O&G industry as well as the shipbuilding and ship repair industry. He is currently the Director of Kencana HL and several private limited companies within SapuraKencana Petroleum.

MR CHONG HIN LOON

Non-Independent Executive Director

Tan Sri Nik Mohamed Nik Yaacob, a Malaysian aged 63, was appointed to the Board of SapuraKencana Petroleum on 27 February 2012 as Independent Non-Executive Director. He also serves as the Chairman of the Nomination Committee since 6 February 2013 and a member of Audit and Remuneration Committees of SapuraKencana Petroleum.

Tan Sri Nik Mohamed graduated with a Bachelor of Engineering from Monash University, Australia and a Master of Business Management from Asian Institute of Management, Philippines. He also completed an Advanced Management Program at Harvard University, U.S.A.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tan Sri Nik Mohamed was appointed to the Board of Kencana Petroleum on 16 September 2008 and was the Independent Non-Executive Chairman. He was also a member of the Audit and Risk Management Committee, Remuneration as well as Nominating Committees of Kencana Petroleum.

Tan Sri Nik Mohamed has served as the Chairman of the Advisory Council of National Science Centre and Chairman of the Board of Universiti Teknologi MARA. He represented Malaysia in APEC Business Advisory Council and Asia-Europe Business Forum. He is currently the Executive Director of Perdana Leadership Foundation (*Yayasan Kepimpinan Perdana*).

Tan Sri Nik Mohamed has served as the Group Chief Executive of Sime Darby Berhad from 1993 until his retirement in June 2004 and during this period, he also served on the Board of the Sime Darby Group of companies. Other Malaysian public companies in which he is a Director include Scomi Group Bhd, Scomi Energy Services Berhad, Guocoland (Malaysia) Berhad and Bolton Berhad.

TAN SRI NIK MOHAMED NIK YAACOB

Independent Non-Executive Director

Profiles of Board of Directors (cont'd.)

Tan Sri Datuk Amar (Dr) Hamid Bugo, a Malaysian aged 67, was appointed to the Board of SapuraKencana Petroleum on 27 February 2012 as Independent Non-Executive Director. He was appointed as Senior Independent Non-Executive Director on 6 February 2013. He is also a member of the Audit and Nomination Committees of SapuraKencana Petroleum.

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, U.S.A. He was honoured with a Ph.D (Commerce) by Lincoln University, New Zealand. He 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 the 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 Administration Manager, Malaysia LNG Sdn Bhd ("Malaysia LNG"), the first General Manager of Land Custody and Development Authority, Sarawak, Permanent Secretary, Ministry of Resource Planning, Sarawak and State Secretary of Sarawak. He sat on the board of various companies and statutory bodies including Malaysian Airlines System Berhad, Malaysia LNG, Employees Provident Fund Board, University Malaysia Sarawak, Universiti Pertanian Malaysia (*now known as Universiti Putra Malaysia*) and Founding Chairman of Sarawak Biodiversity Centre.

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

He is also active in charitable activities as 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.

TAN SRI DATUK AMAR (DR) HAMID BUGO

Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, a Malaysian aged 54, was appointed to the Board of SapuraKencana Petroleum on 9 September 2011 as Independent Non-Executive Director. Tunku Dato' Mahmood Fawzy is the Chairman of Audit Committee since 27 September 2012 and a member of Nomination Committee and Risk Committee of SapuraKencana Petroleum.

Tunku Dato' Mahmood Fawzy holds a Bachelor of Arts (Honours) in Business Studies from the Polytechnic of Central London, U.K. (*now known as Westminster University*) and a Masters of Business Administration from Warwick University, U.K. He is a member of the Institute of Public Accountants, Australia, the Malaysian Institute of Management and the Malaysian Institute of Corporate Governance. He is also an Associate Fellow with Universiti Kebangsaan Malaysia – Graduate School of Business.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tunku Dato' Mahmood Fawzy 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 Fawzy has held a variety of positions throughout his career. He started as a foreign exchange anaylst 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 CEO. Tunku Dato' Mahmood Fawzy then joined PricewaterhouseCoopers as Executive Director, Corporate Finance in 2000.

In 2002, he was appointed the Managing Director and CEO of Engen Limited ("Engen"), an integrated oil company in South Africa, a subsidiary of PETRONAS. He was appointed Non-Executive Director of South African Petroleum Industry Association ("SAPIA"). Tunku Dato' Mahmood Fawzy 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 Fawzy also sits on the Boards of Telekom Malaysia Berhad ("TM"), VADS Berhad (a wholly-owned subsidiary of TM), Hong Leong Islamic Bank Bhd, Hong Leong Assurance Berhad, Hong Leong MISG Takaful Berhad and Malaysia Airports Holdings Berhad.

TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

Independent Non-Executive Director

Profiles of Board of Directors (cont'd.)

Encik Mohamed Rashdi Mohamed Ghazalli, a Malaysian aged 56, was appointed to the Board of SapuraKencana Petroleum on 9 September 2011 as Independent Non-Executive Director. He is a member of the Audit Committee and Chairman of the Risk Committee of SapuraKencana Petroleum.

Encik Mohamed Rashdi graduated from the University of Manchester Institute of Science and Technology, U.K. 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 has worked overseas with Telecoms Australia as well as Coopers & Lybrand in the U.K. He was a Partner of PwC Consulting East Asia as well as IBM Consulting and 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, O&G, 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 a Director of SapuraCrest Petroleum, the post he held since 14 November 2003. He has been a board member of MIMOS Berhad since 2006 and in 2013 was appointed as a Director of Barclays Capital Management Malaysia Sdn Bhd, a subsidiary of Barclays Plc.

ENCIK MOHAMED RASHDI MOHAMED GHAZALLI

Independent Non-Executive Director

JOHN FREDRIKSEN

Mr John Fredriksen, a resident of Cyprus aged 69, was appointed to the Board of SapuraKencana Petroleum on 14 May 2013 as Non-Independent Non-Executive Director.

Mr Fredriksen is a nominee of Seadrill Limited ("Seadrill") following the completion of the acquisition of Seadrill Tender Rig Limited shares which was completed on 30 April 2013.

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

Mr Fredriksen was ranked fourth on Bloomberg Market's 50 Most Influential List in 2013.

TOR OLAV TRØIM

Mr Tor Olav Trøim, a Norwegian aged 50, was appointed to the Board of SapuraKencana Petroleum on 16 May 2013 as Alternate Director to Mr John Fredriksen, the Non-Independent Non-Executive Director of SapuraKencana.

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

Mr Trøim has served as Vice President and a Director of Seadrill since its inception in May 2005. In 1987, he was appointed as the Equity Portfolio Manager with Storebrand ASA for three years. Subsequently in 1992, Mr Trøim was appointed CEO of a Norwegian Oil Company DNO AS, the post he held until 1995.

Mr Trøim has also been a director of Seadrill Partners LLC (listed on the NYSE) since July 2012, and Archer Limited (listed on the Oslo Stock Exchange) since its incorporation in 2007. Mr Trøim sits on the Boards of Golar LNG Limited, Aktiv Kapital ASA as well as a Director of two Companies listed on the Oslo Stock Exchange Golden Ocean and Marine Harvest ASA. He also served as a Director of Frontline since November 1997 until February 2008.

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 Petroleum ("Company") has any family relationship with the other Directors and/or major shareholders of the Company:

(a) Tan Sri Shahril Shamsuddin and Dato' Shahriman Shamsuddin are brothers. Both are deemed to have an indirect interest of 16.71% in SapuraKencana Petroleum as at 28 May 2013 pursuant to Section 6A of the Companies Act, 1965 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 13.27% in SapuraKencana Petroleum as at 28 May 2013 pursuant to Section 6A of the Companies Act, 1965 by virtue of his shareholding in Khasera Baru Sdn Bhd.

(2) Conflict of Interest

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

(3) Convictions for Offences

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

(4) Attendance at Board Meetings

The attendance of the Board of Directors at its meetings held during the financial year ended 31 January 2013 are set out on page 57 of this Annual Report.

Executive Committee

TENGKU MUHAMMAD TAUFIK TENGKU KAMADJAJA AZIZ
Group Chief Financial Officer

DATUK KRIS AZMAN ABDULLAH
Senior Vice President
Energy and Joint Ventures

TAN SRI SHAHRIL SHAMSUDDIN
President and
Group Chief Executive Officer

CHOW MEI MEI
Senior Vice President
Corporate Strategy and
Business Planning

CHONG HIN LOON
Executive Vice President
Fabrication, Hook-up &
Commissioning

YEOW KHENG CHEW
Executive Vice President
Treasury and Corporate Finance

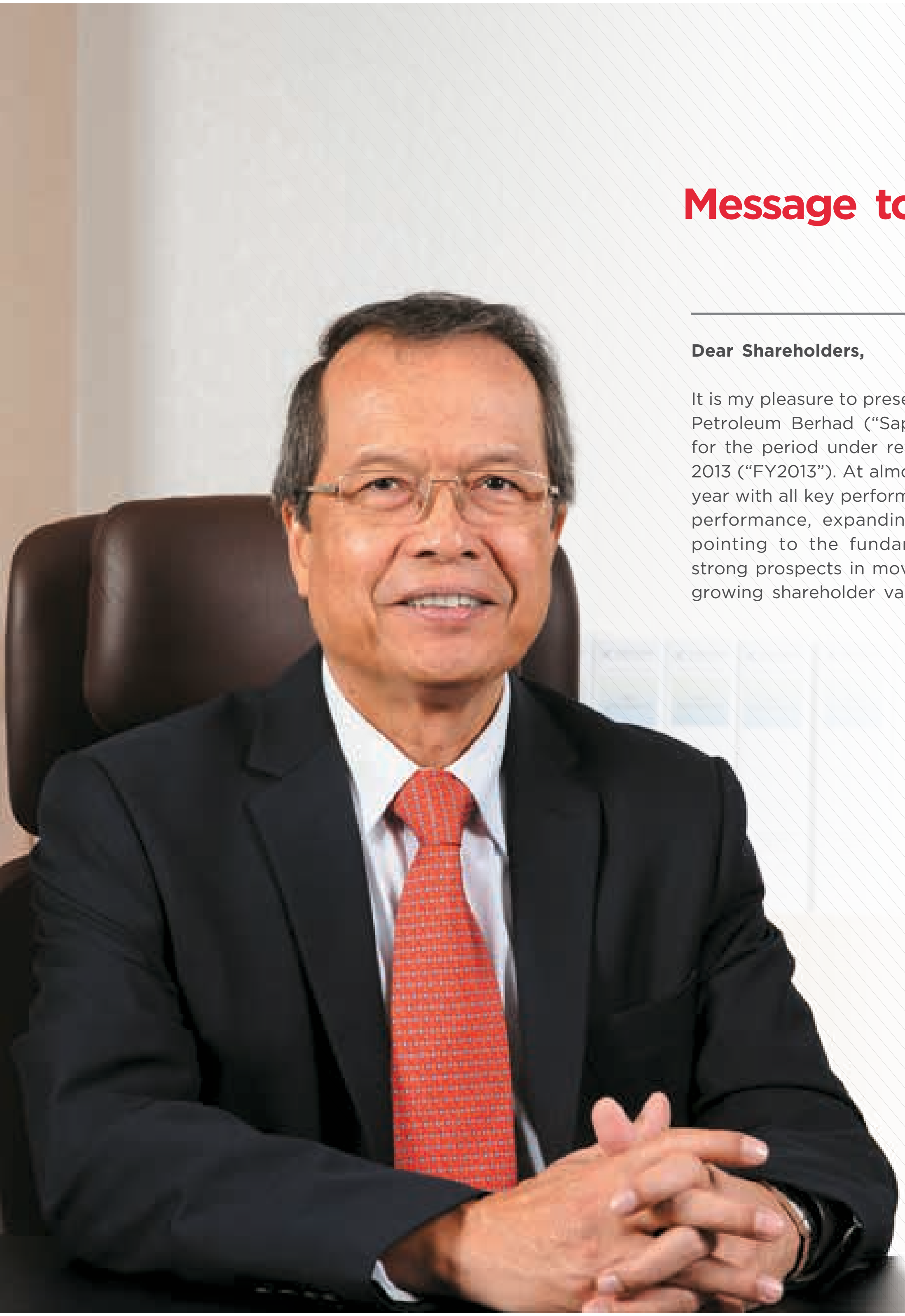
REZA ABDUL RAHIM
Senior Vice President
Offshore Construction &
Subsea Services

DATO' MOKHZANI MAHATHIR
Executive Vice Chairman

AZMI ISMAIL
Senior Vice President
Drilling, Geotechnical and
Operations & Maintenance Services

Integrated Strength
Through Synergy

We accept every challenge that comes our way. With determination and a strong desire to succeed, we are constantly pushing boundaries and overcoming obstacles. We will continue providing clients with world class services and solutions executed in the most safe, efficient and cost-effective manner.



Message to Share

Dear Shareholders,

It is my pleasure to present this inaugural report of SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum" or the "Group") for the period under review from 1 February 2012 to 31 January 2013 ("FY2013"). At almost every level, FY2013 was an exceptional year with all key performance indicators – profitability, operational performance, expanding market share, growing order book – pointing to the fundamental strength of the Group and the strong prospects in moving forward. This has also translated into growing shareholder value of your Company.

DATO' HAMZAH BAKAR
Chairman

holders

As captured in this year's theme, 'Integrated Strength', the highlight of the year was unquestionably the successful conclusion of the RM11.85 billion merger exercise of SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") and Kencana Petroleum Berhad ("Kencana Petroleum"). The merger created one of the world's largest integrated oil and gas ("O&G") service and solution providers. With its subsequent listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 17 May 2012, SapuraKencana Petroleum is now ranked amongst the largest Malaysian companies with a market capitalisation of RM25.29 billion.

As we stand today, SapuraKencana Petroleum is well positioned to tap emerging opportunities for further growth at home and abroad. We are able to capitalise on the Group's balance sheet strength, economies of scale, as well as the physical and human assets that are in place to meet the needs of our growing clientele and extend our global reach. Even as the SapuraKencana Petroleum brand gains resonance in the marketplace, we will endeavour to be a flag bearer, always striving to create a positive impression not only for the Group but also for Malaysia.

In carrying out our activities, our Corporate Vision will serve as a roadmap that 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 our stakeholders' expectations".

A SEAMLESS INTEGRATION

The coming together of two entities in a merger is always challenging, and SapuraKencana Petroleum is no exception. The magnitude of the work was enormous, given the scale of the Group's operations that covers the entire O&G value chain as well as the geographical reach of our operations, which spans over 21 countries across the globe. The exercise also involved a total of more than 100 subsidiaries and associated companies and over 9,000 employees and contractors. With this new Corporate Vision as an integration driver, one of the first tasks at hand was to put in place an effective operating structure. Taking a holistic view of the complementary businesses of the two entities, the activities of the Group have been organised into four Business Divisions: Offshore Construction & Subsea Services ("OCSS"); Fabrication, Hook-up & Commissioning ("FHUC"); Energy & Joint Ventures ("EJV"); and Drilling, Geotechnical and Operations & Maintenance Services ("DGMS").

Priorities were also established so that the integration of people, resources, processes, policies, platforms, systems and procedures could be effected seamlessly and efficiently. As in any other merger exercises, human resource integration is always critical to ensure that the benefits of integration could be realised as early as possible. I am very pleased to note that our people have responded to the formidable challenge of change with a high level of commitment and professionalism.

Some merger and acquisition experts suggest a time frame of about two years before the benefits of a merger exercise can be fully realised. I was therefore pleased at the relative ease and speed of our own integration experience. Against a flurry of activities on the corporate front, operationally it was business as usual. This was reflected not only in the size of our order book, but also the number of projects underway as well as those successfully completed during FY2013.

These are still early days, and we are yet to maximise the synergistic benefits of the merger exercise through cross-selling by leveraging on our Group's enlarged customer base. At the same time, cost synergies are being realised through optimisation of the procurement process and improved operational efficiencies across the Group's value chain.

Message to Shareholders (cont'd)

FINANCIAL RESULTS

The financial accounts for the FY2013 have been prepared in accordance with the Business Combinations Standard set out under the Malaysian Financial Reporting Standards framework.

The first year financial results of SapuraKencana Petroleum have lived up to the expectations of the merger. For the FY2013, the Group posted revenue of RM6.91 billion, an increase of 169.92% from RM2.56 billion achieved the previous year. The increase was mainly attributed to the incorporation of Kencana Petroleum's business to Group results. Higher revenue was also recorded in the OCSS Division, having secured a number of major contracts in Malaysia as well as overseas. On the back of improved turnover, profit before taxation rose 59.71% to RM829.75 million, from RM519.53 million registered in the preceding year.

The OCSS Division was the biggest contributor to Group revenue, accounting for RM3.71 billion or 53.69%. The FHUC Division contributed RM1.99 billion or 28.8%, while the EJV and DGMS Divisions accounted for RM796.32 million (11.51%) and RM419.0 million (6.0%), respectively.

Other financial indicators also point to the underlying strength of the Group's balance sheet. Shareholders' Fund stood at RM6.34 billion while total assets amounted to RM15.2 billion for FY2013. With a moderate gearing level of 0.78 times, the Group is well positioned to explore new asset acquisitions to consolidate its regional and global reach.

As part of the merger exercise, both SapuraCrest Petroleum and Kencana Petroleum undertook a capital repayment exercise by way of capital reduction. All the SapuraCrest Petroleum and Kencana Petroleum shares were cancelled and capital repayment was made to the eligible shareholders at the rate of RM4.60 per SapuraCrest Petroleum share and RM3.00 per Kencana Petroleum share, respectively. Shareholders of the two companies also received cash payment totalling RM1.84 billion from the merger exercise.

Since making its debut on Bursa Malaysia, the overall trend of the SapuraKencana Petroleum counter has been positive, with strong buying interest registered throughout the year. The stock rose to a high of RM3.17 on 28 December 2012, closing the financial year end at RM2.92 on 31 January 2013. From the date of the merger, the share price of SapuraKencana Petroleum has increased by about 36.0%. Consequently, SapuraKencana Petroleum counter has increasingly attracted the attention of several research houses and investment analysts who recognise its potential not only as a steady growth stock, but one with a sustainable growth outlook with strong fundamentals and sound earnings growth prospects.

OUTLOOK & PROSPECTS

Oil is the world's leading fuel, accounting for 33.1% of global energy consumption in 2011. With total global reserves estimated at 1,652.6 billion barrels, this is sufficient to meet only 54.2 years of global production. In recent years, the upstream exploration and production ("E&P") sector has seen an increase in activity resulting from sustained high oil prices, tighter oil markets and the development of new technologies. According to GlobalData, an industry analyst, global E&P expenditure reached a record level of nearly USD1.23 trillion in 2012 and is set to rise further in the coming years.

Within Malaysia, the Government is committed to ensure the sustainability of energy (including O&G) security through the continuous supply of fossil fuels at affordable prices in the face of depleting O&G resources as the nation forges ahead towards becoming a high-income economy. Under the Economic Transformation Programme ("ETP"), the Government has identified three major Thrusts and eight Entry Point Projects ("EPP") for the O&G sector.

The Group fulfills six of the eight EPPs identified under the ETP as follows:

Thrust 1: Sustaining oil & gas production

EPP1: Rejuvenating existing fields through enhanced oil recovery

EPP2: Developing small or marginal field through innovative solutions

EPP3: Intensifying exploration activities

Thrust 3: Transforming Malaysia into the number one hub for oil field services

EPP6: Attracting multi-national companies to Malaysia to bring a sizeable share of their global operations to Malaysia

EPP7: Consolidating domestic fabricators

EPP8: Developing engineering, procurement and installation capabilities and capacity through strategic partnerships and joint-ventures

In order to help achieve the goals of the EPPs, Petroliam Nasional Berhad ("PETRONAS") has reviewed the production sharing terms and has introduced new petroleum production arrangements to ensure that the right economic incentives are in place to attract companies to operate in Malaysia. With most of Malaysia's continental shelf already explored, the era of 'easy oil' is over and PETRONAS is leading the push towards the country's deepwater frontiers and marginal field development.

Meanwhile, our global footprints are set to expand even further to Angola, Brunei, Equatorial Guinea, Indonesia, Thailand, Trinidad and Tobago with the combination and integration of the tender rig businesses of SapuraKencana Petroleum and Seadrill Limited ("Seadrill").

This RM8.78 billion corporate exercise was approved by shareholders at an Extraordinary General Meeting on 23 April 2013. With the completion of the acquisition, the Group now owns 21 tender rigs including five units that are under construction. Our Group is now in a stronger position to penetrate new markets globally and offer enhanced value proposition to customers, which is a distinct advantage that we have. In addition, this corporate exercise also provides a staging platform for expansion across the entire O&G development value chain, which would result in potential cross-selling business development opportunities across the Group.

All these developments translate into a promising and exciting future for SapuraKencana Petroleum. Given our many competitive strengths and our long and proven track records, the Group is poised to capitalise on the many opportunities unfolding in Malaysia and our targeted markets abroad, notably in Brazil, the Gulf of Mexico and regional markets in Asia. With a significant order book of RM14.7 billion in hand, our outlook for the coming year is for revenue growth to continue at a very satisfactory level.

ACKNOWLEDGEMENTS

The Group is rich in assets, but we consider among our greatest, the 9,000 employees and contractors who make up our staff strength. As a cohesive team, they are a formidable force and will continue to play an active role in shaping the future of SapuraKencana Petroleum.

In assisting the Group translate a vision into reality, we are grateful for the support and help rendered by the various government ministries and agencies as well as our stakeholders. We also take this opportunity to acknowledge the guidance, encouragement and support we have received from PETRONAS, the national O&G corporation. Our shareholders, in particular, deserve special mention. With your whole-hearted support for all that we were trying to achieve, SapuraKencana Petroleum is well on its way towards achieving its vision. Your continuous support will always inspire us to aim even higher. We also thank our valued associates and business partners, with whom we enjoy mutually beneficial relationships, based on mutual trust, understanding and respect.

SapuraKencana Petroleum is proud to have a strong Board of Directors ("Board"), comprising members with the breadth and depth of vision, expertise and experience to provide the strong counsel and corporate oversight to propel the Group forward. Most of the members have served on either the Board of SapuraCrest Petroleum or Kencana Petroleum. I would like to take this opportunity to thank Encik Mohd Adzahar Abdul Wahid and YBhg Tan Sri Ibrahim Menudin who had resigned from the Board effective 27 September 2012 and 11 December 2012, respectively. We are pleased to welcome our new members to the Board, Mr John Fredriksen who was appointed on 14 May 2013 and his alternate, Mr Tor Olav Trøim who was appointed on 16 May 2013.

We have just completed the first chapter in SapuraKencana Petroleum's corporate history. If our first year results are anything to go by, the expectations are that the best is yet to come.

DATO' HAMZAH BAKAR
Chairman

3 June 2013

SapuraKencana
PETROLEUM

Integrated Strength Through Growth

In line with our aspirations to grow and expand our business and operations, we are confident in our capabilities as a major service and solutions provider for the Asia Pacific Region and beyond. We will continue to maintain and enhance the value that we create for all our stakeholders.

TAN SRI SHAHRIL SHAMSUDDIN
President and Group Chief Executive Officer

DATO' MOKHZANI MAHATHIR
Executive Vice Chairman

Joint Operations Review

Dear Shareholders,

SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum" or "Group") was born out of a vision – a vision of the entrepreneurs in wanting to create one of the world's largest full-fledged integrated oil and gas ("O&G") service providers with strong delivery capabilities across the O&G sector value chain. The past year has been a very exciting year for us and marks a key period in our transformation journey. Today, the Group is on a much firmer footing with a strong pool of talents from all over the world working together and supported by a very diverse asset base towards realising this vision of wanting to become a stronger player in the global O&G industry.

In this maiden report to you, we are pleased to report that SapuraKencana Petroleum has exceeded its key financial performance expectations for the financial year ended 31 January 2013 ("FY2013") with revenue at RM6.91 billion and profit before tax of RM829.75 million.

All four business segments turned in strong operating performances in a very competitive environment. The Offshore Construction & Subsea Services Division ("OCSS") continues to be the biggest contributor generating profits after tax of RM427.91 million on the back of revenues of RM3.71 billion or 53.69% of total Group revenue.

The Fabrication, Hook-up & Commissioning Division ("FHUC") profits after tax of RM239.78 million on the back of revenues of RM1.99 billion. The Energy & Joint Ventures Divison ("EJV") profits after tax of RM238.38 million on the back of revenues of RM796.32 million. The Drilling, Geotechnical and Operations & Maintenance Services Division ("DGMS") generated profits after tax of RM19.97 million on the back of revenues of RM419.0 million.

A YEAR OF ACHIEVEMENTS

Without question, the most important achievement of the year was the successful completion of the merger exercise between SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") and Kencana Petroleum Berhad ("Kencana Petroleum"). The merger has certainly enhanced the service offerings across the entire O&G value chain and should augur well for the Group in the short to medium term.

In addition, in November 2012, the Group had announced another major corporate transaction worth RM8.78 billion to combine and integrate the tender rig businesses of SapuraKencana Petroleum and Seadrill Limited ("Seadrill"). This transaction was completed on 30 April 2013 and has resulted in the number of tender rigs owned by the Group increasing to 16, with an additional five under construction.

FY2013 was also year of achievements operationally on several fronts as follows:

- The Berantai marginal gas field located offshore Peninsular Malaysia ("Berantai Field") was brought on-stream on 20 October 2012. SapuraKencana Petroleum is part of the consortium awarded the project under the first Risk Service Contract ("RSC") awarded in Malaysia. The Berantai Field was developed on a fast-track basis of 18 months and our team was able to execute and meet the project expectations in a safe manner registering eight million man-hours without Lost Time Incident.
- For the first time the Group ventured into Mexico where its purpose-built, Sapura 3000, a heavy lift pipelaying vessel, was chartered by Protexa to undertake heavy lifts in the Gulf of Mexico for a contract valued at USD58.0 million.
- In August 2012, the Group acquired full ownership of the derrick lay barge, Quippo Prakash, which has since been renamed as SAPURAKENCANA 2000, by acquiring the remaining 74% shares in Quippo Prakash Pte Ltd for a consideration of USD22.5 million.
- In middle of June 2012, the Group's DGMS made its maiden foray into South America when it secured a RM81.0 million contract awarded by Seaseep Dados De Petroleo Ltda of Brazil. This is a two-year multibeam geophysical survey project which is ongoing smoothly.
- During the last quarter of FY2013, our fabrication yard in Lumut, Perak ("Lumut Yard") completed a jacket for KPOC weighing 14,000 metric tones, being the largest jacket ever built by the yard.

Revenue (RM)

6.91
billion

Joint Operations Review (cont'd.)

OUR STRATEGIC DIRECTION

Our strategy is to develop SapuraKencana Petroleum into a trusted integrated services provider in the global O&G industry with a sustainable business model that transcends generations to come. The key to achieving this goal calls us to continue investing in expanding our asset base; attracting, developing and retaining our human capital; as well as increasing our presence in new and growing markets. Diversifying the portfolio of services as well as geographical reach has been a theme that the Group subscribes to in order to de-risk its earnings so as to ensure sustainability of income generation moving forward.

Asset Base. The Group now has in place a programme to invest in key enabling assets and technology that would not only increase the Group's capacity to execute work, but also reduce the dependency on the use of third party assets thereby providing better control over operational schedules and costs. Over the next two years, the Group will be taking delivery of three new pipelaying support vessels ("PLSVs") as well as two dynamic positioning heavy lift and pipelaying vessels. In addition, two newly designed drilling rigs are currently being constructed at Lumut Yard. This augments the additional drilling rigs that were added arising from the acquisition of Seadrill's tender and semi tender rigs business. In addition, through land expansion and modernisation efforts, the Lumut Yard has increased in size from 152 acres in 2011 to 273 acres in 2013 and is now considered one of the largest yards in Malaysia.

Our Human Capital. Our employees are the multiplier of the value of our assets. With this belief in mind, we are committed towards nurturing their technical and leadership capabilities so that they acquire the right set of skills, knowledge and abilities to perform their roles effectively. Structured training and development programmes are being designed and developed to cater to the unique training requirements of our respective business divisions and operating units. We also encourage our employees to pursue courses and academic qualifications relevant to their roles and to the needs of the business. The allocation set aside for training and manpower development in FY2013 amounted to approximately 5% of total annual salary cost, with a target of three man-days of training and development for each employee.

Market Diversification. The Group has continued to expand its presence in the international marketplace. Whilst pursuing growth in our traditional markets in Asia, we are also pursuing unfolding opportunities in key O&G exploration and production areas such as Australia, Brazil, Mexico, China and the African continent.

De-risking Our Earnings Profile. The strategic merger between SapuraCrest Petroleum and Kencana Petroleum combined complementary capabilities of the two legacy companies. This has enabled SapuraKencana Petroleum to bid and secure larger and more complex turnkey Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") projects in Malaysia and abroad. It created scale in our balance sheet and enabled us to capture a new source of revenue for order book replenishments. On the other hand, the acquisition of the tender and semi tender rig businesses of Seadrill introduces more stability and predictability in our earnings going forward due to the day-rate and long-term nature of the drilling business. The recurring nature of income from marginal field development activities should augment the project-based income contributions from our contracting services activities.

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

The key guiding principles that we always emphasise in meeting our corporate goals are the safety of our people, the well being of the environment that we operate in as well as the safe operational condition of our assets.

In this regard, the Group strives to have a HSE performance that is at the minimum, meeting the industry benchmark to earn the confidence of our employees, customers, stakeholders and society at large. On 17 January 2013, the HSE Division of SapuraKencana Petroleum took the lead in rolling out the Group's new post-merger Health, Safety and Environmental Policy; Drug, Alcohol and Prohibited Substance Policy; and Stop Work Policy to all Senior Management leaders at Division and Operating Company levels. A full account of the Group's HSE efforts are set out on the inside front cover of this Annual Report.

Profit Before Tax (RM)

528.4 million

BUSINESS SEGMENT OPERATIONS

OFFSHORE CONSTRUCTION & SUBSEA SERVICES ("OCSS")

The Group's OCSS Division provides integrated design, engineering and installation services for infrastructures and subsea pipe systems used in O&G production and transportation. Our principal activities comprise offshore construction and installation whilst our subsea activities consist primarily of offshore diving and underwater related services.

Financial Results

OCSS completed the year under review on a very successful note and this was translated into record earnings. On the back of revenue of RM3.71 billion, OCSS posted a profit before tax of RM528.4 million. With over RM8.65 billion worth of secured projects, OCSS remained the biggest contributor to Group revenue. OCSS' commendable performance was driven mainly by an aggressive effort to increase vessels utilisation, improve effectiveness of project execution and improve market share by securing new projects locally and internationally.

Operational Highlights

During the year under review, OCSS successfully executed projects valued at RM3.7 billion. One of our key achievements is the completion of the RM1.23 billion programme under Pan Malaysia Contract with various Production Sharing Contract Operators namely ExxonMobil Exploration & Production Malaysia Inc ("EMEPMI"), Murphy Sarawak Oil Co., Ltd ("Murphy Sarawak") and Petrofac Energy Development Sdn Bhd ("Petrofac").

We have also successfully executed a RM204.0 million contract to provide offshore transportation and installation services for two wellhead platforms in the Malaysia-Thailand Joint Development Area for Carigali Hess Operating Company Sdn Bhd ("Carigali Hess"); a RM87.0 million contract from BC Petroleum Sdn Bhd to transport and install Guyed Caisson Platforms for Balai Cluster Fields and a RM189.0 million contract from Petrofac for the Berantai Field Development Project.

Further, we successfully completed the offshore installation works for PETRONAS Carigali Sdn Bhd ("PETRONAS Carigali"): Sarawak Operations ("SKO") Pipeline Replacement and Rejuvenation Project valued at RM354.0 million.

In addition, during the year, we undertook and completed inspection, repair and maintenance works for PETRONAS Carigali in Sarawak, Sabah and Peninsular Malaysia. Similar works were also completed in the country for other clients namely EMEPMI and Carigali Hess.

With respect to contracts overseas, we executed and completed transportation and installation projects in the Gulf of Mexico, Australia, China and South East Asia. The project in the Gulf of Mexico awarded by the Protexa Group and the Montara Development Project in Australia for PTTEP Australia (Ashmore Cartier) Pty Ltd are worth RM180.0 million and RM341.0 million, respectively. We also continue to perform the ongoing DomGas Pipeline contract from Chevron Australia Pty Ltd recognising a contract revenue of RM906.0 million for the installation and construction of upstream facilities at the Gorgon Upstream Project Australia. In China and Vietnam, we completed the Lui Hua Project awarded by China Offshore Oil Engineering Co., Ltd. ("COOEC") and PTSC Offshore Services Joint Stock Company with a total value of work of RM124.0 million.

Joint Operations Review (cont'd.)

During the year, we secured a one-year contract extension worth approximately RM1.3 billion from Petroliam Nasional Berhad ("PETRONAS") for the Pan Malaysian Integrated Transportation & Installation contract.

Later in the year, we managed to secure a contract from PETRONAS Carigali with an estimated value of RM700.0 million for the Provision of Underwater Services for a duration of three and a half years, with the option to extend for an additional year.

On the international front, we continue to aggressively explore various opportunities across the regions. In Australasia, we were awarded a RM163.0 million contract from Origin Energy Resources Ltd for the development of the Geographe gas field, located 55 kilometers ("km") off the State of Victoria in Australia. We have also expanded our reach to Thailand, securing a RM78.0 million contract by Pearl Oil (Amata) Limited for the development of the Manora oil field.

FABRICATION, HOOK-UP & COMMISSIONING ("FHUC")

FHUC's core competency and capability lies in Engineering, Procurement, Construction and Commissioning ("EPCC") of O&G projects.

Our Lumut Yard is able to undertake the fabrication of topsides including central processing platform ("CPP"), jackets and other related structures for local and international clients. Leveraging on our marine engineering expertise, the Lumut Yard is also involved in shipbuilding, conversion and repair of marine assets for the O&G industry. The Lumut Yard has the experience and expertise in fabricating subsea deepwater manifolds and process modules.

In striving for continuous improvement, we have also embarked on a yard modernisation initiative involving constructing and setting up of a parts production centre ("PPC"), a fully integrated yard management system and installation of state of the art equipment, including CNC Pipe Profiling Machine, Coping Machines, Plasma Cutting Machine, Bandsaw and conveyor system. We have also installed fully automated blasting and primer coating machines for plates, pipes and sections.

Our fabrication facilities in Teluk Kalong, Kemaman Supply Base and Labuan serve as a support base for our full-fledged HUC team. In enhancing the Group's HUC and offshore operations further, the entire fleet of workboats, workbarges, anchor handling tugs and

supply vessels are now under the management of the HUC Department. The Company is also strengthening the HUC business by further investing in two new 200 pax DP workboats.

Financial Results

FHUC is the second largest contributor to Group revenue. For FY2013, FHUC recorded revenue of RM1.99 billion and profit before tax of RM299.27 million.

Operational Highlights

Several projects were executed during the period under review:

- EPCC of Serendah Production Topside and Substructure ("SN-PA"), Patricia Satellite Topside and Substructure ("PT-SA"), Serendah Accommodation Topside and Substructure ("SN-AA"), Serendah Wellhead Platform Template of SK309/311 Sarawak Development Project for Murphy Sarawak Oil Co., Ltd
- EPCC of Kamelia-A Wellhead Platform of North Malay Basin Field of Integrated Gas Development Project for Hess Exploration and Production Malaysia B.V.
- EPC of CDW-B and CDW-C Wellhead Platforms of Cendor Phase 2 Development Project Block PM-304 for Petrofac (Malaysia–PM304) Limited
- Fabrication of KBB Substructure (13,832 mt) of Kebabangan Northern Hub Development Project for Kebabangan Petroleum Operating Company Sdn Bhd
- PC of Tapis–R Jacket, Piles and Appurtenances for ExxonMobil Exploration and Production Malaysia Inc.

- Upgrading and refurbishment of West Desaru MOPU Facility for Petrofac E&C Sdn Bhd
- HUC of Kanowit CPP (KAKG-A) Platform (Kumang Cluster Development Project – Phase 1) for Petronas Carigali Sdn Bhd
- HUC of Samarang (Phase 1 – Accelerated Infill Drilling) Redevelopment project for Petronas Carigali Sdn Bhd
- HUC of Sumandak Non Associated Gas ("NAG") Development Project for Petronas Carigali Sdn Bhd
- HUC of KNPG-B Topside Project for Malaysia Marine and Heavy Engineering Sdn Bhd

Revenue Increase

11.0%

to RM796.3 million

ENERGY & JOINT VENTURES ("EJV")

The core business of the Group's EJV is in O&G field development and operatorship, with expertise in conceptual engineering, front-end engineering and detailed design of subsea and floating systems. In providing integrated solutions for the extraction of petroleum resources, EJV owns strategic production assets such as Floating Production Storage and Offloading Unit ("FPSO") and a Mobile Offshore Production Unit ("MOPU").

Specialised services are also provided through joint ventures. Labuan Shipyard & Engineering Sdn Bhd ("LSE"), a jointly-controlled entity held by the Group, provides engineering, procurement, construction and pre-commissioning services for the offshore O&G industry. Through a partnership with Seadrill UK Ltd, EJV was also involved in the provision of offshore drilling services.

Financial Results

For the year under review, EJV's revenue has strengthened to RM796.3 million compared to RM715.6 million achieved in the preceding year. The 11.0% increase was mainly attributed to the improved contributions from the drilling business as well as revenue streams accruing upon completion of the Berantai Field Development Project.

EJV's order book balance increased from RM894.47 million at the start of FY2013 to RM2.23 billion at the financial year-end largely attributed to the Group's Energy Business Unit. EJV's drilling business and LSE contributed another RM326.1 million and RM86.83 million, respectively.

Operational Highlights

A highlight of FY2013 was the earlier mentioned coming onstream of the Berantai Field on 20 October 2012. To recap, the Group was part of a consortium that was awarded Malaysia's first RSC for the development and subsequent operations of the Berantai Field, located 150 km offshore Terengganu. The development comprises the fabrication, transportation and installation of a wellhead platform connected to an FPSO ("FPSO Berantai"). From the FPSO Berantai, natural gas is transported via a 30 km subsea pipeline to the Angsi platform for onward connection to the onshore Peninsular Malaysia gas grid.

The Berantai Field Development is a collaboration of strengths and capabilities amongst the consortium partners. SapuraKencana Petroleum's contribution was in the areas of fabrication and installation utilising internal assets such as the LTS 3000 (a heavy lift pipelaying vessel), QP 2000 (a derrick lay cum accommodation barge) and the Lumut Yard, where the various steel fabrication works were carried out.

All five self-erecting tender rigs co-owned and managed by EJV have been chartered out to national and multinational oil companies operating within the region, such as PETRONAS Carigali, Carigali PTTEP Operating Company Sdn Bhd, PTTEP Thailand and Chevron Thailand.

Joint Operations Review (cont'd.)

DRILLING, GEOTECHNICAL AND OPERATIONS & MAINTENANCE SERVICES ("DGMS")

DGMS has three main business units providing drilling, geotechnical, geophysical, plant operations and maintenance ("O&M") services to O&G majors in the industries. Our drilling services arm has the capabilities to build, own and operate offshore tender and semi-tender rigs. We also own and operate four dedicated geotechnical and geophysical survey vessels with the capability to conduct surveys in both deep and shallow waters. As a GE-certified regional centre for gas turbine refurbishment and overhaul, our O&M business unit provides world-class services and cost-effective solutions.

Financial Results

DGMS has contributed positively towards the Group's financial performance with a total revenue of RM419.0 million and profit before tax of RM23.2 million. The biggest contributor to DGMS' revenue was the O&M business, followed by Geotechnical Sciences and Drilling, respectively. As at financial year end, DGMS' order book stood at RM740.0 million. Given our proven track record, we aim to replenish our order book through recurring contracts and by leveraging on strategic partnerships with our clients.

Operational Highlights

The Group is one of the first local operators to build, own and operate a rig. KM-1 is the first Tender Assisted Drilling Rig ("TADR") which was built at our Lumut Yard. KM-1 has now completed its second year of a five-year contract worth RM687.0 million to undertake PETRONAS Carigali's development drilling programmes. In order to keep up with the development of drilling market, we have two units (KM2 and KM3) which are currently under construction at our Lumut Yard. Our geophysical vessels, Teknik Perdana and Teknik Putra, are specially designed for seabed survey and contour-safe navigation purposes. The vessels were chartered out on short to medium-term contracts mainly in Southeast Asia which includes Malaysia, Thailand and Australia. However, in the middle of June 2012, under a RM81.0 million contract awarded by Seaseep Dados De Petroleo Ltda of Brazil, we broke new ground with our maiden contract into South America.

The Group also has two geotechnical survey vessels, Teknik Wira and Teknik Samudra, which were charted out throughout the year on short and medium-term contracts to undertake soil investigation studies. The two vessels have been deployed in many countries within the Southeast Asia, mainly Malaysia and Indonesia. One of the highlights of the year include the RM43.0 million works assignment completion from PT Alamjaya Makmur/ENI of Indonesia in August 2012 to provide both geophysical and geotechnical survey services. More recently, in March 2013, we secured a RM81.6 million contract to provide survey and positioning services for the Gumusut-Kakap Deepwater Project.

As a GE-certified regional centre for gas turbine refurbishment and overhaul, the O&M Unit has Long Term Service Agreements ("LTSA") with the PETRONAS Group and its production-sharing contractors worth RM112.0 million. Other activities in our portfolio include the supply, installation and commissioning of point-of-sale system to petrol kiosk nationwide since year 1999.

INDUSTRY OUTLOOK

Despite the uncertainties of the global economic recovery and ongoing geopolitical tensions in a number of countries, the international O&G industry has remained resilient. According to the World Oil Outlook 2012 published by the Organisation of the Petroleum Exporting Countries ("OPEC"), the world's appetite for oil and natural gas will continue to grow and by 2035, will account for 27.0% and 26.0% of global energy demand, respectively. Global demand for oil is projected to reach 107.3 million barrels per day by 2035, contributing towards 27.0% of global energy demand. Natural gas consumption is expected to rise even faster and will account for 26.0% of the world's total primary energy demand by 2035. OPEC also forecasts that oil prices will remain in the range of USD85.0 to USD95.0 per barrel up to the year 2020, rising thereafter to USD133.0 per barrel by 2035.

PETRONAS is planning to spend RM275.0 billion over the next five years to sustain the country's oil and natural gas production volume. In order to achieve this, PETRONAS is looking into the more technologically demanding areas such as enhanced oil recovery, deep water exploration and the development of Malaysia's 105 marginal fields under RSC arrangements. Production sharing contractors in Malaysia are also increasing capital expenditure ("Capex") to invest in new fields as well as extending the life-span of existing ones by employing new enhanced oil recovery ("EOR") technology. Plans are in the pipeline for 84 fixed platform units to be installed over the next five years, while an EOR programme will be undertaken for 17 fields.

Of the 105 marginal fields identified under the Economic Transformation Programme, 25 have been earmarked for development under the RSC arrangement. As SapuraKencana Petroleum was part of the consortium awarded the first RSC for the development of the Berantai Field, we have the experience and proven track record to bid for the other RSCs expected to be executed from 2013 onwards. With most of Malaysia's continental shelf explored, the search for oil is moving into the deepwater areas with reserves estimated at 10 billion barrels of oil equivalent ("bboe"), of which only three bboe have been discovered so far.

Joint Operations Review (cont'd.)

Within Asia, the level of spending on upstream activities is expected to remain steady with an annual Capex of USD14.6 billion between 2012 and 2015, while in Australasia, total offshore Capex has been forecasted to increase to USD9.7 billion by 2015. In the longer term, Australia is expected to have significant deepwater potential, with activity expected to peak in 2015. In the Middle East, Capex has been projected to increase to an annual average of USD10.0 billion through to 2015. Another area of interest is North America, dominated by the Gulf of Mexico, which still holds considerable potential for offshore E&P activities. North American offshore's Capex is forecasted to grow to over USD12.5 billion by 2015.

It is in the emerging markets of Latin America and particularly Brazil that holds the most interesting prospects for the Group. We have already established a foothold in Brazil when the SapuraKencana Petroleum-Seadrill joint venture secured a contract in 2011 awarded by Petrobras to provide three PLSVs with charters worth RM4.2 billion. By leveraging on Seadrill's experience and track record, the likelihood is that we will be able to further expand our presence in the lucrative Brazilian market.

MOVING FORWARD

As the Group stands today, it has the scale, service range and an established track record to be a leading beneficiary of the current boom in upstream petroleum activities. Furthermore, our long-standing relationships with the international heavyweights of the O&G industry would help open doors to further pursue global opportunities. Our financial fundamentals are strong and this is evidenced by the quality of our balance sheet.

The Group's achievements so far are only a precursor of more to come. Besides further unlocking the full potential of SapuraKencana Petroleum as a merged entity, we will also see earnings accretion from Seadrill beginning FY2014. Moving into the new financial year, we will continue to strive to make inroads into new markets such as Central America, Brazil and West Africa. We are confident we will be able to replenish our order book and improve our earnings profile.

While much has been achieved the past year, we acknowledge there is still room for improvement if we were to benchmark against the best in the industry. As a global player, we need to be mindful that we are competing at a different level. As such, we have to constantly challenge ourselves to raise the bar in the key areas of quality and safety, project management and execution, management of risks, attracting talents and developing people and contributing to the community, among others. It is an obligation we owe to ourselves and the various constituents that we serve.

ACKNOWLEDGEMENTS

High levels of performance, professionalism and dedication on the part of our employees were vital success factors in the past year. Coming together with a sense of common enterprise, they delivered the results we expected. We take this opportunity to thank all our dedicated staff for all the hard work and contributions.

SapuraKencana Petroleum is fortunate as it has a great support group. Our partners and business associates with whom we have journeyed a long way together, have played a critical role in our success story. However, we have some distance to travel yet and we look forward to many more productive years ahead. We also enjoy the cooperation and continuous support of many Government agencies who have been instrumental in our growth. Our growing base of shareholders must also be acknowledged for their support of all that we have been trying to achieve.

The Group is also fortunate to have an exceptionally strong Board of Directors ("Board"), equipped to provide wise counsel and corporate oversight required for the continued growth of SapuraKencana Petroleum. The Board composition has been further strengthened with the appointment of Mr John Fredriksen to the Board on 14 May 2013. We welcome him on board and will no doubt benefit from his insights and extensive knowledge of the petroleum business.

An exciting future beckons and we have our work cut out for us, but with your continuing support, we are confident of achieving all we have set out to do.

Thank you.

Tan Sri Shahril Shamsuddin
President and Group Chief Executive Officer

Dato' Mokhzani Mahathir
Executive Vice Chairman

3 June 2013

Integrated Strength Through Commitment

We are fully committed to ensuring that the highest standard of corporate governance is practiced throughout our organisation. In doing this, we make certain that processes and best practices are incorporated in our daily work to enable the Group to continuously achieve our goals and objectives.

Statement on Corporate Governance

The Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum" or "Company") is committed towards ensuring the highest standards of corporate governance are applied throughout SapuraKencana Petroleum 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") as well as the adoption of the recommendations in the Corporate Governance Guide issued by Bursa Malaysia ("CG Guide").

The Board is also committed to ensure that good governance is practised throughout the Group in all aspects of its business dealings displaying integrity and transparency with the objective of safeguarding shareholders' investments and ultimately enhancing shareholders value. The Board is convinced that, by doing so, it will undoubtedly contribute towards the betterment of the Group's overall performance.

The Board is pleased to disclose in this Statement on Corporate Governance ("Statement") the extent of the Group's compliance with the principles as set out in the Code and pursuant to Paragraph 15.25 of the MMLR during the financial year ended 31 January 2013 ("FY2013").

Since the listing of SapuraKencana Petroleum on the Main Market of Bursa Malaysia on 17 May 2012 ("Listing Date"), the Group has been actively introducing refined policies and procedures, and improving the Group's processes, controls and systems in order to ensure alignment with sound corporate governance practices.

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 their duties and responsibilities to ensure that high ethical standards are applied through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the Code and GC Guide, and act in the best interest of the Group and its shareholders.

Board Charter

The Board has formulated its Board Charter ("Charter") which, amongst others, 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 Board's authorities, schedule of the matters reserved for the Board, the establishment of Board committees, processes and procedures for convening Board meetings, the Board's assessment and review of its performance, compliance with ethical standards, Board's access to information and advice and declarations of conflict of interest. The full details are published in SapuraKencana Petroleum's website.

The roles of the Board in its Charter include the following:

- review the strategic action plan for the Company;
- ensure the Company's strategies promote sustainability;
- review the adequacy and integrity of the Company's internal control system;
- ensure a satisfactory framework of reporting on internal financial controls and regulatory compliance;
- establish policies for enhancing the performance of the Company;
- monitor the performance of Senior Management;
- determine the succession plan of Senior Management;
- ensure that the Company adheres to high standards of ethics and corporate behaviour; and
- ensure effective communication with the shareholders and stakeholders of the Company.

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

The Board continues to adhere to the ethical standards stated in its Terms of Reference. The Board is expected to observe the highest standards of ethical behaviour. The Board also supports and encourages policies within the Group which require the Board and its employees to observe high standards of personal integrity and to display honesty in their dealings.

The Company's Code of Conduct lays down the appropriate internal systems that support, promote and ensure compliances.

Board Balance and Composition

The Board currently comprises four Independent Non-Executive Directors, seven Non-Independent Directors, and one alternate director. During the financial year under review, the Chairman of the Board has been redesignated as Non-Independent Director in line with the recommendation made under the Code. The Board takes cognisance that the Code recommends a majority composition of Independent Directors to ensure balance of power and authority. After careful consideration the Board has decided to depart from this recommendation. The Board acknowledges the importance of having the right size of Board members and strives to maintain the minimum one-third of the Board's composition with Independent Directors.

The Board believes the unique Group's set-up which is founded on the leadership of its capable, experienced and professional entrepreneurs acting as its Executive Directors should be preserved and upheld. Such unique set-up brings dynamism to the Group, giving it a distinct advantage over its global competitors.

Statement on Corporate Governance (cont'd.)

The Board comprises members with various professional backgrounds from the fields of engineering, information technology, accounting, management and public administration, bringing depth and diversity in experience, expertise and perspective to the Group's operations and ultimately, the enhancement of long-term shareholders value. In terms of time commitment, all members of the Board currently hold less than five directorships in other listed companies which allows for timely and orderly decision making process for the Company.

Collectively, the Board brings a wide spectrum of business acumen, skills and perspectives necessary for 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 experiences in a variety of public and private companies and possess the necessary calibre, credibility, skill and experience to bring balanced judgment to bear the issues of strategy, performance and resources, including key appointments and 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 in the interests of the Group but also of other stakeholders.

With its diversity of skills, the Board has been able to provide clean and effective collective leadership to the Group and has 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.

A brief description of the background of each director is contained in the "Profiles of Board of Directors" section set out on page 18 to 29 of this Annual Report.

INDEPENDENCE OF INDEPENDENT DIRECTORS

The Board has criteria set in assessing Directors' independence and performance.

The Nomination Committee ("NC") had, during FY2013, undertaken a review and assessment of the level of independence of the Independent Directors of the Board in line with the Code.

In the assessment, Dato' Hamzah Bakar who has been serving as a Director for over nine years on the Board of Sapura Energy Sdn Bhd, a wholly-owned subsidiary of SapuraKencana Petroleum, has been redesignated as Non-Independent Non-Executive Chairman effective 6 February 2013.

Division of Roles and Responsibilities between the Chairman, PGCEO and EVC

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

i. Building 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. Managing Board meetings to achieve robust decision-making by ensuring the provision of accurate, timely and clear information to all Directors. The Chairman encourages participation and deliberation by the Board to tap the wisdom of all Board members and to promote consensus building as much as possible; and

iii. Facilitating the Board and Management interface by acting as the conduit between the two parties.

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

The PGCEO and EVC have the overall responsibilities on the Group's operational, business units and support services, organisational effectiveness and implementation of Board policies, directives, strategies and decisions. In addition, the PGCEO and EVC, by virtue of their positions as Board members, also function 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 in the Corporate Information section on page 12 of this Annual Report.

BOARD APPOINTMENT PROCESS

The Company has a formal and transparent procedure in place for the appointment of new Directors to the Board. All nominees are first considered by the NC taking into consideration the required mix of skills, competencies, experience and other qualities required, before they are recommended to the Board for consideration and approval. The NC is also responsible to assess the suitability of Directors on an ongoing basis.

RE-ELECTION OF DIRECTORS

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 Annual General Meeting ("AGM") following their appointments. Additionally, at least one-third of the 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 in three years but shall be eligible for re-election at every AGM. The retiring directors would be those who have been the longest in office since their last election. This provides shareholders the opportunity to evaluate directors' performance and also promotes effective boards.

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. None of the Company's Director has reached the age of 70 years.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Induction programmes were conducted for all newly appointed Directors which comprised briefings by Senior Management to provide the 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 for the Directors and Senior Management on topics of relevance were also arranged during the FY2013.

Save for the recently appointed Director, Mr John Fredriksen, who was appointed on 14 May 2013 and his alternate director, Mr Tor Olav Trøim who was appointed on 16 May 2013, all Directors have attended and successfully completed the Mandatory Accreditation Programme as required by the MMLR. Mr Fredriksen and Mr Trøim will comply with the requirement within four months from their appointments. 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, identified conferences and seminars that will be beneficial to the Board. The Company provides a dedicated training budget for the Board's continuing development. Relevant internal or external training programmes are arranged by the Company Secretaries for the Board.

During the FY2013, save for Mr Fredriksen and Mr Trøim, the Directors have attended the training programmes, seminars and conferences to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively.

The training programmes attended by the Directors include the following:

- Business & Brand Leadership: A New Approach to Success for Asian Business;
- Corporate Governance & Directors Duties;
- Strategy Execution: The Role of Culture and Organisation;
- Key Amendments to Listing Requirements 2011;
- Common Pitfalls under Chapter 10 of Listing Requirements – Transactions;

Statement on Corporate Governance (cont'd.)

- Key Recommendations from Malaysian Code on Corporate Governance 2012;
- Directors' Powers, Duties and Responsibilities;
- 2012 East Malaysia Conference on Internal Auditing: Navigating in the Era of Governance;
- "Blue Ocean Strategy" Workshop;
- Training Programme on "Optimising IFRS/MFRS Convergence";
- CEO Forum 2012 on "Malaysia in the New Global Context – Realising Malaysia's True Potential";
- Forum on "Citizenship in the Age of the Internet";
- Talk on "An Overview of Property Market";
- Perdana Discourse Series 15 on "The Future of Affirmative Action";
- Corporate Governance – The Competitive Advantage;
- National Enterprise Risk Management Conference for Public & Private Sector 2013; and
- Forensic Accounting for Non-Executive Directors.

BOARD MEETINGS

Board meetings are scheduled in advance of the new financial year to enable Directors to plan and accommodate the year's meetings into their schedules as the Board requires all members to devote sufficient time to the working of the Board to effectively discharge their duties and to use their best endeavours to attend meetings.

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 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, and opportunities relating to the Company and its Group. The Board is furnished with information in a form and of a quality appropriate to enable 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, financial performance, significant performance and issues as well as to 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 time for appropriate review to facilitate full discussion at the meetings. Meeting agendas that include, among 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/EVC. Presentations are prepared and delivered in a manner that ensures a clear and adequate presentation of the subject matter.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at Board 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 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.

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

Whenever necessary, Senior Management and/or external advisors are also invited to attend Board and Board Committee meetings to provide further clarity on agenda items 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 of at least 50% attendance to Board meetings held in a financial year. The attendance of the respective Directors in respect of Board meetings held during the FY2013 is set out below:

Members	Attendance	Percentage
Dato' Hamzah Bakar	6 out of 6	100%
Tan Sri Shahril Shamsuddin	6 out of 6	100%
Dato' Mokhzani Mahathir	6 out of 6	100%
Yeow Kheng Chew	6 out of 6	100%
Chong Hin Loon	3 out of 6	50%
Dato' Shahriman Shamsuddin	6 out of 6	100%
Tan Sri Nik Mohamed Nik Yaacob	4 out of 6	67%
Tan Sri Datuk Amar (Dr) Hamid Bugo	6 out of 6	100%
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	6 out of 6	100%
Mohamed Rashdi Mohamed Ghazalli	6 out of 6	100%
Mohd Adzahar Abdul Wahid *(resigned w.e.f. 27 September 2012)*	*2 out of 2*	*100%*
Tan Sri Ibrahim Menudin *(resigned w.e.f. 11 December 2012)*	*3 out of 4*	*75%*
John Fredriksen *(appointed on 14 May 2013)*	-	-

Minutes of meetings are duly recorded and thereafter confirmed by the Chairman of the meeting. All Directors have the right to make further enquiries where 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 in the long-term interest of the Group, as well as the 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.

The Board also has access to professional advice, if necessary, at the Company's expense from time to time in discharging their duties.

BOARD REMUNERATION POLICIES AND PROCEDURES

The Board, through its Remuneration Committee ("RC"), 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 RC evaluates the performance of the Executive Directors against the objectives set by the Board, thereby linking their remunerations to performance. The remuneration of all Directors are reviewed by the Board as a whole to ensure that it is aligned to the market and to their duties and responsibilities.

Non-Executive Directors' Remuneration

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

During the FY2013, the Board appointed an external consultant to undertake an independent and holistic review of the Group's Board remuneration framework. The Board remuneration structure was reviewed by benchmarking the remuneration against peer companies. The Board, upon the review and recommendation of the RC, had approved the new Board Remunerations Framework.

Statement on Corporate Governance (cont'd.)

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 RC and approved by the Board, taking into account the individual performance, the inflation price index, and information from independent sources on the rates of salary for similar positions in other comparable companies. The Group operates a bonus scheme for all employees, including the Executive Directors. Bonuses payable to the Executive Directors are reviewed by the RC and approved by the Board. The Executive Directors are not entitled to fees.

Details of the Board's remuneration for the FY2013 are as follows:

Non-Executive Directors	RM'000
Fees	[a]1,803
Other Emoluments[b]	628
Benefits-in-Kind	70
Executive Directors	**RM'000**
Salary and Other Emoluments	12,700
Benefits-in-Kind	406

[a] *Inclusive of Directors' fees payable for their directorships in subsidiaries of SapuraKencana Petroleum*

[b] *Inclusive of other Emoluments: allowances, bonuses and statutory contributions*

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

Range of Remuneration Band	Number of Directors
Non-Executive Directors	
RM150,000 – RM200,000	1^
RM200,001 – RM250,000	2^
RM250,001 – RM300,000	2
RM300,001 – RM350,000	1
RM400,001 – RM450,000	1
RM600,001 – RM650,000	1
Executive Directors	
RM1,950,000 – RM2,000,000	1
RM2,400,000 – RM2,450,000	1
RM3,650,000 – RM3,700,000	1
RM4,950,000 – RM5,000,000	1

^ *Inclusive of Directors who resigned during the FY2013*

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 ("AC")

The AC, which was established to assist the Board in the execution of its responsibilities, comprises four Independent Non-Executive members. The AC is governed by a written Terms of Reference ("TOR") which deals clearly within its authority and duties. The TOR of the AC together with its report are presented on page 62 to 68 of this Annual Report.

The Members of the AC are as follows:

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (Chairman) *(appointed w.e.f. 27 September 2012)*
- Tan Sri Nik Mohamed Nik Yaacob
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Encik Mohamed Rashdi Mohamed Ghazalli
- Encik Mohd Adzahar Abdul Wahid (Chairman) *(resigned w.e.f. 27 September 2012)*

Risk Committee

The Board assumes the ultimate responsibility over the effectiveness of the Group's risk management practices by establishing Risk Committee on 24 September 2012 to oversee the assessment of processes relating to the Company's risks and controls. The Risk Committee shall determine that the Management has implemented policies in ensuring that the Group's risks are identified and evaluated and that the control measures in place are adequate and properly functioning in addressing the risks.

Members of the Risk Committee are as follows:

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

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

Details on the Risk Committee of the Company is set out in the Statement on Risk Management and Internal Control on page 70 to 71 of this Annual Report.

Nomination Committee

The Nomination Committee is responsible for recommending new nominees with the necessary skills, experience and competencies to fill vacancies on the Board as well as committees of the Board. The Nomination Committee also has in place the criteria to be used in the recruitment process and annual assessment of directors. The Nomination Committee, which comprises four non-executive members, also assists the Board in assessing the effectiveness of the Board as a whole, its Committees as well as the performance of each Director.

The Members of the Nomination Committee are as follows:

- Tan Sri Nik Mohamed Nik Yaacob (Chairman)
- Dato' Hamzah Bakar
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Remuneration Committee

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

The Remuneration Committee comprises four members, of which not less than two members must be Non-Executive Directors. Members of the Remuneration Committee are as follows:

- Dato' Hamzah Bakar (Chairman)
- Tan Sri Shahril Shamsuddin
- Dato' Mokhzani Mahathir
- Tan Sri Nik Mohamed Nik Yaacob

COMPANY SECRETARIES

The Company Secretaries are responsible for advising the Board on issues relating to compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as 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 appointment and removal of the Company Secretaries are decided and agreed by the Board as a whole.

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 Petroleum 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 the closed period for trading in SapuraKencana Petroleum's shares 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.

Statement on Corporate Governance (cont'd.)

CONFLICT OF INTEREST

It has been the practice of SapuraKencana Petroleum to require the Board to make a declaration at every Board meeting in the event that they have interests in proposals being considered by the Board, including where such interests arise through close family members, in line with various statutory requirements on the disclosure of Director's interest.

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 the deliberations.

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 Group Corporate Disclosure Policy, there are, however, various control measures present on the release of information to the public.

Quarterly Results Analyst Briefings

SapuraKencana Petroleum holds media and analyst results briefings and/or conference calls chaired by the PGCEO and EVC immediately after each announcement on quarterly results to Bursa Malaysia. The briefings provide a platform for analysts 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 SapuraKencana Petroleum's operations better.

Investor 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 is also provided to ensure analysts and investors are able to meet with key executives within the Group.

Corporate Website

SapuraKencana Petroleum's corporate website at www.sapurakencana.com provides quick access to information about the Group. The 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 Petroleum Group.

Annual Report

SapuraKencana Petroleum's Annual Report 2013 is the first annual report produced since its listing on the Main Market of Bursa Malaysia on 17 May 2012. The Annual Report provides a comprehensive coverage on the Group's operations and financial performances. 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 its website.

Media Coverage

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

General Meetings

General Meetings are the principal forum for dialogue with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. The Board, the Senior Management of the Group, as well as the Company's auditors are present to answer questions raised during general meetings.

During the year under review, an Extraordinary General Meeting ("EGM") of the Company was held on 23 April 2013 in relation to the acquisition of tender rigs business of Seadrill. The EGM provided the shareholders with the opportunity to participate in the discussion relating to the acquisition and later vote on the same.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is assisted by its AC in reviewing information to be disclosed through annual financial statements and quarterly financial results announcements to shareholders to ensure accuracy, adequacy and completeness comply with the applicable financial reporting standards.

The Board takes responsibility in presenting a balanced and meaningful assessment of the Group's financial performance and prospects. The financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved Financial Reporting Standards in Malaysia. A statement on the Directors' responsibilities in preparing the financial statements is set out on page 72 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 with the auditors to meet the professional requirements by the auditors. The AC also reviews with the auditors, results of the annual audit, the audit report and the management letters, including the management's response thereon. At least a minimum of two meetings with the auditors in the absence of the management team were held during the period under review.

The suitability and independence of external auditors is annually reviewed and monitored by the AC. Written assurance from the external auditors is also sought 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 of 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. The statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 72 of this Annual Report.

Report of the Audit Committee

The Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum") is pleased to present the Report of the Audit Committee ("AC") ("Report") for the financial year ended 31 January 2013 ("FY2013").

COMPOSITION AND MEETINGS

Pursuant to the Terms of Reference ("TOR") of the AC, members of the AC shall be appointed by the Board from among its members and shall comprise at least three members, all of whom are Non-Executive Directors with the majority of them being Independent Directors. An alternate director cannot be appointed as a member of the AC.

In the event of any vacancy resulting in non-compliance of the minimum of three members, the Board shall, upon the recommendation by its Nomination Committee, appoint such number of members as may be necessary to fill the vacancy within three months of the event to make up the number of three members.

The Board must review the term of office and performance of AC and each of its member at least once every three years to determine whether the AC and its members have discharged their duties in accordance with their TOR.

All AC members should be financially literate with at least one member of the AC being:

a. a member of the Malaysian Institute of Accountants; or

b. if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' relevant working experience; and

   - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
   - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
   - he must fulfil such other requirements as prescribed by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The AC members must have the required skills to engage with the Management and auditors and be prepared to ask key and probing questions about SapuraKencana Petroleum Group's ("Group") financial and operational risks, compliance with approved financial reporting standards and other relevant regulatory requirements.

The appointment of the Chairman of the AC shall be approved by the Board and the Chairman shall be an Independent Non-Executive Director. During FY2013, Encik Mohd Adzahar Abdul Wahid had, on 27 September 2012, resigned as Chairman and member of the AC and simultaneously, Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin was appointed as Chairman of the AC in his place.

Tunku Dato' Mahmood Fawzy is a member of the Institute of Public Accountants in Australia. All members of the AC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities. The AC therefore, meets the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia ("MMLR"). The AC comprises fully of Independent Non-Executive Directors.

The Chairman should assume, amongst others, the following responsibilities:

a. to steer the AC to achieve the goals it sets;

b. to consult the Company Secretaries of SapuraKencana Petroleum for guidance on matters related to the AC's responsibilities under the applicable rules and regulations to which they are subject to;

c. to organise and present the agenda for AC meetings based on input from members of the AC for discussion on matters raised;

d. to provide leadership to the AC and ensure proper flow of information to the AC by reviewing the adequacy of and timing for the making available of documentation;

e. to ensure that all members are encouraged to play their roles in its activities;

f. to ensure that consensus is reached on every AC resolution and where considered necessary, call for a vote; and

g. to manage the processes and working of the AC and ensure that the AC discharges its responsibilities without interference from the Management.

The members of the AC and details of attendance are as follows:

Members	Attendance	Percentage
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin *Chairman, Independent Non-Executive Director (appointed w.e.f 27 September 2012)*	3 out of 3	100%
Tan Sri Datuk Amar (Dr) Hamid Bugo *Senior Independent Non-Executive Director*	5 out of 6	83%
Tan Sri Nik Mohamed Nik Yaacob *Independent Non-Executive Director*	5 out of 6	83%
Encik Mohamed Rashdi Mohamed Ghazalli *Independent Non-Executive Director*	6 out of 6	100%
Encik Mohd Adzahar Abdul Wahid *Chairman, Independent Non-Executive Director (resigned w.e.f. 27 September 2012)*	3 out of 3	100%

The AC shall meet at least four times in a financial year. Additional meetings may be called at any time if so requested by any AC members, the Management, internal auditors or external auditors.

The quorum for an AC meeting shall be a majority of Independent Directors.

The AC may regulate its own procedure, in particular in the conduct of the AC meeting, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference.

Members of the AC who participate in a meeting of the AC by means of a teleconference or any communication equipment shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Report of the Audit Committee (cont'd.)

During the financial year under review, the Chief Internal Auditor ("CIA") of SapuraKencana Petroleum and Heads of various divisions attended the meetings upon the invitation by the AC. The Chairman of the AC reports to the Board on principal matters deliberated at its meetings.

Proper notice shall be issued for any AC meeting and the Chairman shall ensure that proper agenda is prepared for the meeting. The agenda and relevant Management Papers for the AC meeting must be issued at least three days in advance of each meeting.

The Secretaries of the AC meetings record the AC's deliberations in terms of the issues discussed and the conclusions in discharging its duties and responsibilities, with the minutes kept and distributed to each member of AC for its approval and subsequently to the Board for its notation. The Chairman of the AC shall provide the Board with a report of the AC meetings at each financial quarterly meeting.

Keeping of the minutes must comply with the requirements of the Companies Act, 1965.

Reproduction of any part of the minutes can only be through/by the Company Secretaries.

A circular resolution in writing (if only deemed necessary by the Chairman of the AC) shall be valid and effectual if it is approved and signed by all members of the AC as if it had been passed at a meeting of the AC. All such resolutions shall be described as Audit Committee Circular Resolutions.

Any such resolution may consist of several documents in like form, each signed by one or more AC members.

Any discussions, including any concerns raised and the rationale for the decisions so made in the resolution, shall be tabled at the AC meeting taking place immediately after the passing of the resolution for a formal record keeping.

The external auditors briefed the AC on matters relating to the external audit twice during the year under review. The AC also had, in both sessions, discussed with the external auditors without the presence of the Management.

SECRETARIES

The Company Secretaries or other appropriate senior officers of SapuraKencana Petroleum shall act as Secretaries of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it together with all relevant documents to all members of the AC at least three working days prior to the meeting. Consent from all members of the AC shall be obtained for any meetings of AC called shorter than this notice period.

The Secretaries shall have the following key responsibilities:

a. Ensure meetings are arranged and held accordingly;

b. Assist the Chairman in planning the AC's activities;

c. Draw up meeting agendas in consultation with the AC Chairman, maintain the minutes and draft its scheduled activities for the financial year;

d. Ensure structured communication between the Board and the AC;

e. Ensure proceedings of meetings are recorded and the minutes circulated to and confirmed by the Chairman of the AC before disseminating them to the Board; and

f. Ensure AC's recommendations presented to the Board are supported by Management Papers, including this Report or minutes that explain the rationale for the AC's recommendations.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The TOR of the AC are prepared and adopted by the Board based on the MMLR and the Malaysian Code on Corporate Governance 2012.

1. OBJECTIVES OF THE AUDIT COMMITTEE

The objectives of the AC is to assist the Board in fulfilling the following key responsibilities:

a. complying with specified accounting standards and required disclosures as administered by Bursa Malaysia, the relevant accounting standards bodies and any other laws and regulations as amended from time to time;

b. presenting a balanced and understandable assessment of SapuraKencana Petroleum's positions and prospects;

c. establishing a formal and transparent arrangement for maintaining an appropriate relationship with the external auditors and internal auditors;

d. maintaining a sound system of internal control to safeguard shareholders' investment in SapuraKencana Petroleum and its subsidiaries;

e. acting upon the Board's request to investigate and report any issues or concerns with regard to the Management of the Group; and

f. promoting and strengthening the confidence of the public in the Group's reported results.

2. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC shall be:

a. Assessing the Control Environment

- determine whether the Management has implemented policies ensuring that controls in place are adequate and functioning properly to address the risks;
- determine the adequacy and effectiveness of the risk management framework and its implementation; and
- review the adequacy and integrity of the Group's internal control systems and management information systems including systems for compliance with the applicable laws, rules, directives and guidelines.

b. Overseeing Financial Reporting

The AC to review the quarterly financial results and year end financial statements prior to approval of the Board, focusing particularly on:

- changes in or implementation of accounting policies and practices;
- significant and unusual events;
- significant adjustments arising from audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

c. Discussing the following with the external auditors:

- their audit plan and scope of audit;
- their evaluation of the system of internal controls and management information system;
- their audit report and the Management's responses including issues and reservations arising from their interim or final audits and any other matters the auditors may wish to discuss without the presence of the Management, where necessary;
- the assistance given by Group employees to the external auditors; and
- the co-ordination where more than one audit firm is involved.

The AC shall monitor the extent of non-audit work to be performed by the external auditors to ensure that the provision of non-audit services does not impair their independence and objectivity.

The AC shall also consider if there are reasons (supported by grounds) to believe that the external auditors are not suitable for appointment or reappointment before recommending their appointment or reappointment and their audit fees.

The AC shall review any letter of resignation from the external auditors of the Group.

Report of the Audit Committee (cont'd.)

d. in relation to Group Internal Audit ("GIA")

- review and approve the GIA Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Group;
- review the adequacy of the scope, functions, competency and resources of the internal audit function and ensure it has the necessary authority to carry out its work;
- review GIA's Plan;
- review the internal audit programme, processes and results of the internal audit work or investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- the reports of GIA should include management commentary prior to submission to the AC;
- the annual performance review of the CIA should be decided by the AC;
- be informed, referred to and agree on the initiation, commencement and mechanism of any disciplinary proceedings or investigations, including the nature and reasons for the said disciplinary proceedings or investigations as well as the subsequent findings and proposed disciplinary actions against the CIA and senior staff members of GIA. As employees of SapuraKencana Petroleum, the CIA and senior staff members of the GIA are subject to the Company's human resource policies and procedures, including disciplinary proceedings or investigations and actions;
- review the assistance and co-operation given by the employees of the Group to the internal auditors. The GIA function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Board or the AC should determine the merit of the internal audit function; and
- take cognisance of resignations of GIA members and provide the resigning staff member an opportunity to submit his reasons for resigning.

e. Reviewing Conflict of Interest Situations and Related Party Transactions ("RPTs")

(i) ensure that Management establishes adequate processes and procedures to monitor, track and identify RPTs. Such framework should be able to provide sufficient assurance that the RPTs and conflict of interest situations, including Recurrent RPTs are identified, evaluated, presented for review and approved and reported, where required.

(ii) review conflict of interest situations or RPTs and determine the following:

a) whether the transaction is in the best interest of SapuraKencana Petroleum;

b) whether the transaction is fair, reasonable and on normal commercial terms; and

c) that the transaction is not detrimental to the interest of the minority shareholders.

f. Whistleblowing and Fraud

- review the Group's arrangements for its employees to raise concerns in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up actions;
- ensure the confidential, anonymous submission of concerns regarding malpractice, illegal acts, questionable accounting or auditing matters; and
- review the Group's procedures for detecting fraud.

g. Other Matters

- to assess the adequacy and effectiveness of the system of internal control of the Group;
- to discuss and review the major findings of internal investigations and Management's response;
- to report to the Board its activities, significant results and findings;

- to seek continuing professional education to keep abreast of developments not only in the area of financial reporting but also in regulatory compliance, technology, business risks and the implications of significant changes that may affect the Group;
- to keep abreast of the latest corporate governance guidelines in relation to the AC and the Board as the whole; and
- to consider other subject matter as defined appropriate or as defined by the Board.

3. RIGHTS AND AUTHORITIES

The AC shall have the following rights in carrying out its duties and responsibilities:

a. explicit authority to investigate any matter within its TOR;

b. access to the resources which are required to perform its duties;

c. full, free and unrestricted access to any information, records, properties and personnel of the Group;

d. direct communication channels with the external auditors and internal auditors;

e. right to meet and discuss with the internal auditors without the attendance of other directors and/or employees of SapuraKencana Petroleum, whenever deemed necessary;

f. right to meet and discuss with the external auditors at least twice a year without the attendance of other directors and/or employees of SapuraKencana Petroleum, whenever deemed necessary;

g. upon request of the external auditors, convene a meeting of the AC to consider any matter the external auditors believes should be brought to the attention of the Board or shareholders;

h. obtain independent professional or other advice and to invite external parties with relevant experience to attend the AC meetings (if required) and to brief the AC thereof;

i. authority to invite other directors and/or employees of the Group to attend AC meetings specific to the relevant agenda;

j. immediate access to report on findings and recommendations from the GIA in respect of any fraud or irregularities discovered and referred to GIA by the Management;

k. to intervene whenever the Management or members of the Board are implicated in a possible fraud, illegal act or violation of the code of conduct; and

l. to promptly report to Bursa Malaysia where a matter reported by the AC to the Board has not been satisfactorily resolved resulting in a breach of the MMLR.

4. AMENDMENTS OF THE TERMS OF REFERENCE

Any amendments to the TOR of the AC as proposed by the AC or any other third party, shall first be presented to the Board for approval. Upon the Board's approval, the proposed amendment shall form part of the TOR of the AC, of which shall be considered duly amended.

SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2013

The activities undertaken by the AC during the FY2013 were as follows:

- Reviewed and tabled the Internal Audit Charter for approval of the Board;
- Reviewed and tabled the Group Internal Audit Plan of which amongst others included the scope of audit, human capital planning and budgeting for approval of the Board;
- Reviewed the performance of the Deputy Chief Internal Auditors;
- Reviewed the reports prepared by the GIA and deliberated the major and critical findings including the management's responses and action plans;
- Reviewed and deliberated the ad-hoc and special reviews performed by the GIA; and
- Reviewed this Report, Statement on Risk Management and Internal Control as well as Statement on Corporate Governance to be included in the Annual Report for approval of the Board.

Report of the Audit Committee (cont'd.)

SUMMARY OF ACTIVITIES OF GROUP INTERNAL AUDIT

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, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Group Internal Audit ("GIA"), an in-house function, has the principal responsibility of undertaking regular and systematic review on the systems and controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company and the Group.

During the FY2013, the GIA had carried out the following activities:

(i) Prepared and presented the Internal Audit Charter for the AC's review and subsequently to the Board for approval;

(ii) Prepared and presented the Internal Audit Plan which included budget and human capital planning for the AC's review and subsequently to the Board for approval; and

(iii) Performed the annual risk profiling on all companies and joint ventures within the Group and based on available resources, formed the basis of the Annual Audit Plan for the Group.

(iv) Based on the approved audit plan:

- Performed compliance reviews on several Company's Policies and Procedures, Interim Limits of Authority and other statutory and regulatory requirements;
- Identified and reviewed the adequacy and effectiveness of several Company's Policies & Procedures and provided suitable recommendations to the Management for improvement;
- Evaluated the efficiency and effectiveness of several processes, functions and current practices, and provided suitable recommendations to the Management;

(v) Prepared audit reports and sought the Management's response on the issues and incorporated into the final reports circulated to the AC;

(vi) Presented audit reports during the AC meetings;

(vii) Carried out follow-up reviews and reported the status to the AC; and

(viii) Performed ad-hoc and special reviews as directed by the AC;

The cost incurred for the internal audit function of the Group during the FY2013 was approximately RM2.6 million.

IMPOSITION OF SANCTIONS AND/OR PENALTIES

During the financial year ended 31 January 2013 ("FY2013"), no sanctions and/or penalties were imposed on SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum" or "Company") and its subsidiaries, Directors or Management by the relevant regulatory bodies.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors of SapuraKencana Petroleum and its subsidiaries for the FY2013 was RM1,360,000.

SHARE BUYBACKS

The Company did not undertake any share buybacks during the FY2013.

UTILISATION OF PROCEEDS RAISED FROM PROPOSALS

(i) Istisna' Bonds Proceeds

On 25 August 2006, Bayu Padu Sdn Bhd, a wholly-owned subsidiary of SapuraKencana Petroleum, issued RM250.0 million nominal value of Istisna' Bonds. As at 31 January 2013, 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

(ii) Private Placement

In 2011, Kencana Petroleum Berhad undertook Private Placement and raised approximately RM396.74 million.

As at 31 January 2013, the status of utilisation of the proceeds raised from the Private Placement is as follows:

Purpose	Actual Utilisation RM'000
(i) Expenses for corporate exercise	25,889
(ii) Capital expenditure	105,392
(iii) Working capital	76,451
(iv) Repayment of bank borrowings	92,211
(v) Investment in subsidiaries	96,798
TOTAL	396,741

The above actual utilisation is in line with the intended utilisation of the proceeds raised from the Private Placement.

OPTIONS OR CONVERTIBLE SECURITIES

The Company did not issue any options or convertible securities during the FY2013.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR during the FY2013.

RESULTS VARIATION

There was no variation between the audited financial results for the FY2013 and the unaudited financial results announced by the Company on 21 March 2013.

PROFIT GUARANTEE

The Company did not grant any profit guarantee during the FY2013.

LIST OF PROPERTIES

The Company does not own any material properties during the FY2013 as defined in the MMLR.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors and major shareholders' interests during the FY2013 save as disclosed in Note 37 of the financial statements as set out on page 163 to 165 of this Annual Report.

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 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 towards promoting an effective risk management and internal control environment within all aspects of the Group's activities.

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

The Management of the Group is accountable for providing assurance to the Board that risk management practice and internal control systems are implemented and monitored. The Board has received assurance from the President and Group Chief Executive Officer ("PGCEO"), the Executive Vice Chairman ("EVC") and the Group Chief Financial Officer ("CFO") that the Group's risk management and internal control system is operating adequately and effectively.

Based on the assurance provided, the implementation of a risk management framework and 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 the Group's shareholders' investment 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 the risk management and internal control system include the following:

Corporate Risk Management

The Risk Committee ("RC") was established to oversee the assessment of processes relating to the Group's risk and control. The RC shall determine that Management has implemented policies to ensure that the Group's risks are identified; evaluated and adequate control measures are in place to address the risks.

A risk management framework is prepared based on the concept of Enterprise Risk Management ("ERM") which incorporates 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.

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

a. Presentation of a summary of significant risks to the Board through the RC on a quarterly basis.

b. Reporting of significant risks by the Business Segments to the PGCEO and EVC on a monthly basis and to the RC on a quarterly basis.

   Business Segments include Offshore Construction & Subsea Services ("OCSS"), Energy & Joint Ventures ("EJV"), Drilling, Geotechnical and Operations & Maintenance Services ("DGMS"), Fabrication, Hook-up & Commissioning ("FHUC") and Corporate.

c. Reviewing and discussing of key risks at least on a quarterly basis during the Risk Management Sub-Committee Meeting of each Business Segment.

d. Reporting of significant risks by Business Segments in their annual business plans.

During the year, Group-wide risk assessments were undertaken to confirm the key risks within the Group. Such risks are formally updated each quarter to reflect any significant events impacting the Group. In addition, RC also reviews the effectiveness of the ERM functions, deliberates on the risk reports issued and the risk management activities undertaken during the year.

Group Internal Audit ("GIA")

The GIA reports functionally to the Audit Committee ("AC") and administratively to the EVC. The main roles and responsibilities of the GIA is to provide an independent objective assurance and consulting services designed to add value and improve the business and work activities of the Group by bringing about a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, governance and internal control processes.

Audits were performed for the Group's corporate support functions, subsidiaries and joint-ventures business entities, of which the timing and frequency were based on the level of risks assessed and this was incorporated into the Internal Audit Plan. The Internal Audit Plan was reviewed by the AC and approved by the Board. The GIA also reviewed controls related to new emerging risks and attended to the Management's requests in addition to the approved Internal Audit Plan.

The GIA also followed-up and reported to the AC on a quartely basis regarding the status of audit issue closure by the Management based on the recommendations highlighted in the internal audit reports. Further details of the activities of the GIA are provided in the Audit Committee Report on page 68 of this Annual Report.

Statement on Directors' Responsibility
For The Audited Financial Statements

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

The Directors consider that in preparing the financial statements for the financial year ended 31 January 2013 set out on page 83 to 193 of this Annual Report, the Group has used 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 with reasonable accuracy the financial position of the Company and the Group which enable them to ensure that the financial statements are in compliance with the Act.

The Directors have the overall responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement on Directors' Responsibility is made in accordance with a resolution of the Board of Directors dated 16 May 2013.

As a responsible business, SapuraKencana Petroleum Berhad ("SapuraKencana Petroleum" or the "Company") recognises that we have an underlying duty to commit to social causes through continuous and sustained investment of our Corporate Responsibility ("CR") initiatives. We have adopted a CR model that promotes a more strategic and sustainable approach delivered through programmes that are more aligned with the company's business objectives and reputation management goals, ultimately enhancing its overall competitive advantage. These programmes address key social development issues that affect the competitiveness and sustainability of companies, economies and host communities.

We have embedded the principles of CR in our day-to-day operations, putting sustainable and ethical ways of doing business at the core of our initiatives. Since our inception in 2012, SapuraKencana Petroleum continues to roll out CR initiatives which are principally focused on developments at the workplace, marketplace and the community, while operating in an accountable and environmentally friendly manner.

Corporate Responsibility

CULTIVATING EMPOWERED EMPLOYEES

The success of SapuraKencana Petroleum depends on recruiting and cultivating the best talents. As one of the leaders in an industry that is continuously adopting and adapting new technologies, it is important to build a competent workforce that can excel in a complex, rapidly changing environment.

This belief is deeply embedded within the organisation, where leaders and employees are seen as the Company's biggest source of success, resilience, growth and inspiration. The Group invests in its people in terms of training and development to ensure their continuous growth and advancement. We are fully committed to developing capable, confident and competent employees throughout the Company so we can continue to excel in the global field. During the financial year ended 31 January 2013 ("FY2013"), a sum of 3% to 5% of total annual salary cost was allocated as training budget to ensure employees benefit from three-man-days of training during the year. Over 300 training courses conducted in house, locally and overseas were rolled out in FY2013.

At SapuraKencana Petroleum, we continuously create leaders from within and forge a culture premised on leadership attributes through our training goals and objectives:

- Improve productivity and effectiveness of employees by strengthening specific competencies required for specific positions
- Increase employees' capabilities to perform more effectively to deliver results
- Develop specific skill sets to encourage career advancement and progression within the organisation

Competency development is a vital part of the Group's talent management strategy, conducted through the adoption of technical as well as non-technical training programmes. The programmes are tailored to support the training needs of employees at every phase for optimal job performance and growth. As employees progress, the emphasis will be on developing leadership competencies so that high potential candidates can be identified and groomed. A Functional Career Ladder and Competency Matrix are being developed to chart a structured sequence of job positions and address the key aspects of selecting and developing core competencies and talent.

Recognising talent as a competitive advantage, we put people at the heart of everything we do. We are developing a Succession Plan framework with the overall objective of identifying and grooming a pool of diverse and high performing talents towards ensuring leadership continuity and competitiveness in the marketplace. The framework involves a four-step process that includes the identification of critical roles, identifying potential future successors, evaluating their development needs and implementing relevant interventions to enhance their skills.

While we encourage our people to work hard as a bedrock element of our success, we ensure that this is balanced with time set aside for social and recreational activities. We have set up a Sports, Recreation and Community Committee and one of its activities include the Petroleum Futsal League to provide a platform for our team to network with their peers in the oil and gas ("O&G") industry. A total of 14 O&G companies participated in the inaugural league, meeting every Sunday in the months of September and October last year to pit their skills on the football pitch. Other sporting activities that are organised for the employees on a weekly basis include futsal and badminton.

DEVELOPING SUSTAINABLE COMMUNITIES

At SapuraKencana Petroleum, we continuously seek to maintain and improve the social, environmental and economic characteristics of our business. In FY2013, we invested more than RM2.6 million in support of numerous causes throughout the country.

We supported the World Gas Conference 2012 by being the Platinum Sponsor of the Kuala Lumpur International Music and Light Festival 2012 in addition to contributing towards the 28th Convocation of the International Islamic University Malaysia, the BeeGees ICOM Celebration Series Tribute Concert and the Langkawi Paintball World Cup 2012. Other beneficiaries of our community outreach programmes include the Perdana Leadership Foundation and *Pusat Didikan Anak-anak Yatim Ummu Sofiah* in Lumut, Perak.

The Group has dedicated community outreach initiatives focusing on three main areas – community empowerment, youth and education. Wherever possible, we try to assist the immediate communities in the areas where our business operations are located. Through the

Corporate Responsibility (cont'd.)

MyKasih Food Aid and Bursary Programme in Lumut and Teluk Intan, Perak, families in need of assistance are allocated up to RM80 of food items per month from nearby participating stores with a swipe of MyKad. Eligible students can also purchase textbooks, stationeries and food at school canteens and bookshops with their student cards. We intend to extend this initiative to other towns within the vicinity of our operations.

We place high importance in developing human capital potential through our youth programmes as a long-term driver of prosperous and vibrant communities. SapuraKencana Petroleum is honoured to be partaking in the *Yayasan Peneraju Pendidikan Bumiputera,* an initiative launched under the auspices of the Prime Minister's Office. The primary objective is to enhance the quality, quantity and relevance of Bumiputera talents through academic and vocational education. To this end, SapuraKencana Petroleum has pledged to contribute a sum of RM5.0 million over a period of five years towards the programme. This is in addition to another RM5.0 million worth of benefits in lieu of cash, in the form of job placement, training and provision of equipment. The cash contribution is being utilised to fund a range of programmes from the primary school level right up to leadership development.

SapuraKencana Petroleum also participates in the *Skim Latihan 1 Malaysia* ("SL1M"), another initiative undertaken by the Prime Minister's Department to assist 18,000 fresh graduates with a Cummulative Grade Point Average of 2.5 and those still unemployed after six months upon graduating. SapuraKencana Petroleum's SL1M programme has a three-fold objective. Besides enhancing the employability skills of graduates, our efforts are also geared towards inculcating an entrepreneurship spirit in young graduates and ensure that they have the relevant skills, contacts and opportunities to boost their competitive advantage in the job market.

Additionally, SapuraKencana Petroleum also provides internship opportunities with remuneration to diverse undergraduate and graduate students as part of our youth development efforts. Our enriching internship programme, which ranges between three to seven months, has enabled interns to acquire invaluable practical knowledge and experience, on top of exploring suitable careers in the O&G industry. To date, SapuraKencana Petroleum has a total of 73 interns from various technical and non-technical backgrounds, positioned across the Company.

All employees of SapuraKencana Petroleum are actively encouraged to be involved in community and welfare work. This stems from our conviction that CR is beyond the reactive and random "checkbook philanthropy" to a new model that promotes a more strategic and sustainable approach delivered through programmes that encourage the spirit of volunteerism. Through this, SapuraKencana Volunteers was launched in December 2012 to encourage employees to make a difference in the communities within the vicinity of their workplace.

We collaborated with *Pertubuhan Tindakan Wanita Islam* ("PERTIWI") to participate in PERTIWI Soup Kitchen from April 2013 onwards to kick off our volunteerism programme, catering to the underprivileged within the Klang Valley. Several other programmes are also in the pipeline, which will see our involvement in a sea turtle hatchery in Lumut where our fabrication yard is located, and also activities to benefit local orphanages. We intend to organise a blood donation campaign within the next financial year, an initiative that was well received in both SapuraCrest Petroleum Berhad and Kencana Petroleum Berhad respectively, and will be extended to SapuraKencana Petroleum's employees.

CREATING AN INCLUSIVE MARKETPLACE

As a key player in the O&G industry, SapuraKencana Petroleum practices the highest standards of openness, probity and accountability in all our dealings with respective publics, namely the investor community, shareholders, customers and other stakeholders. We place great emphasis on stakeholder engagement through regular interaction and updates to align our corporate vision and strategies.

Our corporate website is a reliable source for our stakeholders in obtaining corporate information as well as the Group's delivery capabilities across the O&G value chain. We also conduct regular briefings by the company's top and senior management to analysts, investors and the media throughout the year as part of our stakeholder engagement.

In line with our corporate values, we continually strive to enhance our corporate governance to earn the continued trust of our stakeholders. Good corporate governance goes hand-in-hand with the continued growth and success of the Group and we have a well-defined structure in place to fulfill our social responsibility as a corporation. This is complemented by a robust risk management framework that sets out the roles and responsibilities for managing risks, a system of internal controls and the key processes involved.

Given the scale of our operations, we realise the importance of ethical procurement in 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 of honesty, trust and respect for all.

Even as we grow, we believe that our success must be inclusive. Under the Economic Transformation Programme, the Government has announced its goal to transform Malaysia into a regional hub for oil field services. We continuously collaborate with industry players to work towards achieving that goal. At present, SapuraKencana Petroleum supports Petroliam Nasional Berhad's ("PETRONAS") Vendor Development Programme ("VDP") to give small and medium-sized enterprises in Malaysia a head-start in the O&G business, build business capacity and move further up the value chain. In 2012, we channelled approximately RM54.0 million worth of business to ten vendors under the programme. This is in addition to several of the top 10 listed PETRONAS-licensed vendors we have taken under our wing, with a total of RM220.0 million worth of businesses awarded in 2012.

CONTRIBUTING TO A SUSTAINABLE ENVIRONMENT

SapuraKencana Petroleum's environmental-friendly operating practices are in compliance with local and international environmental best practices and legislation. Our commitment to protect the environment is demonstrated through our green initiatives, which include energy conservation activities, water sampling for wastewater and effluents discharge as well as oil spill containment. SapuraKencana Petroleum's waste management practices are also done in accordance with legislative requirements while waste reduction and recycling are encouraged among the employees of SapuraKencana Petroleum.

All in all, the efforts have resulted in cost savings on energy, water consumption and paper, on top of successfully reducing waste and carbon emissions.

In ensuring that we move forward responsibly and ultimately deliver on our growth strategies through CR, SapuraKencana Petroleum will continue to actively engage all our stakeholders and expand our CR initiatives to improve the environment within the communities in which we operate.

Highlights of Events

1. Sapura & Kencana Petroleum Red Ribbon GP Ball 2012
Mandarin Oriental Hotel, Kuala Lumpur

22 March 2012

2. FPSO Berantai Naming Caremony
Keppel Shipyard, Singapore

14 April 2012

3. Visit of the President of Kazakhstan
Kuala Lumpur Convention Centre, Kuala Lumpur

18 April 2012

4. Offshore Technology Conference 2012 (OTC 2012)
Reliant Center, Houston, U.S.A.

30 April – 3 May 2012

5. SapuraKencana Petroleum's Townhall
Sime Darby Convention Centre, Kuala Lumpur

11 May 2012

6. SapuraKencana Petroleum's Corporate Identity & Prospectus Launch
Mandarin Oriental Hotel, Kuala Lumpur

16 May 2012

7. SapuraKencana Petroleum's Listing Ceremony
Bursa Malaysia, Kuala Lumpur

17 May 2012

8. SapuraKencana Petroleum's Post-Listing Appreciation Dinner
Hilton Kuala Lumpur Hotel, Kuala Lumpur

18 May 2012

9. Invest Malaysia 2012
Shangri-La Hotel, Kuala Lumpur

29 – 30 May 2012

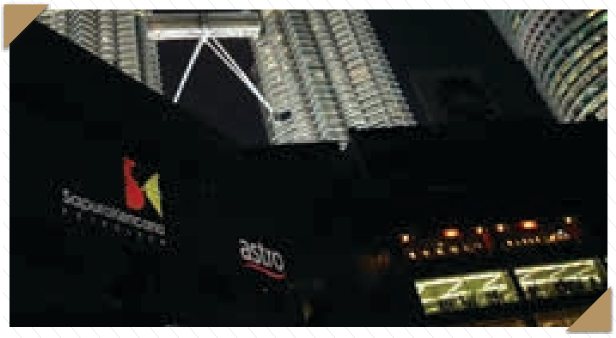
10. 25th World Gas Conference (WGC 2012)
Kuala Lumpur Convention Centre, Kuala Lumpur

4 – 8 June 2012

Highlights of Events (cont'd.)

11. Kuala Lumpur International Music & Light Festival 2012
The Esplanade, Suria KLCC, Kuala Lumpur

4 – 8 June 2012



12. PETRONAS Upstream Technology Showcase 2012
Kuala Lumpur Convention Centre, Kuala Lumpur

25 June 2012

13. Graduan Aspire Career Fair 2012
Kuala Lumpur Convention Centre, Kuala Lumpur

29 – 30 June 2012

14. SapuraKencana Petroleum's Iftar Sessions
Menara SapuraKencana Petroleum & GTower Hotel, Kuala Lumpur

31 July 2012 & 8 August 2012

15. SapuraKencana Petroleum's Iftar Session with Orphans
Best Western Marina Island Resort Pangkor, Lumut, Perak

13 August 2012

16. SapuraKencana Petroleum's Hari Raya Aidilfitri Open House with Guests
Sime Darby Convention Centre, Kuala Lumpur

27 August 2012

17. SapuraKencana Petroleum's Hari Raya Aidilfitri Open House with Employees
White Box, Solaris Dutamas, Kuala Lumpur

28 August 2012

18. Malaysia Oil & Gas Services Exhibition and Conference 2012 (MOGSEC 2012)
Kuala Lumpur Convention Centre, Kuala Lumpur

18 – 20 September 2012

19. Corporate Responsibility Programme with MyKasih Foundation
SJK (C) San Min, Teluk Intan, Perak

22 September 2012

20. SapuraKencana Petroleum's Second Quarter of 2012 Financial Results Briefing
Hilton Kuala Lumpur Hotel, Kuala Lumpur

24 September 2012

21. Closing and Prize-giving Ceremony of Petroleum Futsal League 2012
Sports Planet Ampang, Selangor

7 October 2012

22. International Energy Week 2012 (IEW 2012)
Borneo Convention Centre, Kuching, Sarawak

16 – 18 October 2012

Highlights of Events (cont'd.)

23. ICOM Celebration Series: Tribute to Bee Gees Concert
HGH Convention Centre, Kuala Lumpur

18 October 2012

24. SapuraKencana Petroleum's Family Day 2012 (Fabrication, Hook-up & Commissioning Division)
Best Western Marina Island Resort Pangkor, Lumut, Perak

25 November 2012

25. BERANTAI First Gas Celebration
Mandarin Oriental Hotel, Kuala Lumpur

5 December 2012

26. SapuraKencana Petroleum's Chinese New Year Celebration 2013
Menara SapuraKencana Petroleum, Kuala Lumpur

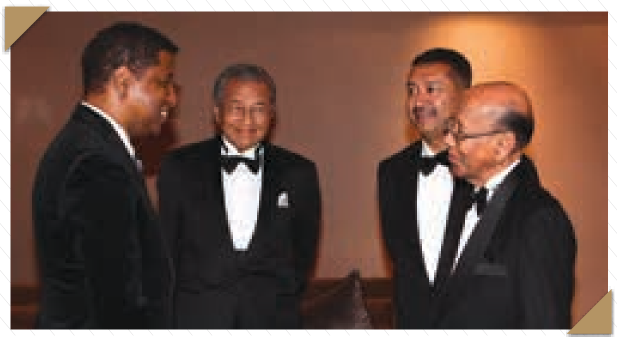
19 February 2013

27. Kebabangan Substructure Sailaway Ceremony
Lumut Fabrication Yard, Lumut, Perak

20 March 2013

28. SapuraKencana Petroleum Malaysia Grand Prix Charity Gala 2013
Majestic Hotel, Kuala Lumpur

21 March 2013



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 2013.

CHANGE IN NAME

On 5 April 2012, the Company changed its name from Sapura-Kencana Petroleum Berhad to SapuraKencana Petroleum Berhad.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are as described in Note 42 to the financial statements.

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

RESULTS

	Group	Company
	RM'000	RM'000
Profit net of tax	663,781	74,935
Attributable to:		
Owners of the Parent	524,596	74,935
Non-controlling interests	139,185	–
	663,781	74,935

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 other than as disclosed in the notes to the financial statements.

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 2013.

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
Dato' Seri Shahril bin Shamsuddin
Dato' Mokhzani bin Mahathir
Chong Hin Loon
Yeow Kheng Chew
Dato' Shahriman bin Shamsuddin
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Mohamed Rashdi bin Mohamed Ghazalli
Tan Sri Datuk Amar (Dr.) Tommy bin Hugo @ Hamid bin Bugo
Tan Sri Nik Mohamed bin Nik Yaacob
John Fredriksen (appointed on 14 May 2013)
Tor Olav Trøim (alternate director to John Fredriksen) (appointed on 16 May 2013)
Mohd Adzahar bin Abdul Wahid (resigned on 27 September 2012)
Tan Sri Ibrahim bin Menudin (resigned on 11 December 2012)

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 37 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over 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 1.2.2012	Allotted*	Sold	As at 31.1.2013
The Company	**'000**	**'000**	**'000**	**'000**
Indirect interest				
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**
Dato' Seri Shahril bin Shamsuddin	–	7,876	–	**7,876**
Dato' Mokhzani bin Mahathir	–	9,494	–	**9,494**
Chong Hin Loon	–	154,535	15,314	**139,221**
Dato' Shahriman bin Shamsuddin	–	956	450	**506**
Yeow Kheng Chew	–	22,181	–	**22,181**
Mohamed Rashdi bin Mohamed Ghazalli	–	98	–	**98**
Tan Sri Datuk Amar (Dr.) Tommy bin Hugo @ Hamid bin Bugo	–	256	–	**256**

* Allotment of shares by the Company on 15 May 2012 pursuant to the Company's acquisition of the entire business and undertakings including all asset and liabilities of SapuraCrest Petroleum Berhad ("SapuraCrest") and Kencana Petroleum Berhad ("Kencana").

Dato' Seri Shahril bin Shamsuddin, Dato' Mokhzani bin Mahathir, 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.

Directors' Report (cont'd.)

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM2.00 to RM5,004,366,198 by way of issuance of 5,004,366,196 new ordinary shares of RM1.00 each at an issue price of RM2.00 per ordinary shares as part of the consideration for the acquisition of the businesses and undertakings including asset and liabilities of SapuraCrest Petroleum Berhad ("SapuraCrest") and Kencana Petroleum Berhad ("Kencana") as disclosed in Note 26 to the financial statements.

For the purpose of accounting for the shares consideration, the fair value of RM2.14 per share as at the date of exchange was recorded instead of issue price of RM2.00 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.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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.

(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.

OTHER STATUTORY INFORMATION (CONT'D.)

(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 43 to the financial statements.

Subsequent events are disclosed in Note 44 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 16 May 2013.

Dato' Seri Shahril bin Shamsuddin **Dato' Mokhzani bin Mahathir**

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Seri Shahril bin Shamsuddin and Dato' Mokhzani bin Mahathir, 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 91 to 192 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement 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 2013 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 193 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 16 May 2013.

Dato' Seri Shahril bin Shamsuddin

Dato' Mokhzani bin Mahathir

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 91 to 193 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
16 May 2013.

Tengku Muhammad Taufik

Before me,

Woon Mee Chin (W538)
Commissioner for Oaths, Malaysia
42A, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 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 2013 of the Group and of the Company, and the 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 91 to 192.

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 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 have been properly 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 2013 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report

to the members of SapuraKencana Petroleum Berhad
(Incorporated 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 42 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 193 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. 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. 2921/04/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 May 2013

Income Statements

For the year ended 31 January 2013

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		RM'000	RM'000	RM'000	RM'000
Revenue	3	**6,912,414**	2,556,402	**481,809**	280,643
Cost of sales	4	**(5,377,904)**	(1,760,036)	**–**	–
Gross profit		**1,534,510**	796,366	**481,809**	280,643
Other income	5	**111,236**	26,238	**33,797**	10,018
Other expenses		**(147,440)**	(38,936)	**–**	–
Administration expenses		**(576,318)**	(288,096)	**(291,215)**	(144,306)
Operating profit		**921,988**	495,572	**224,391**	146,355
Finance costs	6	**(227,446)**	(52,330)	**(129,476)**	(2,227)
Share of profit from associates		**271**	9,006	**–**	–
Share of profit from jointly-controlled entities		**134,937**	67,286	**–**	–
Profit before tax	7	**829,750**	519,534	**94,915**	144,128
Income tax expense	10	**(165,969)**	(73,488)	**(19,980)**	(203)
Profit net of tax		**663,781**	446,046	**74,935**	143,925
Profit attributable to:					
Owners of the Parent		**524,596**	281,727	**74,935**	143,925
Non-controlling interests		**139,185**	164,319	**–**	–
		663,781	446,046	**74,935**	143,925
Earnings per share attributable to owners of the Parent (sen per share)					
Basic	11	**10.48**	N/A		

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

Statements of Comprehensive Income

For the year ended 31 January 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit net of tax	**663,781**	446,046	**74,935**	143,925
Other comprehensive income:				
Foreign currency translation	**48,676**	(13,306)	**–**	–
Share of other comprehensive income of jointly-controlled entities and associates	**5,267**	1,189	**–**	–
Total other comprehensive income/(loss)	**53,943**	(12,117)	**–**	–
Total comprehensive income for the year	**717,724**	433,929	**74,935**	143,925
Total comprehensive income attributable to:				
Owners of the Parent	**547,883**	267,652	**74,935**	143,925
Non-controlling interests	**169,841**	166,277	**–**	–
	717,724	433,929	**74,935**	143,925

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

Consolidated Statement of Financial Position

As at 31 January 2013

	Note	Group 2013 RM'000	2012 RM'000	1.2.2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	13	**4,222,486**	1,446,851	1,019,148
Intangible assets	14	**5,034,662**	220,243	154,688
Expenditure on oil and gas properties	15	**780,063**	178,820	–
Investment in associates	17	**42,601**	40,086	6,080
Investment in jointly-controlled entities	18	**552,117**	280,857	223,413
Deferred tax assets	19	**43,802**	18,465	9,093
		10,675,731	2,185,322	1,412,422
Current assets				
Inventories	20	**244,253**	79,747	54,787
Trade and other receivables	22	**3,165,598**	1,238,050	1,380,816
Derivatives	24	**–**	355	985
Tax recoverable		**85,337**	11,378	22,201
Cash and bank balances	25	**1,025,772**	704,913	768,381
		4,520,960	2,034,443	2,227,170
Total assets		**15,196,691**	4,219,765	3,639,592
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	26	**5,004,366**	–*	–
Share premium	26	**242,886**	–	–
Other reserves	27	**(19,190)**	708,748	722,823
Retained profits		**1,109,072**	584,476	372,969
		6,337,134	1,293,224	1,095,792
Non-controlling interests		**405,775**	332,120	325,618
Total equity		**6,742,909**	1,625,344	1,421,410
Non-current liabilities				
Borrowings	29	**3,805,776**	580,867	402,252
Derivatives	24	**1,284**	1,508	2,322
Deferred tax liabilities	19	**91,203**	16,082	6,758
		3,898,263	598,457	411,332
Current liabilities				
Borrowings	29	**2,135,196**	829,795	414,419
Trade and other payables	34	**2,325,111**	1,145,715	1,385,952
Derivatives	24	**2,206**	571	1,235
Income tax payable		**93,006**	19,883	5,244
		4,555,519	1,995,964	1,806,850
Total liabilities		**8,453,782**	2,594,421	2,218,182
Total equity and liabilities		**15,196,691**	4,219,765	3,639,592

* Represents a balance of RM2.00

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

Statement of Financial Position
As at 31 January 2013

	Note	Company 2013	2012	1.2.2011
		RM'000	RM'000	RM'000
Assets				
Non-current assets				
Plant and equipment	13	**26,695**	3,830	1,740
Investment in subsidiaries	16	**6,171,862**	236,743	235,743
Deferred tax assets	19	**7,287**	4,464	–
		6,205,844	245,037	237,483
Current assets				
Amount due from subsidiaries	21	**2,563,536**	1,344,232	716,206
Other receivables	22	**10,038**	2,094	1,402
Tax recoverable		**7,562**	2,067	12,129
Cash and bank balances	25	**112,577**	14,433	1,659
		2,693,713	1,362,826	731,396
Total assets		**8,899,557**	1,607,863	968,879
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	26	**5,004,366**	–*	–
Share premium	26	**242,886**	–	–
Other reserves	27	**–**	760,681	760,681
Retained profits	27	**59,972**	(14,963)	(88,668)
Total equity		**5,307,224**	745,718	672,013
Non-current liabilities				
Amount due to subsidiaries	28	**–**	111,171	162,587
Borrowings	29	**2,338,636**	178	–
Derivatives	24	**1,284**	1,508	2,322
Deferred tax liabilities		**–**	–	4,660
		2,339,920	112,857	169,569
Current liabilities				
Amount due to subsidiaries	28	**151,385**	273,567	80,812
Borrowings	29	**899,494**	411,598	7,000
Other payables	34	**200,950**	63,552	35,389
Derivatives	24	**584**	571	1,235
Income tax payable		**–**	–	2,861
		1,252,413	749,288	127,297
Total liabilities		**3,592,333**	862,145	296,866
Total equity and liabilities		**8,899,557**	1,607,863	968,879

* Represents a balance of RM2.00

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

Consolidated Statement of Changes in Equity

For the year ended 31 January 2013

	<----- Attributable to the owners of the parent				----->		
	<----- Non-distributable		----->	Distributable			
	Share capital	Share premium	Other reserves	Retained profits	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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
Transactions with owners							
Arising from merger exercise	–	–	(760,681)	–	(760,681)	–	(760,681)
Shares issued pursuant to the acquisition of subsidiaries (Note 26)	5,004,366	242,886	9,456	–	5,256,708	–	5,256,708
Non-controlling interests arising from acquisition of subsidiaries (Note 42)	–	–	–	–	–	2,722	2,722
Dividends to non-controlling interests of subsidiaries	–	–	–	–	–	(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**
At 1 February 2011	–	–	722,823	372,969	1,095,792	325,618	1,421,410
Total comprehensive income	–	–	(14,075)	281,727	267,652	166,277	433,929
Transactions with owners							
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	(2,024)	(2,024)
Dividend on ordinary shares (Note 12)	–	–	–	(70,220)	(70,220)	–	(70,220)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	(157,751)	(157,751)
Total transactions with owners	–	–	–	(70,220)	(70,220)	(159,775)	(229,995)
At 31 January 2012	–*	–	708,748	584,476	1,293,224	332,120	1,625,344

* Represents a balance of RM2.00

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

Statement of Changes in Equity

For the year ended 31 January 2013

	<------------------- Non-distributable	-------------------	------------------->	Distributable	
	Share capital	Share premium	Other reserves	Retained profits/ (accumulated losses)	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 February 2012	–*	–	760,681	(14,963)	745,718
Total comprehensive income	–	–	–	74,935	74,935
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
At 1 February 2011	–	–	760,681	(88,668)	672,013
Total comprehensive income	–	–	–	143,925	143,925
Transactions with owners:					
Dividend (Note 12)	–	–	–	(70,220)	(70,220)
At 31 January 2012	–*	–	760,681	(14,963)	745,718

* 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 year ended 31 January 2013

	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	**829,750**	519,534
Adjustments for:		
Amortisation of intangible assets	**8,800**	2,091
Amortisation of expenditure on oil and gas properties	**25,372**	–
Short term accumulating compensated absences	**1,405**	1,205
Provision for expenses no longer required	**–**	(19,980)
Rig refurbishment costs no longer payable	**–**	(4,763)
Net allowance for impairment on trade and other receivables	**(558)**	3,153
Depreciation of property, plant and equipment	**226,619**	94,108
Allowance for impairment on property, plant and equipment	**–**	3,402
Gain on disposal of investment	**(1,651)**	–
Property, plant and equipment written off	**1,951**	11
Loss/(gain) on disposal of property plant and equipment	**417**	(234)
Net fair value gain on derivatives	**(211)**	(848)
Share of profits from jointly-controlled entities	**(134,937)**	(67,286)
Share of profits from associates	**(271)**	(9,006)
Gain arising from acquisition of a subsidiary	**(41,950)**	–
Allowance for impairment on investment in a jointly-controlled entity	**–**	643
Net unrealised foreign exchange loss/(gain)	**10,589**	(28,967)
Interest expense	**227,446**	52,330
Interest income	**(32,150)**	(9,854)
Operating profit before working capital changes	**1,120,621**	535,539
Increase in inventories	**(75,566)**	(16,153)
(Increase)/decrease in trade and other receivables	**(838,268)**	230,089
Increase/(decrease) in trade and other payables	**725,434**	(366,288)
Changes in derivatives	**(52)**	–
Changes in balances with jointly-controlled entities	**(20,195)**	(23,978)
Cash generated from operating activities	**911,974**	359,209
Interest paid	**(190,126)**	(28,146)
Taxes paid	**(180,489)**	(56,758)
Net cash generated from operating activities	**541,359**	274,305

Consolidated Statement of Cash Flows (cont'd.)

For the year ended 31 January 2013

	2013	2012
	RM'000	RM'000
Cash flows from investing activities		
Arising from merger exercise	**(875,066)**	–
Investment in an associate	**–**	(25,000)
Investment in jointly-controlled entities	**(73,885)**	(41,450)
Advances to jointly-controlled entities	**(567,279)**	–
Net cash outflow on acquisition of subsidiaries	**(283,191)**	(283,772)
Repayment of advances from a jointly-controlled entity	**–**	953
Proceeds from disposal of property, plant and equipment	**16,352**	490
Purchase of property, plant and equipment	**(808,056)**	(185,785)
Purchase of intangible assets	**(2,417)**	(4,775)
Expenditure on oil and gas properties	**(396,817)**	(178,820)
Interest received	**20,484**	9,357
Dividends received from a jointly-controlled entity	**26,688**	38,257
Dividend paid to non-controlling interests of subsidiaries	**(98,908)**	(157,751)
Net cash used in investing activities	**(3,042,095)**	(828,296)
Cash flows from financing activities		
(Repayment)/drawdown of Ijarah facility	**(185,805)**	101,717
Repayment of hire purchase and finance lease creditors	**(13,169)**	(124,362)
Drawdown of term loans, net	**2,495,399**	199,945
Issuance of Sukuk Mudharabah	**194,680**	–
Redemption of MCPs	**(95,000)**	(5,000)
Redemption of Istisna' Bonds	**(60,000)**	–
Dividends paid	**–**	(70,220)
Drawdown of revolving credit, net	**465,522**	407,184
Repayment of other short term borrowings	**(4,819)**	(3,501)
Net cash generated from financing activities	**2,796,808**	505,763
Net increase/(decrease) in cash and cash equivalents	**296,072**	(48,228)
Effects of exchange rate changes	**24,787**	(15,240)
Cash and cash equivalents at beginning of year	**704,913**	768,381
Cash and cash equivalents at end of year (Note 25)	**1,025,772**	704,913

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

Company Statement of Cash Flows

For the year ended 31 January 2013

	2013	2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	94,915	144,128
Adjustments for:		
Depreciation of plant and equipment	3,206	787
Short term accumulating compensated absences	481	133
Net fair value gain on derivatives	(211)	(1,478)
Interest expense	129,476	2,227
Dividends income	(327,383)	(182,270)
Interest income	(33,697)	(8,539)
Net unrealised foreign exchange loss/(gain)	7,476	(15,648)
Operating loss before working capital changes	(125,737)	(60,660)
Net changes in balances with related companies	(529,343)	(511,030)
(Increase)/decrease in other receivables	(367)	3,613
Increase in other payables	112,506	26,545
Cash used in operating activities	(542,941)	(541,532)
Interest paid	(111,611)	(501)
Taxes paid	(26,196)	(1,875)
Net cash used in operating activities	(680,748)	(543,908)
Cash flows from investing activities		
Arising from merger exercise	(875,066)	–
Investment in a subsidiary	(2)	(2)
Additional investment in an existing subsidiary	(499)	(998)
Net cash outflow on acquisition of assets and liabilities of Kencana Petroleum Berhad	(790,531)	–
Purchase of plant and equipment (Note 13)	(11,865)	(2,609)
Interest received	4,101	473
Dividends received from subsidiaries	109,983	206,645
Net cash (used in)/generated from investing activities	(1,563,879)	203,509
Cash flows from financing activities		
Repayment of hire purchase creditors	(78)	(37)
Dividends paid	–	(70,220)
Drawdown of revolving credit, net	126,485	423,926
Issuance of Sukuk Mudharabah	194,680	–
Drawdown of term loan, net	2,021,684	–
Net cash generated from financing activities	2,342,771	353,669
Net increase in cash and cash equivalents	98,144	13,270
Effects of exchange rate changes	–	(496)
Cash and cash equivalents at beginning of year	14,433	1,659
Cash and cash equivalents at end of year (Note 25)	112,577	14,433

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

Notes to the Financial Statements
– 31 January 2013

1. CORPORATE INFORMATION

SapuraKencana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board 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, No 1 Jalan Dutamas 1, Solaris Dutamas, 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 42 to the financial statements. There were no significants 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 16 May 2013.

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 Company had, on 11 July 2011, made an offer to acquire the entire businesses and undertakings, including all assets and liabilities of SapuraCrest Petroleum Berhad ("SapuraCrest") and Kencana Petroleum Berhad (“Kencana”) (the “Acquisitions”). The Acquisitions were completed on 15 May 2012. In accordance with MFRS 3 Business Combinations, the entity that obtains control of the acquiree will be identified as the acquirer. However, as the Company is a new entity which was formed to undertake the Acquisitions, one of the entities that existed before the completion shall be identified as the acquirer. Taking into consideration the guidance in MFRS 3 Business Combinations, SapuraCrest has been identified as the deemed acquirer. Accordingly, the acquisition of SapuraCrest was accounted for using the merger accounting (pooling of interest method) whereas the acquisition of the businesses and undertakings of Kencana was accounted for using the acquisition method.

In applying the merger accounting, SapuraCrest's financial statements are included in both the separate and consolidated financial statements of SapuraKencana Petroleum Berhad as if the combination had occured from the earliest date presented or from the date when these entities come under control.

Accordingly, the consolidated and separate financial statements of SapuraKencana Petroleum Berhad are a continuation of the existing SapuraCrest and therefore, the opening MFRS consolidated and separate statement of financial position of SapuraKencana Petroleum Berhad are 1 February 2011.

The financial statements have been prepared on the historical cost basis except as 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 otherwise indicated.

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

2.2 First-time adoption of MFRS

These financial statements of the Group and the Company are the first MFRS financial statements for the year ended 31 January 2013. MFRS 1 First-time adoption of Malaysian Reporting Standards has been applied.

For the years up to and including the year ended 31 January 2012, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). In preparing its opening MFRS statement of financial position as at 1 February 2011 (which is also the date of transition), the Group and the Company have considered the transition from FRS to MFRS and no adjustments were required to be made to the amounts previously reported in financial statements prepared in accordance with FRS. The transition from FRS to MFRS also, has not resulted in a material impact on the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of financial position, and consolidated and separate statements of cash flows. Accordingly, the notes related to statements of financial position as at date of transition to MFRS are not presented.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the financial statements for the year ended 31 January 2012 except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 Business Combinations prospectively from the date of transition, or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition:

(i) The classification of former business combination under FRS is maintained;

(ii) There is no-remeasurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the Malaysian Accounting Standard Board ("MASB") approved accounting standard, IAS16 (Revised) Property, Plant and Equipment which was effective for period ending on or after 1 September 1998. By virtue of this transitional provision, the Group has recorded a vessel at revalued amount but had not adopted a policy of revaluation and continued to carry the vessel on the basis of their previous revaluation in 1998 subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments. Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment, where there is no change to net assets.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

2.2 First-time adoption of MFRS (cont'd.)

(c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. MFRS 1 exemption allows the cumulative translation for all foreign operations deemed to be zero at the date of transition.

Upon transition to MFRS, the Group has elected to maintain the foreign currency translation reserve.

(d) Estimates

The estimates at 1 February 2011 and at 31 January 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at the date of transition to MFRS i.e. 1 February 2011 and as at 31 January 2012.

2.3 New and revised Pronouncements yet in effect

The new and revised MFRS, Amendments to MFRS and Interpretation (collectively referred to as "Pronouncements"), which 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
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	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	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associates and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans	1 January 2013

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

2.3 New and revised Pronouncements yet in effect (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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 initial application.

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 to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries is accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

For business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in income statements.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

2.4 Basis of consolidation (cont'd.)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.8 (a). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in income statement on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisition of subsidiaries that meets the conditions of a merger is accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

2.5 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.

2.6 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 currencies 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.)

2.6 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.

2.7 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.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

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

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	$3^{1}/_{3}$% – 50%
Other equipments, tools and implements	20% – $33^{1}/_{3}$%
Furniture, equipments and 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.

2.8 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.

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

2.8 Intangible assets (cont'd.)

(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.

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.

2.9 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 to 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. Depreciation is computed on a straight line basis over the remaining term of the 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

2.10 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")).

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.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.12 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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 the associate's income statement for the period in which the investment is acquired.

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

2.12 Associates (cont'd.)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in income statement.

The most recent available financial statements of associates are used by the Group in applying the equity method. Where the dates of the financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements and management financial statements to the end of the accounting period. Where necessary, adjustments are made to the financial statements of the associates to ensure consistency of the accounting policies used with those of the Group.

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

2.13 Jointly-controlled entities

A jointly-controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Investments in jointly-controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.12.

The investment in jointly-controlled entities are stated at cost less impairment losses. Shareholders' advances to a joint venture for which settlement is neither planned nor likely to occur in the foreseeable future is treated as part of the investment in that entity.

The most recent available audited financial statements of the jointly-controlled entities are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, its investments in jointly-controlled entities are stated 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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

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 income statement, 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.

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.

The Group and the Company have designated derivatives that do not qualify for hedge accounting as at fair value through profit or loss.

(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.

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

2.14 Financial assets (cont'd.)

(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.

(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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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.

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

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.

2.18 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.

Notes to the Financial Statements (cont'd.)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 income statement 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.

(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.

Loans and 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.

(iii) Share-based compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Notes to the Financial Statements (cont'd.)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

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(e).

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) Interest income

Interest income is recognised on accrual basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(e) Rental income

Rental income is recognised on an accrual basis.

(f) Management fees

Management fees are recognised when services are rendered.

(g) Hire revenue

Revenue earned on the hire of equipment and employees is accounted for on an accrual basis.

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

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.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

2.25 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

(c) Sales tax

Revenues, expenses and assets 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 41, 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.

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.

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.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

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

2.29 Hedge accounting (cont'd.)

(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.

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.

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

2.30 Significant accounting judgements and estimates (cont'd.)

(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 2013 were RM4,985,439,000 (2012: RM211,883,000). Further details are disclosed in Note 14.

(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 30 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 (cont'd.)
– 31 January 2013

3. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Installation of pipelines and facilities	**3,418,179**	1,354,171	**–**	–
Engineering, procurement, construction and commissioning	**1,668,530**	–	**–**	–
Offshore drilling services	**719,858**	711,380	**–**	–
Subsea and offshore support services	**610,393**	294,442	**–**	–
Geotechnical and maintenance services	**316,834**	196,409	**–**	–
Oilfield development and production	**138,085**	–	**–**	–
Technical consultation services	**40,535**	–	**–**	–
Dividend income	**–**	–	**327,383**	182,270
Management fees from subsidiaries	**–**	–	**104,426**	98,373
Intellectual property rights, trademarks and branding fees from subsidiaries	**–**	–	**50,000**	–
	6,912,414	2,556,402	**481,809**	280,643

4. COST OF SALES

Cost of sales comprise of costs related to construction contracts, services rendered and inventories sold.

5. OTHER INCOME

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Interest income				
– third parties	**20,484**	9,854	**4,101**	473
– subsidiaries	**–**	–	**29,596**	8,066
– jointly-controlled entity	**11,666**	–	**–**	–
Net fair value gains on derivatives	**211**	848	**211**	1,478
Rig refurbishment costs no longer payable	**–**	4,763	**–**	–
Gain on disposal of scrap materials	**5,768**	3,065	**–**	–
Gain on disposal of property, plant and equipment	**–**	234	**–**	–
Gain on disposal of investments	**1,651**	–	**–**	–
Realised gain/(loss) on settlement of derivatives	**1,421**	236	**(113)**	–
Gain arising from acquisition of a subsidiary (Note 42)	**41,950**	–	**–**	–
Gain on remeasurement arising from step acquisition of a subsidiary	**15,599**	–	**–**	–
Miscellaneous income	**12,486**	7,238	**2**	1
	111,236	26,238	**33,797**	10,018

6. FINANCE COSTS

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
– Istisna' Bonds and MCPs/MMTNs	**18,513**	23,058	**–**	–
– Sukuk Mudharabah Programme	**21,988**	–	**21,988**	–
– Ijarah facilities	**17,463**	11,875	**3,709**	–
– Term loans	**124,241**	1,947	**80,495**	–
– Hire purchase and finance lease liabilities	**684**	365	**9**	4
– Revolving credits	**24,651**	5,377	**13,594**	1,515
– Other borrowings	**17,693**	4,749	**8,897**	546
– Advances from a subsidiary	**–**	–	**151**	150
Commitment fees	**2,213**	4,959	**633**	12
	227,446	52,330	**129,476**	2,227

Notes to the Financial Statements (cont'd.)
– 31 January 2013

7. PROFIT BEFORE TAX

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
This is arrived at after charging/(crediting):				
Employee benefits expense (Note 8)	**702,533**	437,589	**62,745**	27,477
Non-executive directors' remuneration (Note 9)	**2,431**	1,614	**2,281**	1,535
Auditors' remuneration:				
– Statutory audits:				
– Group auditors	**2,022**	1,131	**100**	108
– Other auditors	**151**	487	**–**	–
– Other services:				
– Group auditors	**1,360**	400	**1,360**	132
Charter of vessels, barges and rigs and hire of equipment	**279,243**	308,235	**–**	–
Depreciation of property, plant and equipment	**222,265**	93,122	**3,206**	787
Amortisation of intangible assets (Note 14)	**8,800**	2,091	**–**	–
Amortisation of expenditure on oil and gas properties (Note 15)	**25,372**	–	**–**	–
Loss on disposal of property, plant and equipment	**417**	–	**–**	–
Property, plant and equipment written off	**1,951**	11	**–**	–
Rental of premises	**25,973**	4,939	**6,863**	2,321
Rental of motor vehicles	**458**	301	**126**	3
Foreign exchange differences:				
– unrealised exchange loss/(gain)	**10,589**	(28,967)	**7,476**	(15,648)
– realised exchange loss	**4,118**	1,477	**1,102**	393
Provision for expenses no longer required	**–**	(19,980)	**–**	–
Allowance for impairment on property, plant and equipment (Note 13)	**–**	3,402	**–**	–
Allowance for impairment on investment in a jointly-controlled entity (Note 18)	**–**	643	**–**	–
Net allowance for impairment on trade and other receivables (Note 22)	**(558)**	3,153	**–**	–
Management fees (Note 37)	**–**	40,000	**–**	40,000
Intellectual property rights, trademarks and branding fees (Note 37)	**62,500**	–	**62,500**	–

8. EMPLOYEE BENEFITS EXPENSE

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	**639,725**	394,314	**56,143**	23,131
Social security contributions	**2,378**	1,166	**101**	39
Contributions to defined contribution plan	**45,362**	31,935	**5,689**	3,794
Short term accumulating compensated absences	**1,405**	1,205	**463**	133
Demobilisation benefits	**–**	1,993	**–**	–
Other benefits	**13,663**	6,976	**349**	380
	702,533	437,589	**62,745**	27,477

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 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**12,700**	5,134	**12,700**	5,134
Benefits-in-kind	**406**	150	**406**	150
	13,106	5,284	**13,106**	5,284
Non-Executive:				
Fees	**1,803**	1,323	**1,653**	1,245
Other emoluments	**628**	291	**628**	290
Total remuneration (Note 7)	**2,431**	1,614	**2,281**	1,535
Benefits-in-kind	**70**	25	**–**	25
	2,501	1,639	**2,281**	1,560
	15,607	6,923	**15,387**	6,844

Notes to the Financial Statements (cont'd.)
– 31 January 2013

9. DIRECTORS' REMUNERATION (CONT'D.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Analysis excluding benefits–in–kind:				
Total executive directors' remuneration, excluding benefits-in-kind (Note 37(b))	**12,700**	5,134	**12,700**	5,134
Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7)	**2,431**	1,614	**2,281**	1,535
Total directors' remuneration excluding benefits-in-kind	**15,131**	6,748	**14,981**	6,669

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2013	2012
Executive director:		
RM1,500,000 – RM2,000,000	**1**	–
RM2,000,001 – RM2,500,000	**1**	–
RM3,500,001 – RM4,000,000	**1**	–
RM4,500,001 – RM5,000,000	**1**	–
RM5,000,001 – RM5,300,000	**-**	1
Non-executive directors:		
Below RM50,000	**-**	1
RM100,001 – RM200,000	**1**	6
RM200,001 – RM300,000	**4**	2
RM300,001 – RM400,000	**1**	1
RM400,001 – RM500,000	**1**	–
RM600,001 – RM700,000	**1**	–
	12	11

10. INCOME TAX EXPENSE

	Group 2013	2012	Company 2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax	**165,034**	71,719	**21,499**	8,872
Foreign tax	**7,680**	1,281	**–**	–
	172,714	73,000	**21,499**	8,872
(Over)/under provided in prior years:				
Malaysian income tax	**(1,491)**	3,883	**1,304**	455
Foreign tax	**–**	2,707	**–**	–
	(1,491)	6,590	**1,304**	455
	171,223	79,590	**22,803**	9,327
Deferred tax: (Note 19)				
Relating to origination of temporary differences	**(4,437)**	(5,827)	**(3,125)**	(9,589)
(Over)/under provided in prior years	**(817)**	(275)	**302**	465
	(5,254)	(6,102)	**(2,823)**	(9,124)
Total income tax expense	**165,969**	73,488	**19,980**	203

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements (cont'd.)
– 31 January 2013

10. INCOME TAX EXPENSE (CONT'D.)

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

Group	2013	2012
	RM'000	RM'000
Profit before tax	**829,750**	519,534
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	**207,438**	129,884
Effect of different tax rates in other countries	**44**	1,148
Effect of different tax rates in other jurisdiction - Labuan	**(76,356)**	(83,337)
Losses from foreign sources not deductible against Malaysian income tax	**615**	2,875
Effect of income not subject to tax	**(26,550)**	(19,218)
Effect of double deduction of expenses and tax incentive	**(1,383)**	(189)
Effect of expenses not deductible for tax purposes	**59,654**	31,495
Effects of share of results of associates and jointly-controlled entities	**(33,802)**	(19,073)
Effect of current year reinvestment allowance	**(12,752)**	–
Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(1,879)**	(493)
Deferred tax assets recognised on previously unrecognised losses carried forward	**–**	39
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	**53,248**	24,042
Overprovision of deferred tax in prior years	**(817)**	(275)
(Over)/underprovision of tax expense in prior years	**(1,491)**	6,590
Income tax expense for the year	**165,969**	73,488

Company	2013	2012
	RM'000	RM'000
Profit before tax	**94,915**	144,128
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	**23,729**	36,032
Effect of income not subject to tax	**(54,341)**	(45,937)
Effect of expenses not deductible for tax purposes	**40,797**	9,188
Deferred tax assets not recognised on unabsorbed tax losses	**8,189**	–
Under provision of deferred tax in prior years	**302**	465
Under provision of income tax expense in prior years	**1,304**	455
Income tax expense for the year	**19,980**	203

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.

	2013	2012
	RM'000	RM'000
Profit for the year attributable to owner of the parent (RM'000)	**524,596**	281,727
Weighted average number of ordinary shares in issue ('000)	**5,004,366**	–*
Basic earnings per share (sen)	**10.48**	N/A

* Represents a balance of RM2.00

12. DIVIDENDS

	Dividends in respect of Year		Dividends Recognised in Year	
	2012	2011	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interim				
3.0 sen (single tier) per ordinary share, on 1,276,722,448 ordinary shares declared on 29 September 2010 and paid on 15 December 2010	**-**	38,302	**-**	–
Final				
5.5 sen (single tier) per ordinary share, on 1,276,722,448 ordinary shares approved by shareholders on 6 July 2011 and paid on 15 August 2011	**-**	70,220	**-**	70,220
	-	108,522	**-**	70,220

The dividend prior to financial year 2013 is related to SapuraCrest Petroleum Berhad.

Notes to the Financial Statements (cont'd.)
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13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land and building	Vessels and related dry docking, ROVs, and SAT system	Tender assisted drilling rigs and related dry docking, and plant and machinery	Other equipments, tools and implements	Furniture, equipment, and vehicles	Tender assisted drilling rig, vessels and SAT system under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 January 2013								
Cost/Valuation								
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 (Note 42)	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
Accumulated Depreciation and Impairment								
At 1 February 2012	-	-	299,440	507,630	11,321	43,680	-	862,071
Acquisition of subsidiaries (Note 42)	-	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.)

Group (cont'd.)	Freehold land	Leasehold land and building	Vessels and related dry docking, ROVs, and SAT system	Tender assisted drilling rigs and related dry docking, and plant and machinery	Other equipments, tools and implements	Furniture, equipment, and vehicles	Tender assisted drilling rig, vessels and SAT system under construction	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 January 2012								
Cost/Valuation								
At 1 February 2011	–	–	631,713	941,922	13,388	68,115	9,108	1,664,246
Additions	–	–	33,678	50,267	1,244	25,063	105,838	216,090
Acquisition of subsidiaries	–	–	368,341	58,842	–	713	–	427,896
Disposals	–	–	(213)	(3,180)	–	(700)	–	(4,093)
Write-off	–	–	–	–	–	(18)	–	(18)
Reclassification	–	–	36,814	166	–	(166)	(36,814)	–
Adjustments	–	–	–	(151)	–	–	–	(151)
Exchange differences	–	–	6,676	(2,661)	–	937	–	4,952
At 31 January 2012	–	–	1,077,009	1,045,205	14,632	93,944	78,132	2,308,922
Accumulated Depreciation and Impairment								
At 1 February 2011	–	–	166,624	432,879	10,077	35,518	–	645,098
Acquisition of subsidiaries	–	–	89,005	33,694	–	311	–	123,010
Depreciation charge for the year	–	–	40,059	44,923	1,244	7,882	–	94,108
Allowance for impairment on property, plant and equipment (Note 7)	–	–	3,402	–	–	–	–	3,402
Disposals	–	–	(212)	(3,103)	–	(522)	–	(3,837)
Write-off	–	–	–	–	–	(7)	–	(7)
Exchange differences	–	–	562	(763)	–	498	–	297
At 31 January 2012	–	–	299,440	507,630	11,321	43,680	–	862,071
Net carrying amount								
At 31 January 2012	–	–	777,569	537,575	3,311	50,264	78,132	1,446,851

Notes to the Financial Statements (cont'd.)
– 31 January 2013

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	Furniture, equipment and vehicles
	RM'000
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**
At 31 January 2012	
Cost	
At 1 February 2011	8,911
Additions	2,877
At 31 January 2012	11,788
Accumulated Depreciation	
At 1 February 2011	7,171
Depreciation charge for the year (Note 7)	787
At 31 January 2012	7,958
Net carrying amount	
At 31 January 2012	3,830

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Vessel	**–**	179,330	**–**	–
SAT system	**–**	37,208	**–**	–
Motor vehicles	**2,651**	1,720	**1,365**	342
Plant and machinery	**1,213**	194	**–**	–
	3,864	218,452	**1,365**	342

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 30.

(b) The Group and the Company acquired property, plant and equipment by the following means:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash	**808,056**	185,785	**11,865**	2,609
Hire purchase and finance lease arrangements	**916**	30,305	**917**	268
	808,972	216,090	**12,782**	2,877

(c) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Notes 29, 31 and 32) are as follows:

	Group	
	2013	2012
	RM'000	RM'000
Freehold land	**4,568**	–
Tender assisted drilling rigs and plant and machinery	**509,354**	464,757
Vessels, ROVs and SAT system	**688,994**	362,939
	1,202,916	827,696

Notes to the Financial Statements (cont'd.)
– 31 January 2013

14. INTANGIBLE ASSETS

Group	Software Development Costs	Intellectual Property Right	Patent	Research & Development	Customer Contracts	Goodwill	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 January 2013							
Cost							
At 1 February 2012	**9,657**	**1,638**	**121**	**-**	**-**	**211,883**	**223,299**
Acquisition of subsidiaries (Note 42)	**-**	**-**	**-**	**-**	**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**
At 31 January 2012							
Cost							
At 1 February 2011	4,931	1,638	72	-	-	149,012	155,653
Additions	4,726	-	49	-	-	-	4,775
Acquisition of subsidiaries	-	-	-	-	-	62,077	62,077
Exchange differences	-	-	-	-	-	794	794
At 31 January 2012	9,657	1,638	121	-	-	211,883	223,299
Accumulated amortisation							
At 1 February 2011	-	905	60	-	-	-	965
Charge for the year (Note 7)	1,878	206	7	-	-	-	2,091
At 31 January 2012	1,878	1,111	67	-	-	-	3,056
Net carrying amount							
At 31 January 2012	7,779	527	54	-	-	211,883	220,243

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 country of operation and business segment as follows:

	Malaysia	Australia	Total
	RM'000	RM'000	RM'000
At 31 January 2013			
Installation of pipelines and facilities	**–**	**62,871**	**62,871**
Engineering, procurement, construction and commissioning	**3,795,851**	**–**	**3,795,851**
Offshore drilling services	**888,118**	**–**	**888,118**
Subsea and offshore support services	**219,184**	**19,415**	**238,599**
	4,903,153	**82,286**	**4,985,439**
At 31 January 2012			
Installation of pipelines and facilities	–	62,871	62,871
Engineering, procurement, construction and commissioning	129,597	–	129,597
Subsea and offshore support services	–	19,415	19,415
	129,597	82,286	211,883

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period.

The following describes each key assumption on which management has based on 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 used are pre-tax and reflect specific risks relating to the relevant CGU. The range of discount rate is from 10 % to 12% (2012: 13%).

(iii) Growth rate

The basis used is based on past historical trend and management experience on the business. The growth rate used is from 1% to 5% (2012: 3% to 6%).

Cash flow beyond the three year period is extrapolated using the growth rates of 1%.

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.

Notes to the Financial Statements (cont'd.)
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15. EXPENDITURE ON OIL AND GAS PROPERTIES

	Group 2013	Group 2012
	RM'000	RM'000
Cost		
At 1 February 2012	**178,820**	–
Acquistion of a subsidiary (Note 42)	**270,582**	–
Addition	**396,817**	178,820
Charge to income statement	**(49,721)**	–
Exchange differences	**8,937**	–
At 31 January 2013	**805,435**	178,820
Accumulated Amortisation		
At 1 February 2012	**–**	–
Amortisation for the year	**25,372**	–
At 31 January 2013	**25,372**	–
Net carrying amount		
At 31 January 2013	**780,063**	178,820

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 as disclosed in Note 43.

16. INVESTMENT IN SUBSIDIARIES

	Company 2013	Company 2012
	RM'000	RM'000
Unquoted shares, at cost	**6,178,740**	243,621
Less: Accumulated impairment losses	**(6,878)**	(6,878)
	6,171,862	236,743

Acquisition of investment in subsidiaries in the current financial year are disclosed in Note 42 to the financial statements.

The details of the subsidiaries are set out in Note 42.

17. INVESTMENT IN ASSOCIATES

	Group 2013	2012
	RM'000	RM'000
Unquoted shares, at cost	**27,765**	25,521
Share of post-acquisition reserves	**14,836**	14,565
	42,601	40,086

The Group's interest in the associates is analysed as follows:

	2013	2012
	RM'000	RM'000
Share of net assets	**37,960**	35,445
Share of goodwill in associates	**4,641**	4,641
	42,601	40,086

(i) Details of the associates are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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
Labuan Shipyard and Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repair, naval craft maintenance and oil and gas fabrication	**50**	50
Best Wide Engineering (M) Sdn. Bhd.*^	Malaysia	Undertaking of engineering and technical services	**30**	-
Matrix Maintenance Sdn. Bhd.*^	Malaysia	Provision of maintenance services for petrol chemical plant and general industries	**30**	-

* Audited by firms other than Ernst & Young
^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

The financial statements of the above associates 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

Notes to the Financial Statements (cont'd.)
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17. INVESTMENT IN ASSOCIATES (CONT'D.)

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 2013.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2013	2012
	RM'000	RM'000
Assets and liabilities		
Current assets	**224,258**	114,631
Non-current assets	**68,729**	65,049
Total assets	**292,987**	179,680
Current liabilities	**(183,669)**	(68,888)
Non-current liabilities	**(19,013)**	(22,490)
Total liabilities	**(202,682)**	(91,378)
Results		
Revenue	**251,784**	125,885
(Loss)/profit for the year	**(877)**	21,372

18. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	**158,703**	93,122
Goodwill arising from investment	**–**	14,128
Share of post-acquisition reserves	**160,902**	55,127
	319,605	162,377
Shareholders' advances to jointly-controlled entities	**232,512**	119,123
	552,117	281,500
Less: Accumulated impairment losses	**–**	(643)
	552,117	280,857

18. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (CONT'D.)

The shareholder's advances are non-interest bearing, unsecured and are not due within twelve months.

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly-controlled entities is as follows:

	2013	2012
	RM'000	RM'000
Assets and liabilities		
Current assets	**1,210,459**	676,558
Non-current assets	**676,601**	631,196
Total assets	**1,887,060**	1,307,754
Current liabilities	**745,621**	(597,460)
Non-current liabilities	**906,192**	(581,426)
Total liabilities	**1,651,813**	(1,178,886)
Results		
Income	**1,313,915**	904,740
Expenses, including finance costs and taxation	**(1,178,978)**	(837,453)

In the financial year 2008, SapuraAcergy Assets Pte. Ltd. ("SAPL") 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, SAPL entered into an interest rate swap contract with its lender and applied hedge accounting.

In the current financial year,

(a) On 15 February 2012, SapuraCrest had, through its wholly-owned subsidiary Sapura Energy Ventures Sdn. Bhd. ("SEV") entered into several agreements with Petrofac FPSO Holding Limited ("Petrofac") and Kencana Petroleum Ventures Sdn. Bhd. ("KPV"), a wholly-owned subsidiary of Kencana Petroleum Berhad, in respect of investment on floating production, storage and offloading vessel ("FPSO") that will form part of the facilities to be provided for the development and production of hydrocarbon resources from Berantai marginal field.

SEV and KPV each acquired from Petrofac 85,750 ordinary shares of USD1 each in Berantai Floating Production Limited ("BFPL") representing 24.5% equity interest in BFPL for a cash consideration of USD85,750 (equivalent to RM260,000).

As a result of the acquisition of assets and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements, the Group now owns 49% of equity interest in BFPL through SEV and KPV.

Notes to the Financial Statements (cont'd.)
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18. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (CONT'D.)

In the current financial year (cont'd.)

(b) On 17 February 2012, SapuraCrest and Seadrill Limited ("Seadrill") had entered into a conditional joint venture agreement ("JVA") for the proposed joint venture ("Proposed JV") to jointly participate in the building, construction and operation of 3 units of pipe-laying support vessels pursuant to the award by Petróleo Brasileiro S.A to TL Offshore Sdn Bhd ("TLO"), a wholly-owned subsidiary of the Company.

Pursuant to the JVA, the Company and Seadrill shall carry out the Proposed JV via SeaBras Sapura Holdco Ltd ("SBSHL") and SeaBras Sapura Participações S.A ("SeaBras Sapura"), who were previously wholly-owned subsidiaries of TLO. On 11 May 2012, the investment and shareholder agreement ("ISA") in relation to the Proposed JV was executed between TLO and Seabras Servicos De Petroleo S.A, a wholly owned subsidiary of Seadrill. Pursuant to the ISA, the equity participation in SBSHL and SeaBras Sapura by the contracts parties shall be maintained in equal proportions of 50:50 and that all risks and rewards shall be shared equally.

(c) On 21 March 2012, Momentum Energy Sdn Bhd, a wholly-owned subsidiary of the Company, had completed the acquisition of the remaining 50% shareholding in Normand Sapura Pty. Ltd. (formerly known as SapuraHelix Joint Venture Pty. Ltd.) ("Normand Sapura") from Helix Energy Services Pty. Ltd. for a cash consideration of AUD1.00. As such, Normand Sapura is now a wholly-owned subsidiary.

(d) On 26 April 2011, the shareholders of Offshore International FZC has voluntarily decided to liquidate and dissolve the jointly-controlled entity and submitted the request to Lease and Licensing Department of Hamriyah Free Zone Authority, United Arab Emirates. The jointly-controlled entity was terminated and dissolved on 3 May 2012.

The details on commitments relating to the Group's interest in the jointly-controlled entities are disclosed in Note 35.

Details of the jointly-controlled entities are as follows:

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Uzmal Oil Inc.*	Uzbekistan	Oilfield production	**50**	50
SapuraAcergy Sdn. Bhd.	Malaysia	Managing and operating 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	Managing and operating of vessel and provision of offshore related works	**50**	50
Offshore International FZC*	United Arab Emirates	Dormant	**-**	40
Quippo Prakash Pte. Ltd.	Singapore	Vessel owner	**-**	26
L&T Sapura Shipping Pvt. Ltd.*	India	Vessel owner	**40**	40
L&T Sapura Offshore Pvt. Ltd.*	India	Provision of engineering and installation services	**40**	40

18. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (CONT'D.)

Details of the jointly-controlled entities are as follows (cont'd.):

Name of Company	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
SapuraCrest Qatar LLC	Qatar	Dormant	**49**	49
Normand Sapura Pty. Ltd. (formerly known as SapuraHelix Joint Venture Pty. Ltd.)	Australia	Sub-charter and provision of project delivery capabilities, proprietary technology and offshore assets	**-**	50
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**	-
Berantai Floating Production Limited	Federal Territory of Labuan, Malaysia	Provision of leasing of FPSO	**49**	-
Seabras Sapura Participações S.A.	Brazil	Investment holding	**50**	-
Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	**50**	-
Sapura Navegacao Maritima S.A	Brazil	Vessel owning and vessel chartering	**50**	-
TL Offshore PLSV1 Ltd.	Bermuda	Vessel owning and vessel chartering	**50**	-
TL Offshore PLSV2 Ltd.	Bermuda	Vessel owning and vessel chartering	**50**	-
Best Wide MCCS Sdn. Bhd*^	Malaysia	Dormant	**50**	-

* Audited by firms other than Ernst & Young

^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

Audited by affiliate of Ernst & Young, Malaysia

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19. DEFERRED TAX

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
At 1 February 2012/2011	**(2,383)**	(2,335)	**(4,464)**	4,660
Recognised in the income statement (Note 10)	**(5,254)**	(6,102)	**(2,823)**	(9,124)
Acquisition of subsidiaries (Note 42)	**54,705**	4,910	**–**	–
Exchange differences	**333**	1,144	**–**	–
At 31 January	**47,401**	(2,383)	**(7,287)**	(4,464)
Presented after appropriate offsetting as follows:				
Deferred tax assets	**(43,802)**	(18,465)	**(7,287)**	(4,464)
Deferred tax liabilities	**91,203**	16,082	**–**	–
	47,401	(2,383)	**(7,287)**	(4,464)

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	Others	Total
	RM'000	RM'000	RM'000
At 1 February 2012	28,966	5,323	34,289
Recognised in the income statement (Note 10)	3,092	–	3,092
Acquisition of subsidiaries (Note 42)	68,134	–	68,134
Exchange differences	54	–	54
At 31 January 2013	100,246	5,323	105,569
At 1 February 2011	12,766	4,720	17,486
Recognised in the income statement (Note 10)	9,368	–	9,368
Acquisition of subsidiaries (Note 42)	5,704	–	5,704
Exchange differences	1,128	603	1,731
At 31 January 2012	28,966	5,323	34,289

19. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances	Provisions for liabilities	Others	Total
	RM'000	RM'000	RM'000	RM'000
At 1 February 2012	(13,946)	(17,040)	(5,686)	(36,672)
Recognised in the income statement (Note 10)	(2,201)	–	(6,145)	(8,346)
Acquisition of subsidiaries (Note 42)	(13,428)	–	–	(13,428)
Exchange differences	(5)	–	283	278
At 31 January 2013	**(29,580)**	**(17,040)**	**(11,548)**	**(58,168)**
At 1 February 2011	(5,401)	(12,199)	(2,221)	(19,821)
Recognised in the income statement (Note 10)	(7,745)	(4,260)	(3,465)	(15,470)
Acquisition of subsidiaries (Note 42)	(794)	–	–	(794)
Exchange differences	(6)	(581)	–	(587)
At 31 January 2012	(13,946)	(17,040)	(5,686)	(36,672)

Deferred tax liabilities of the Company:

	Accelerated capital allowances	Dividend receivables	Total
	RM'000	RM'000	RM'000
At 1 February 2012	441	–	441
Recognised in income statement (Note 10)	627	–	627
At 31 January 2013	1,068	–	1,068
At 1 February 2011	222	8,126	8,348
Recognised in income statement (Note 10)	219	(8,126)	(7,907)
At 31 January 2012	441	–	441

Notes to the Financial Statements (cont'd.)
– 31 January 2013

19. DEFERRED TAX (CONT'D.)

Deferred tax assets of the Company:

	Unabsorbed capital allowances	Provision for liabilities	Total
	RM'000	RM'000	RM'000
At 1 February 2012	(328)	(4,577)	(4,905)
Recognised in income statement (Note 10)	328	(3,778)	(3,450)
At 31 January 2013	–	(8,355)	(8,355)
At 1 February 2011	(451)	(3,237)	(3,688)
Recognised in income statement (Note 10)	123	(1,340)	(1,217)
At 31 January 2012	(328)	(4,577)	(4,905)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	**436,042**	247,511	**43,205**	10,446
Unabsorbed capital allowances	**102,126**	82,460	**–**	–
	538,168	329,971	**43,205**	10,446

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	
	2013	2012
	RM'000	RM'000
At cost:		
Consumable spares	**146,475**	74,522
Work-in-progress	**97,778**	5,225
	244,253	79,747

The cost of inventories recognised as an expense during the financial year amounted to RM104 million (2012: RM90.5 million).

21. AMOUNT DUE FROM SUBSIDIARIES

	Company 2013	2012
	RM'000	RM'000
Amount due from subsidiaries	**2,734,831**	1,515,510
Less: Allowance for impairment	**(171,295)**	(171,278)
	2,563,536	1,344,232

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM98,874,431 (2012: RM96,674,431) which is subject to interest rates ranging from 7.50% to 8.43% (2012: 7.50% to 8.43%) per annum.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks are disclosed in Note 38.

22. TRADE AND OTHER RECEIVABLES

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	**1,424,108**	533,156	**-**	-
Related parties	**-**	44	**-**	-
Jointly-controlled entities	**26,344**	37,898	**-**	-
	1,450,452	571,098	**-**	-
Less: Allowance for impairment third parties	**(14,487)**	(11,336)	**-**	-
	1,435,965	559,762	**-**	-
Construction contracts:				
Due from customers on contract (Note 23)	**944,873**	547,452	**-**	-
Trade receivables, net	**2,380,838**	1,107,214	**-**	-
Other receivables				
Amount due from:				
Related parties	**322**	320	**322**	320
Jointly-controlled entities	**586,192**	15,528	**426**	118
	586,514	15,848	**748**	438
Deposits and prepayments	**82,682**	26,123	**8,207**	1,477
Sundry receivables	**115,745**	89,286	**1,083**	179
	198,427	115,409	**9,290**	1,656
Less: Allowance for impairment	**(181)**	(421)	**-**	-
	198,246	114,988	**9,290**	1,656
	3,165,598	1,238,050	**10,038**	2,094

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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 (2012: 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

The ageing analysis of the Group's trade receivables is as follows:

	2013	2012
	RM'000	RM'000
Neither past due nor impaired	**948,148**	416,223
1 to 30 days past due not impaired	**124,246**	49,084
31 to 60 days past due not impaired	**74,417**	48,726
61 to 90 days past due not impaired	**153,734**	13,958
91 to 120 days past due not impaired	**65,117**	17,450
More than 121 days past due not impaired	**70,303**	14,321
	487,817	143,539
Impaired	**14,487**	11,336
	1,450,452	571,098

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 occured infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM487.8 million (2012: RM143.5 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.

22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

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 2013 RM'000	2012 RM'000
Trade receivables – nominal amounts	**14,487**	11,336
Less: Allowance for impairment	**(14,487)**	(11,336)
	–	–

Movement in allowance accounts:

	Group 2013 RM'000	2012 RM'000
At 1 February	**11,336**	10,278
Acquisition of subsidiaries	**3,226**	–
Charge for the year	**1,091**	4,644
Write off	**–**	(2,179)
Reversal of impairment losses	**(1,328)**	(1,491)
Exchange differences	**162**	84
At 31 January	**14,487**	11,336

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.

Included in trade receivables of the Group are retention sums from contract customers of RM71,527,518 (2012: RM9,679,551). 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.

(b) Other receivables

Amount due from other receivables (excluding prepayment) are non trade, unsecured, interest free and repayable on demand.

Certain receivables of a subsidiary are pledged as securities for borrowings as disclosed in Note 31.

Other receivables that are impaired

At the reporting date, the Group has provided an allowance of RM181,000 (2012: RM421,000) for impairment of sundry debtors with a nominal amount of RM248,500 (2012: RM563,000). This sundry debtors are in financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

Notes to the Financial Statements (cont'd.)
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22. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Other receivables (cont'd.)

Movement in allowance accounts:

	Group 2013 RM'000	Group 2012 RM'000
At 1 February	**421**	563
Acquisition of subsidiaries	**81**	–
Reversal of impairment losses	**(321)**	–
Write off	**–**	(142)
At 31 January	**181**	421

(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 jointly-controlled entities

Amount due from jointly controlled-entities are unsecured, interest free and repayable on demand except for advances of RM376,996,402 provided to a jointly-controlled entity, Berantai Floating Production Limited for the acquisition of a FPSO for Berantai field activities which is subject to interest rate of LIBOR plus 2% per annum and repayable on demand.

23. DUE FROM CUSTOMERS ON CONTRACTS

	Group 2013 RM'000	Group 2012 RM'000
Construction contract costs incurred to date*	**8,569,770**	4,467,169
Attributable profits	**558,311**	218,584
	9,128,081	4,685,753
Less: Progress billings	**(8,332,227)**	(4,138,301)
	795,854	547,452
Due to customers on contracts (Note 34)	**149,019**	–
Due from customers on contracts (Note 22)	**944,873**	547,452

* The costs incurred to date on construction contracts include the following charges made during the financial year:

23. DUE FROM CUSTOMERS ON CONTRACTS (CONT'D.)

	Group 2013	Group 2012
	RM'000	RM'000
Hire of barges and vessels and operational equipment	**446,727**	292,018
Depreciation of property, plant and equipment	**4,354**	986
Rental of motor vehicles	**1,333**	-
Rental expense for buildings	**10,998**	9,214

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 RM2.2 billion (2012: RM3.0 billion).

24. DERIVATIVES

Group	2013 Contract/ Notional Amount	2013 Liabilities	2012 Contract/ Notional Amount	2012 Assets	2012 Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-hedging derivatives:					
Current					
Forward currency contracts	**–**	**–**	15,227	355	–
IRS	**139,478**	**(1,622)**	–	–	–
CCIRS	**14,765**	**(584)**	14,765	–	(571)
		(2,206)		355	(517)
Non-current					
CCIRS	**18,500**	**(1,284)**	18,500	–	(1,508)
Total derivatives		**(3,490)**		355	(2,079)

Company	2013 Contract/ Notional Amount	2013 Liabilities	2012 Contract/ Notional Amount	2012 Liabilities
	RM'000	RM'000	RM'000	RM'000
Non-hedging derivatives:				
Current				
CCIRS	**14,765**	**(584)**	14,765	(571)
Non-current				
CCIRS	**18,500**	**(1,284)**	18,500	(1,508)
Total derivatives		**(1,868)**		(2,079)

Notes to the Financial Statements (cont'd.)
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24. 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.

Forward currency contracts

Forward currency contracts are used to hedge the Group's revenue and costs denominated in USD for which firm commitments existed at the reporting date. There were no forward currency contracts as at the year end.

CCIRS

CCIRS is used to hedge its exposure to interest risk and currency risk arising from its Istisna' Bond. As at 31 January 2013, the Company has outstanding CCIRS with staggered maturities at varying semi-annual amounts up to year 2015.

During the financial year, the Group recognised a gain of RM211,277 (2012: RM1,477,717) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 39(c).

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 RM1,425,803 arising from fair value changes of derivative liabilities.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	**705,268**	229,114	**38,098**	1,363
Deposits with licensed banks	**320,504**	475,799	**74,479**	13,070
Cash and cash equivalents	**1,025,772**	704,913	**112,577**	14,433

Included in cash and bank balances of the Group is an amount of RM15,335,764 (2012: RM14,857,958) maintained pursuant to Istisna' Bonds and Murabahah Commercial Paper ("MCPs") and may be used only specifically in relation to purchase of oil and gas assets.

Mandatory balances kept in the Finance Service Reserve Account amounted to RM124,581,242 (2012: RM33,850,724).

25. CASH AND CASH EQUIVALENTS (CONT'D.)

Deposits with licensed banks of the Group amounting to RM67,339,764 (2012: RM90,225,624) are pledged as securities for credit facilities granted to certain subsidiaries.

Cash and cash equivalents of the Group amounting to RM189,282,000 (2012: RM183,660,752) are only available to certain companies in the Group.

Other information on financial risks of cash and cash equivalents are disclosed in Note 38.

The range of the interest rate (per annum) and the range of remaining maturities as at the reporting date are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Interest rate (%)	**0.27 – 3.45**	0.15 – 3.55	**3.00 – 3.10**	0.17 – 2.86
Maturities (days)	**1 – 74**	1 – 47	**4 – 27**	2 – 8

26. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares		Amount	
	2013	**2012**	**2013**	**2012**
	'000	**'000**	**RM'000**	**RM'000**
Share capital				
Authorised share capital				
Ordinary shares of RM1.00 each				
At 1 February/Date of incorporation	**10,000,000**	100	**10,000,000**	100
Created during the year	**–**	9,999,900	**–**	9,999,900
At 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/Date of incorporation	*	*	*	*
Issued during the year	**5,004,366**	–	**5,004,366**	–
At 31 January	**5,004,366**	*	**5,004,366**	*

* Represents 2 ordinary shares of RM1.00 each amounting to 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.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM2.00 to RM5,004,366,198 by way of the issuance of 5,004,366,196 new ordinary shares of RM1.00 each at an issue price of RM2.14 per ordinary share as part of the consideration for the acquisition of the entire businesses and undertakings, including the assets and liabilities of SapuraCrest and Kencana.

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26. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

	Share premium 2013	2012
	RM'000	RM'000
At 1 February	–	–
Arising from issuance of new ordinary shares	**242,886**	–
At 31 January	**242,886**	–

During the financial year:

(i) the Company issued 2,498,928,847 new ordinary shares of RM1.00 each at an issue price of RM2.00 each. For the purpose of accounting for the shares consideration, the fair value of RM2.14 per share as at the date of exchange was recorded instead of issue price of RM2.00 per share as part of the consideration for the acquisition of SapuraCrest.

(ii) the Company issued 2,505,437,349 new ordinary shares of RM1.00 each at an issue price of RM2.00 each. For the purpose of accounting for the shares consideration, the fair value of RM2.14 per share as at the date of exchange was recorded instead of issue price of RM2.00 per share as part of the consideration for the acquisition of Kencana.

The above would give rise to a share premium of RM242,885,547 and a merger relief reserve of RM5,462,091,917 to offset the merger deficit arising from the combination of the Company and SapuraCrest under the pooling of interest method.

27. OTHER RESERVES (NON-DISTRIBUTABLE) AND RETAINED PROFITS

Other reserves (non-distributable)

	Group 2013	2012	Company 2013	2012
	RM'000	RM'000	RM'000	RM'000
Foreign exchange reserve	**(74,387)**	(101,862)	–	–
Revaluation reserve	**13,309**	13,309	–	–
Hedge reserve	**(13,620)**	(18,888)	–	–
Capital reserve	**3,519**	3,519	–	–
Merger reserve	**51,989**	812,670	–	760,681
	(19,190)	708,748	–	760,681

27. OTHER RESERVES (NON-DISTRIBUTABLE) AND RETAINED PROFITS (CONT'D.)

The movement in the reserves are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Foreign exchange reserve		
At 1 February 2012/2011	**(101,862)**	(86,598)
Exchange difference on translation of foreign subsidiaries and jointly-controlled entities	**27,475**	(15,264)
At 31 January	**(74,387)**	(101,862)
Hedge reserve		
At 1 February 2012/2011	**(18,888)**	(20,077)
Losses capitalised to initial carrying amount of hedge items	**5,268**	1,189
At 31 January	**(13,620)**	(18,888)

	Group		Company	
	Legal	**Merged**	**Legal**	**Merged**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Merger reserve				
As at date of incorporation/1 February 2012	51,989	812,670	–	760,681
Arising from merger exercise	–	(760,681)	–	(760,681)
At 31 January 2013	51,989	51,989	–	–

The legal merger reserve shows the movement based on legal form of the Company since the date of incorporation, whereas the merged merger reserve shows the movement based on merger accounting. Hence, the opening merged entity merger reserves represents the share capital and share premium of SapuraCrest Petroleum Berhad assuming that the merger takes place since common control took place. Upon the capital repayment made by SapuraCrest Petroleum Berhad, the reserve is then reversed out.

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.

Notes to the Financial Statements (cont'd.)
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27. OTHER RESERVES (NON-DISTRIBUTABLE) AND RETAINED PROFITS (CONT'D.)

(c) 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.

(d) Merger reserve

The closing merger reserve relates to the excess of the consideration paid over the share capital and reserves of Probadi Sdn. Bhd.

(e) Hedge reserve

The hedge reserve represents the share of hedge reserve from a jointly-controlled entity. 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.

Retained profits

	Company	
	Legal	Merged
	RM'000	RM'000
At 1 February 2012	(28,500)	(14,963)
Profit for the year	93,307	74,935
At 31 January 2013	64,807	59,972

The retained profits show the movement based on legal form of the Company since the date of incorporation, whereas the merged retained profits show the movement based on merger accounting. Hence, the opening merged retained profits represent the retained profits of SapuraCrest Petroleum Berhad and the Company assuming that the merger takes place since common control took place.

28. AMOUNT DUE TO SUBSIDIARIES

	Company	
	2013	2012
	RM'000	RM'000
Current		
Amount due to subsidiaries	**151,385**	273,567
Non-current		
Amount due to subsidiaries	–	111,171

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for Nil (2012: RM2,003,550) which is subject to interest rate of 7.5% (2012: 7.5%) per annum.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 38.

29. BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short term borrowings				
Secured:				
Term loans	**1,020,100**	111,888	**353,795**	–
Revolving credits	**461,906**	101,966	**–**	–
Hire purchase and finance lease liabilities (Note 30)	**1,958**	535	**247**	53
Istisna' Bonds and MCPs/MMTNs (Note 31)	**59,756**	153,701	**–**	–
Ijarah Facilities (Note 32)	**–**	25,573	**–**	–
	1,543,720	393,663	**354,042**	53
Unsecured:				
Revolving credits	**554,133**	433,544	**545,452**	411,545
Bankers' acceptances	**273**	1,729	**–**	–
Term loans	**–**	859	**–**	–
Bank overdrafts	**37,070**	–	**–**	–
	591,476	436,132	**545,452**	411,545
	2,135,196	829,795	**899,494**	411,598
Long term borrowings				
Secured:				
Term loans	**3,002,442**	243,569	**1,667,889**	–
Hire purchase and finance lease liabilities (Note 30)	**3,939**	996	**824**	178
Istisna' Bonds and MCPs/MMTNs (Note 31)	**129,472**	188,841	**–**	–
Ijarah Facilities (Note 32)	**–**	147,152	**–**	–
Sukuk Mudharabah Programme (Note 33)	**669,923**	–	**669,923**	–
	3,805,776	580,558	**2,338,636**	178
Unsecured:				
Term loans	**–**	309	**–**	–
	3,805,776	580,867	**2,338,636**	178

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29. BORROWINGS (CONT'D.)

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Total borrowings				
Term loans	**4,022,542**	356,625	**2,021,684**	–
Revolving credits	**1,016,039**	535,510	**545,452**	411,545
Bankers' acceptances	**273**	1,729	**–**	–
Hire purchase and finance lease liabilities (Note 30)	**5,897**	1,531	**1,071**	231
Istisna' Bonds and MCPs/MMTNs (Note 31)	**189,228**	342,542	**–**	–
Ijarah Facilities (Note 32)	**–**	172,725	**–**	–
Sukuk Mudharabah Programme (Note 33)	**669,923**	–	**669,923**	–
Bank overdrafts	**37,070**	–	**–**	–
	5,940,972	1,410,662	**3,238,130**	411,776
Maturity of borrowings:				
(excluding hire purchase and finance lease):				
Within one year	**2,133,238**	829,260	**899,247**	411,545
More than 1 year and less than 2 years	**689,876**	102,090	**1,015,080**	–
More than 2 years and less than 5 years	**2,916,087**	477,781	**1,322,732**	–
More than 5 years	**195,874**	–	**–**	–
	5,935,075	1,409,131	**3,237,059**	411,545

The highest and lowest interest rates (per annum) as at the reporting date for borrowings, excluding hire purchase and finance lease liabilities, Ijarah Facilities, Istisna' Bonds, Sukuk Mudharabah and MCPs/MMTNs were as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
	%	%	%	%
Term loans	**1.56 to 7.60**	1.44 to 8.95	**4.70**	–
Revolving credits	**1.61 to 5.72**	2.20 to 5.94	**1.61 to 5.72**	2.20 to 5.94
Bankers' acceptances	**2.20 to 6.70**	4.55 to 4.68	**–**	–
Bank overdrafts	**8.00**	–	**–**	–

29. BORROWINGS (CONT'D.)

The term loans are secured by the following:

(a) Legal charges over certain vessels, tender assisted driiling 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 SapuraCrest, Kencana and SapuraKencana;

(d) Assignment by SapuraCrest, Kencana and SapuraKencana of all income received from subsidiaries, associated companies and investees;

(e) Fixed deposits of certain subsidiaries as disclosed in Note 25;

(f) Legal charge over a project account of subsidiaries;

(g) Legal charge over the shares of subsidiaries held directly by the Company; and

(h) 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 certain subsidiaries as disclosed in Note 13;

(c) The charge of certain operating bank accounts of subsidiaries;

(d) Charge over the sinking fund accounts of subsidiaries; and

(e) The letter of undertaking by the Company.

30. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Future minimum lease payments:				
Not later than 1 year	**1,948**	589	**276**	60
Later than 1 year and not later than 2 years	**2,664**	439	**264**	60
Later than 2 years and not later than 5 years	**1,660**	673	**656**	140
Total future minimum lease payment	**6,272**	1,701	**1,196**	260
Less: Future finance charges	**(375)**	(170)	**(125)**	(29)
Present value of hire purchase and finance lease liabilities (Note 29)	**5,897**	1,531	**1,071**	231

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30. HIRE PURCHASE AND FINANCE LEASE LIABILITIES (CONT'D.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Analysis of present value of hire purchase and finance lease liabilities:				
Not later than 1 year	**1,958**	535	**247**	53
Later than 1 year and not later than 2 years	**1,450**	393	**236**	53
Later than 2 years and not later than 5 years	**2,489**	603	**588**	125
	5,897	1,531	**1,071**	231
Due within 12 months (Note 29)	**(1,958)**	(535)	**(247)**	(53)
Due after 12 months (Note 29)	**3,939**	996	**824**	178

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 5% to 9.9% (2012: 5% to 9.9%) per annum.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 38.

31. ISTISNA' BONDS AND MURABAHAH COMMERCIAL PAPER ("MCPS")/MURABAHAH MEDIUM TERM NOTES ("MMTNS")

The amount recognised in the statement of financial position of the Group is analysed as follows:

	2013	2012
	RM'000	RM'000
Istisna' Bonds		
Nominal value	**190,000**	250,000
Less: Discount and issuance expenses	**(7,017)**	(7,017)
Net proceeds	**182,983**	242,983
Accumulated amortisation of discount and issuance expenses	**6,245**	5,492
Amount included within borrowings	**189,228**	248,475
MCPs/MMTNs		
Nominal value	**–**	95,000
Less: Discount and issuance expenses	**–**	(19,697)
Net proceeds	**–**	75,303
Accumulated amortisation of discount and issuance expenses	**–**	18,764
Amount included within borrowings	**–**	94,067
Total amount included within borrowings (Note 29)	**189,228**	342,542
Maturity of Istisna' Bonds and MCPs/MMTNs:		
Within 1 year	**59,756**	153,701
More than 1 year and less than 2 years	**129,472**	59,634
More than 2 years and less than 5 years	**–**	129,207
	189,228	342,542

31. ISTISNA' BONDS AND MURABAHAH COMMERCIAL PAPER ("MCPS")/MURABAHAH MEDIUM TERM NOTES ("MMTNS") (CONT'D.)

The Istisna' Bonds and MCPs/MMTNs 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 and MMTNs;

(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;

(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 and MCPs/MMTNs bear coupon rates ranging from 5.20% to 7.55% (2012: 5.20% to 7.55%) per annum.

32. IJARAH FACILITIES

The amounts recognised in the statement of financial position of the Group is analysed as follows:

	2013 RM'000	2012 RM'000
Nominal value	-	185,805
Less: Issuance expenses	-	(17,023)
Net proceeds	-	168,782
Accumulated amortisation of issuance expenses	-	3,931
Exchange differences	-	12
Amount included within borrowings	-	172,725
Maturity of Ijarah Facilities:		
Within 1 year	-	25,573
More than 1 year and less than 2 years	-	32,467
More than 2 years and less than 5 years	-	114,685
	-	172,725

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32. IJARAH FACILITIES (CONT'D.)

In the current financial year, the Ijarah facilities has been fully settled in advance.

In prior year, the Syndicated Islamic Facilities are secured by the following:

(i) Mortgage of the vessels and SAT system by the subsidiaries;

(ii) Debenture from a subsidiary of the Company, creating a first fixed and floating charge over all its asset and properties;

(iii) A priority and security sharing agreement and supplemental priority and to regulate the priority and security sharing among the Company, certain subsidiaries and Maybank Investment Bank;

(iv) Assignment over designated accounts by certain subsidiaries;

(v) Assignment over revenue accounts by certain subsidiaries;

(vi) Assignment of dividend created by certain subsidiaries;

(vii) Assignment over revenue proceeds by certain subsidiaries;

(viii) Assignment and supplemental assignment over contract proceeds by certain subsidiaries;

(ix) Mortgage over certain vessels and deed of covenants between Maybank Investment Bank and certain subsidiaries; and

(x) Corporate guarantee by the Company to secure the payment and repayment of Ijarah Facilities.

The Ijarah Facilities bore effective interest rate range between 2.31% to 5.45% (2012: 2.46% to 5.32%) per annum.

33. SUKUK MUDHARABAH

The amounts recognised in the statement of financial position of the Group is analysed as follows:

	2013	2012
	RM'000	RM'000
Nominal value	700,000	–
Less: Issuance expenses	(35,003)	–
Net proceeds	664,997	–
Accumulated amortisation of issuance expenses	4,926	–
Amount included within borrowings	669,923	–
Maturity of Sukuk Mudharabah Programme:		
Within 1 year	–	–
More than 1 year and less than 2 years	195,080	–
More than 2 years and less than 5 years	474,843	–
	669,923	–

33. SUKUK MUDHARABAH (CONT'D.)

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, SapuraCrest and Kencana;

(iii) Assignment by SapuraKencana, SapuraCrest and Kencana of all income received from its subsidiaries, associated companies and investees;

(iv) Assignment and charge over a Shariah-compliant disbursement account; and

(v) Assignment and charge over a Shariah-compliant financial service reserve account.

Sukuk Mudharabah Programme bore effective interest rate range between 4.5% to 5.5% per annum.

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	**1,595,225**	858,013	**–**	–
Construction contracts:				
Due to customers on contract (Note 23)	**149,019**	–	**–**	–
	1,744,244	858,013	**–**	–
Other payables				
Staff costs	**130,730**	79,153	**35,174**	18,751
Accrued expenses	**344,060**	62,146	**156,772**	28,923
Sundry payables	**86,023**	128,868	**6,294**	6,016
	560,813	270,167	**198,240**	53,690
Amount due to:				
Jointly-controlled entities	**16,227**	5,759	**–**	–
Related parties	**3,827**	11,776	**2,710**	9,862
	20,054	17,535	**2,710**	9,862
	2,325,111	1,145,715	**200,950**	63,552

(a) 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 (2012: 30 days to 90 days).

(b) Other payables

Other payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2012: 7 days to 90 days).

(c) Amount due to jointly controlled-entities and related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

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35. COMMITMENTS

	Group 2013	Group 2012
	RM'000	RM'000
(a) Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**1,944,220**	930,813
Approved but not contracted for:		
Property, plant and equipment	**912,807**	267,052
	2,857,027	1,197,865
Share of capital commitments of jointly-controlled entities	**988,546**	740,156
	3,845,573	1,938,021
(b) Operating leases		
Non-cancellable operating commitments as lessee		
– Within 1 year	**14,490**	8,307
– Later than 1 year but not more than 5 years	**17,314**	3,372
	31,804	11,679

The Group leases premises under non-cancellable operating leases expiring within 3 years (2012: 3 years). The leases have various terms and escalation clauses.

36. CORPORATE GUARANTEES

The fair value of the corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and jointly-controlled entities 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 guarantee are secured by way of deposits pledged, legal charges over certain vessels and assignment of proceeds of certain subsidiaries.

The nominal value of the corporate guarantees given by the Group and the Company is as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
	RM'000	RM'000	RM'000	RM'000
Secured				
Corporate guarantees given to financial institutions for credit facilities granted to:				
– subsidiaries	**–**	–	**736,674**	680,340
– jointly-controlled entities	**423,262**	517,667	**423,262**	517,667
	423,262	517,667	**1,159,936**	1,198,007
Unsecured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**–**	–	**17,000**	49,177
	423,262	517,667	**1,176,936**	1,247,184

37. 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:

Group	Transactions 2013	2012
	RM'000	RM'000
(a) Technical services provided by Seadrill Asia Limited*	**12,165**	11,936
(b) Bareboat rental received/receivable from Seadrill Asia Limited* and/or its related companies	**107,769**	109,569
(c) Bareboat rental paid/payable to Seadrill Asia Limited* and/or its related companies	**50,371**	134,862
(d) Purchases of consumable spares from Seadrill Asia Limited*	**56,435**	70,532
(e) Intellectual property rights, trademarks and branding fees paid/payable to a substantial Corporate Shareholder:		
– Sapura Holding Sdn. Bhd #	**38,750**	–
– Kencana Capital Sdn. Bhd ^	**23,750**	–
(f) Management fees paid/payable to a substantial Corporate Shareholder:		
– Sapura Holdings Sdn. Bhd.#	**–**	40,000
(g) Rent of office premises from:		
– Merapi Sdn. Bhd.#	**173**	533
– Sapura Resources Berhad#	**5,426**	8,440
– Kencana Capital Assets Sdn. Bhd.^	**7,210**	–
(h) Support and maintenance services for information technology rendered by:		
– Sapura Technology Sdn. Bhd. ("STSB")#	**1,333**	3,099
(i) Supply of closed-circuit television to Sapura Resources Berhad#	**349**	1,154

Notes to the Financial Statements (cont'd.)
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37. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related party transactions (cont'd.)

Company	Transactions 2013 RM'000	Transactions 2012 RM'000
(a) Dividend income from subsidiaries	**327,383**	182,270
(b) Management fees from subsidiaries	**104,426**	98,373
(c) Intellectual property rights, trademarks and branding fees from subsidiaries	**50,000**	–
(d) Rent of office premises from:		
– Sapura Resources Bhd.#	**1,295**	2,973
– Kencana Capital Assets Sdn. Bhd.^	**4,884**	–
(e) Interest charged to subsidiaries:	**29,597**	8,065
(f) Intellectual property rights, trademarks and branding fees paid/payable to a substantial Corporate Shareholder:		
– Sapura Holdings Sdn. Bhd.#	**38,750**	–
– Kencana Capital Sdn. Bhd.^	**23,750**	–
(g) Management fees paid/payable to a substantial Corporate Shareholder:		
– Sapura Holdings Sdn. Bhd.#	**–**	40,000
(h) Interest charged by Bayu Padu Sdn. Bhd.	**151**	–
(i) Support and maintenance services for information technology rendered by STSB#	**970**	1,699

* Seadrill Asia Limited is a substantial corporate shareholder of the Company and a minority shareholder of certain subsidiary companies.

\# Dato' Seri Shahril bin Shamsuddin and Dato' Shahriman bin Shamsuddin are directors and substantial shareholders of Sapura Holdings Sdn. Bhd. As such the companies within Sapura Group of companies are deemed as related parties.

^ Dato' Mokhzani bin Mahathir and Yeow Kheng Chew are directors and substantial shareholders of Kencana Capital Sdn. Bhd. and Kencana Capital Assets Sdn. Bhd.

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.

37. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits	**35,902**	27,868	**16,919**	12,197
Contributions to defined contribution plan – EPF	**4,548**	3,414	**2,325**	1,820

Included in the total key management personnel compensation are:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration (Note 9)	**12,700**	5,134	**12,700**	5,134

38. 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, and operating lease arrangements. The Group's and the Company's exposure to interest rate risks arises primarily from their loans and borrowings.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Interest rate risk (cont'd.)

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 risks arising from its term loan, the Company enters into Cross Currency Interest Rate Swap ("CCIRS") and Interest Rate Swap ("IRS").

At the reporting date, after taking into account the effect of an interest rate swap, approximately 49% (2012: 25%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

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 loans and borrowings).

	2013		2012	
	Increase/ (decrease) in basis points	Effect on profit net of tax	Increase/ (decrease) in basis points	Effect on profit net of tax
		RM'000		RM'000
Group				
– Ringgit Malaysia	+ 25	(1,713)	+ 25	(1,063)
– US Dollar	+ 25	(5,812)	+ 25	(1,591)
– Ringgit Malaysia	– 25	1,713	– 25	1,063
– US Dollar	– 25	5,812	– 25	1,591
Company				
– US Dollar	+ 25	(1,130)	+ 25	(941)
– US Dollar	– 25	1,130	– 25	941

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from revenue or costs that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM, Singapore Dollar ("SGD"), Australian Dollar ("AUD"), Euro ("EUR") and Indian Rupee ("INR"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

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 currencies that match the future revenue stream to be generated from its investments.

As at 31 January 2013, approximately 33% (2012: 47%) and 37% (2012: 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 RM425,271,000 (2012: RM212,543,000) and RM233,000 (2012: RM11,516,000) for the Group and the Company respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

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

In managing the foreign currency rate fluctuations, the Group's foreign exchange hedging policy is to hedge up to 12 months forward with specific maximum and minimum percentage of hedge coverage. This approach may mitigate some of the Company's exposure to transaction and translation foreign exchange gain and loss, but the policy is not designed to fully eliminate foreign exchange risk.

At 31 January 2012, the Group hedged 16% of its foreign currency denominated payables respectively, for which firm commitments existed at the reporting date. There is no forward contract entered into as at 31 January 2013.

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, SGD, EURO, INR and AUD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Profit net of tax		Profit net of tax	
		Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
USD/RM	– strengthened 1%	**(856)**	(4,519)	**(359)**	(3,761)
	– weakened 1%	**856**	4,519	**359**	3,761
SGD/RM	– strengthened 1%	**(16)**	–	**(57)**	–
	– weakened 1%	**16**	–	**57**	–
EUR/RM	– strengthened 1%	**(17)**	–	**(59)**	–
	– weakened 1%	**17**	–	**59**	–
INR/RM	– strengthened 1%	**72**	–	**26**	–
	– weakened 1%	**(72)**	–	**(26)**	–

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will 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. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, approximately 36% (2012: 59%) and 27% (2012: 100%) of the Group's and Company's loans and borrowings (Note 29) will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

Notes to the Financial Statements (cont'd.)
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38. 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.

2013	On demand or within one year	One to five years	Total
	RM'000	RM'000	RM'000
Group			
Financial liabilities:			
Trade and other payables	**889,131**	**–**	**889,131**
Loans and 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**

2012	On demand or within one year	One to five years	Total
	RM'000	RM'000	RM'000
Group			
Financial liabilities:			
Trade and other payables	567,240	–	567,240
Loans and borrowings	880,486	644,367	1,524,853
Derivatives	571	1,508	2,079
Total undiscounted financial liabilities	1,448,297	645,875	2,094,172

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity risk (cont'd.)

2013	On demand or within one year	One to five years	Total
	RM'000	RM'000	RM'000
Company			
Financial liabilities:			
Amount due to subsidiaries	**273,567**	**111,171**	**384,738**
Other payables	**9,004**	**-**	**9,004**
Loan and 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**

2012	On demand or within one year	One to five years	Total
	RM'000	RM'000	RM'000
Company			
Financial liabilities:			
Amount due to subsidiaries	273,567	111,171	384,738
Other payables	12,072	–	12,072
Loan and borrowings	411,597	178	411,775
Derivatives	571	1,508	2,079
Total undiscounted financial liabilities	697,807	112,857	810,664

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

Notes to the Financial Statements (cont'd.)
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38. 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 and other 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.

Exposure to credit risk

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 RM423.3 million (2012: RM517.7 million) and RM1.2 billion (2012: RM1.2 billion) respectively (Note 36).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 22.

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	2013		2012	
	RM'000	% of total	RM'000	% of total
By country				
Malaysia	**2,126,101**	**42%**	996,367	61%
Australia	**217,314**	**31%**	76,407	15%
Singapore	**25,141**	**13%**	25,651	20%
Other countries	**12,282**	**14%**	8,789	4%
	2,380,838	**100%**	1,107,214	100%

The Group has significant exposure to a few large customers mainly major oil companies and as such a concentration of credit risks which comprise most of the total trade receivables of the Group. However, the potential for default is expected to be minimal as the customers are of high creditworthiness and of international reputation.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Credit risk (cont'd.)

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.

39. 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:

2013	Note	Loans and receivables	Other financial liabilities	Fair value through profit or loss	Total
Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets					
Trade and other receivables	22	**2,187,714**	**–**	**–**	**2,187,714**
Cash and bank balances	25	**1,025,772**	**–**	**–**	**1,025,772**
Total financial assets		**3,213,486**	**–**	**–**	**3,213,486**
Total non-financial assets		**–**	**–**	**–**	**11,983,205**
Total assets					**15,196,691**
Liabilities					
Borrowings	29	**–**	**5,940,972**	**–**	**5,940,972**
Trade and other payables	34	**–**	**889,131**	**–**	**889,131**
Derivatives	24	**–**	**–**	**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**

Notes to the Financial Statements (cont'd.)
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39. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

2012	Note	Loans and receivables	Other financial liabilities	Fair value through profit or loss	Total
Group		RM'000	RM'000	RM'000	RM'000
Assets					
Trade and other receivables	22	671,650	–	–	671,650
Derivatives	24	–	–	355	355
Cash and bank balances	25	704,913	–	–	704,913
Total financial assets		1,376,563	–	355	1,376,918
Total non-financial assets		–	–	–	2,842,847
Total assets					4,219,765
Liabilities					
Borrowings	29	–	1,410,662	–	1,410,662
Trade and other payables	34	–	567,240	–	567,240
Derivatives	24	–	–	2,079	2,079
Total financial liabilities		–	1,977,902	2,079	1,979,981
Total non-financial liabilities		–	–	–	614,440
Total liabilities					2,594,421

2013	Note	Loans and receivables	Other financial liabilities	Fair value through profit or loss	Total
Company		RM'000	RM'000	RM'000	RM'000
Assets					
Amount due from subsidiaries	21	**2,563,536**	**–**	**–**	**2,563,536**
Other receivables	22	**5,528**	**–**	**–**	**5,528**
Cash and bank balances	25	**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	28	**–**	**151,385**	**–**	**151,385**
Borrowings	29	**–**	**3,238,130**	**–**	**3,238,130**
Other payables	34	**–**	**44,178**	**–**	**44,178**
Derivatives	24	**–**	**–**	**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**

39. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Classification of financial instruments (cont'd.)

2012	Note	Loans and receivables	Other financial liabilities	Fair value through profit or loss	Total
Company		RM'000	RM'000	RM'000	RM'000
Assets					
Amount due from subsidiaries	21	1,344,232	–	–	1,344,232
Other receivables	22	2,094	–	–	2,094
Cash and bank balances	25	14,433	–	–	14,433
Total financial assets		1,360,759	–	–	1,360,759
Total non-financial assets		–	–	–	247,104
Total assets					1,607,863
Liabilities					
Amount due to subsidiaries	28	–	384,738	–	384,738
Borrowings	29	–	411,775	–	411,775
Other payables	34	–	34,629	–	34,629
Derivatives	24	–	–	2,079	2,079
Total financial liabilities		–	831,142	2,079	833,221
Total non-financial liabilities		–	–	–	28,924
Total liabilities					862,145

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Group	Carrying amount	Fair value
	RM'000	RM'000
Financial liabilities:		
As at 31 January 2013:		
Term loans	2,021,684	1,744,994
Istisna' Bonds and MCPs/MMTNs	189,228	206,971
Hire purchase and lease payables	5,897	5,254
As at 31 January 2012:		
Istisna' Bonds and MCPs/MMTNs	342,542	351,160
Hire purchase and lease payables	1,531	1,219
Ijarah Facilities	172,725	161,010

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39. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Determination of fair value

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	34
Loans and borrowings (current and floating rate loans, excluding those in Note 39(b))	29
Amount due from subsidiaries	21
Amount due to subsidiaries	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

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.

(d) Fair value hierarchy

The Group and the Company's financial instruments carried at fair value 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)

39. FINANCIAL INSTRUMENTS (CONT'D.)

(d) Fair value hierarchy (cont'd.)

	Note	2013 Level 2	2012 Level 2
Group		**RM'000**	**RM'000**
Financial assets:			
Forward exchange contracts	24	**–**	355
Financial liabilities			
CCIRS	24	**1,868**	2,079
IRS	24	**1,622**	–
Company			
Financial liabilities			
CCIRS	24	**1,868**	2,079

40. 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 plus net debt. 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, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes total equity less non-distributable reserves.

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	29	**5,940,972**	1,410,662	**3,238,130**	411,776
Trade and other payables	34	**2,325,111**	1,145,715	**200,950**	63,552
Less: Cash and bank balances	25	**(1,025,772)**	(704,913)	**(112,577)**	(14,433)
Net debt		**7,240,311**	1,851,464	**3,326,503**	460,895
Total equity		**6,337,134**	1,293,224	**5,307,224**	745,718
Less: Non-distributable reserves		**(223,696)**	(708,748)	**(242,886)**	(760,681)
Total capital		**6,113,438**	584,476	**5,064,338**	(14,963)
Capital and net debt		**13,353,749**	2,435,940	**8,390,841**	445,932
Gearing ratio		**54%**	76%	**40%**	103%

Notes to the Financial Statements (cont'd.)
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41. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has five major reportable operating segments 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) Energy and Joint Ventures – provision for drilling rigs and services, oilfield development and production, leasing of floating, production, storage and offloading;

(iv) Drilling, Geotech and Maintenance Services – provision for drilling rigs and services, 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; and

(v) Corporate and others - investment holding and provision of management services.

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.

41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.)

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning	Energy and Joint Ventures	Drilling, Geotech and Maintenance Services	Corporate and Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 January 2013							
Revenue							
External sales	3,705,171	1,991,930	796,317	418,996	-	-	6,912,414
Inter-segment sales	621,918	418,145	317,415	25,390	481,809	(1,864,676)	-
Total revenue	4,327,089	2,410,075	1,113,732	444,386	481,809	(1,864,676)	6,912,414
Results							
Operating results	539,627	361,322	265,183	36,430	205,869	(518,593)	889,838
Finance costs	-	-	-	-	-	-	(227,446)
Interest income	-	-	-	-	-	-	32,150
Share of results from associates	-	197	1,335	(1,261)	-	-	271
Share of results from jointly-controlled entities	96,428	-	23,792	14,717	-	-	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
Assets							
Segment assets	3,621,981	2,003,577	2,063,452	1,554,417	230,547	13,421	9,487,395
Investment in associates	-	2,442	32,331	7,828	-	-	42,601
Investment in jointly-controlled entities	346,044	-	105,057	101,016	-	-	552,117
Goodwill	301,470	3,795,851	-	888,118	-	-	4,985,439
Unallocated corporate assets	-	-	-	-	-	-	129,139
Consolidated total assets							15,196,691
Liabilities							
Segment liabilities	2,052,629	724,734	1,201,655	717,449	3,608,895	(35,789)	8,269,573
Unallocated corporate liabilities	-	-	-	-	-	-	184,209
Consolidated total liabilities							8,453,782
Other Information							
Capital expenditure	499,261	109,097	59,125	129,706	11,783	-	808,972
Depreciation	71,394	60,114	56,938	34,968	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)

Notes to the Financial Statements (cont'd.)
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41. SEGMENT INFORMATION (CONT'D.)

(a) Operating segments (cont'd.):

	Offshore Construction and Subsea Services RM'000	Fabrication, Hook-up and Commissioning	Energy and Joint Ventures	Drilling, Geotech and Maintenance Services	Corporate and Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 January 2012							
Revenue							
External sales	1,435,801	229,211	711,380	180,010	-	-	2,556,402
Inter-segment sales	62,312	164,444	-	19,324	549,475	(795,555)	-
Total revenue	1,498,113	393,655	711,380	199,334	549,475	(795,555)	2,556,402
Results							
Operating results	270,168	36,998	343,775	(7,795)	260,819	(418,247)	485,718
Finance costs	-	-	-	-	-	-	(52,330)
Interest income	-	-	-	-	-	-	9,854
Share of results from associates	-	-	6,486	2,520	-	-	9,006
Share of results from jointly-controlled entities	67,286	-	-	-	-	-	67,286
Profit before tax							519,534
Income tax expense							(73,488)
Profit net of tax							446,046
Non-controlling interests							(164,319)
Profit for the year attributable to owners of the Parent							281,727
Assets							
Segment assets	1,802,143	495,808	890,976	271,541	1,477,523	(1,256,192)	3,681,799
Investment in associates	-	-	31,485	8,601	-	-	40,086
Investment in jointly-controlled entities	280,571	-	286	-	-	-	280,857
Goodwill	82,286	129,597	-	-	-	-	211,883
Unallocated corporate assets	-	-	-	-	-	-	5,140
Consolidated total assets							4,219,765
Liabilities							
Segment liabilities	1,259,380	519,609	122,697	241,550	322,404	(1,319,925)	1,145,715
Unallocated corporate liabilities	-	-	-	-	-	-	1,448,706
Consolidated total liabilities							2,594,421
Other Information							
Capital expenditure	149,049	6,177	27,752	26,543	6,569	-	216,090
Depreciation	21,791	22,838	32,768	15,663	1,048	-	94,108
Amortisation of intangible assets	1,885	-	-	206	-	-	2,091
Allowance for impairment on property, plant and equipment	-	3,402	-	-	-	-	3,402
Allowance for impairment on investment in a jointly-controlled entity	-	-	643	-	-	-	643
Allowance for impairment on receivables, net	-	-	-	3,153	-	-	3,153

41. SEGMENT INFORMATION (CONT'D.)

(b) Geographical information

The Group operates in four 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:

(i) Singapore – 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 ROVs.

(iii) United States of America – provision of technical consulting and advising to oil and gas companies.

(ii) Hong Kong – provision of engineering works.

The following table provides an analysis of the Group's revenue by geographical areas:

	2013	2012
	RM'000	RM'000
Total revenue from external customers		
Malaysia	**5,622,413**	2,394,263
Singapore	**63,312**	47,811
Australia	**1,168,034**	110,055
Hong Kong	**18,125**	–
United States of America	**40,530**	4,273
Consolidated	**6,912,414**	2,556,402

The following table provides an analysis of the carrying amount of certain assets analysed by geographical areas:

		2013	2012
		RM'000	RM'000
Segment assets			
Malaysia		**7,924,282**	2,891,592
Singapore		**695,230**	228,419
Australia		**834,244**	547,962
Hong Kong		**12,977**	–
United States of America		**20,662**	13,826
Consolidated	Note 41(a)	**9,487,395**	3,681,799

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42. SUBSIDIARIES AND ACTIVITIES

Details of the subsidiaries are as follows:

(a) Subsidiaries of SapuraKencana Petroleum Berhad

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Aurabayu Sdn. Bhd.	Malaysia	Special Purpose Vehicle for the Ijarah Facilities	**100**	100
SapuraCrest Deepwater Pte. Ltd.	Bermuda	Chartering and hiring out of barges	**100**	100
TL GeoSciences Sdn. Bhd.	Malaysia	Provision of offshore geotechnical geophysical services	**100**	100
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**	–
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
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

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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**	–
Kencana Torsco Sdn. Bhd.^	Malaysia	Engineering, fabrication and construction works	**100**	–
Kencana Bestwide Sdn. Bhd.^	Malaysia	Engineering, procurement construction (fabrication) and commissioning, design and engineering and project management	**100**	–
Kencana Pinewell Sdn. Bhd.^	Malaysia	Offshore and onshore construction support services, hook-up, commissioning, maintenance and de-commissioning services	**100**	–
Kencana Petroleum Ventures Sdn. Bhd.^	Malaysia	Investment holding	**100**	–
Kencana Energy Sdn. Bhd.^	Malaysia	Development and production of petroleum resources	**100**	–
Allied Marine & Equipment Sdn. Bhd.^	Malaysia	Provision of subsea services	**100**	–
Kencana Petroleum Berhad^	Malaysia	Dormant	**100**	–
SapuraKencana TMC Sdn. Bhd.	Malaysia	Provision of treasury management services	**100**	–

^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

Notes to the Financial Statements (cont'd.)
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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(b) Held through Probadi Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Tioman Drilling Company Sdn. Bhd.*	Malaysia	Managing rigs involved in drilling offshore oilwells under contracts	**51**	51
Varia Perdana Sdn. Bhd.*	Malaysia	Drilling of offshore oilwells under contracts and managing of rigs chartered out as bareboats	**51**	51
Crest Tender Rigs Pte. Ltd.*	Federal Territory of Labuan, Malaysia	Leasing of vessels/barges	**51**	51

(c) Held through TL Offshore Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Total Marine Technology Pty. Ltd.#	Australia	Development of marine technology and marine chartering, specialising on ROVs	**94**	94
Exercise 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
Seabras Sapura Participações S.A.	Brazil	Investment holding	**-**	100
Seabras Sapura Holdco Ltd.	Bermuda	Investment holding	**-**	100

* Audited by firms other than Ernst & Young
\# Audited by affiliate of Ernst & Young, Malaysia

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(d) Held through TL GeoSciences Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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
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.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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
Sapura Petroleum Technologies Sdn. Bhd.	Malaysia	Provision of maintenance services to the oil and gas industries	**99.7**	99.7

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(e) Held through Sapura Energy Sdn. Bhd. (cont'd.)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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
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

(f) Held through Sapura Petroleum Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Nautical Bay Pte. Ltd.#	Singapore	Provision of man power and procurement services	**100**	100

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(g) Held through Nautical Bay Pte. Ltd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Nautical Power Pte. Ltd.#	Singapore	Investment holding	**100**	100

(h) Held through Momentum Energy Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Sapura Australia Pty. Ltd.#	Australia	Investment holding	**100**	100

(i) Held through Sapura Australia Pty. Ltd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
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.# (formerly known as SapuraHelix Joint Venture Pty. Ltd.)	Australia	Sub-charter and provision of project delivery capabilities, proprietary technology and offshore assets	**100**	–
SC Projects Australia Pty. Ltd.#	Australia	Investment holding	**100**	100
SapuraClough Java Offshore Pte. Ltd.#	Singapore	Vessel owning and chartering	**100**	100
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

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Notes to the Financial Statements (cont'd.)
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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(j) Held through SapuraClough USA Holdings Incorporated

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Ocean Flow International LLC*	United States of America	Provision of technical consulting and advising to oil and gas companies	**70**	70

(k) Held through Geomark Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Quippo Prakash Pte. Ltd.#	Singapore	Vessel owning and chartering	**100**	–

(l) Held through Kencana HL Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Kencana Marine Sdn. Bhd.^	Malaysia	Operation and management of fabrication yard	**100**	–
Kencana Infrastructure Sdn. Bhd.^	Malaysia	Specialised fabrication and infrastructure construction	**100**	–
Kencana Metering Sdn. Bhd.^	Malaysia	Dormant	**100**	–
Kencana Steelworks Sdn. Bhd.^	Malaysia	Dormant	**70**	–

* Audited by firms other than Ernst & Young
# Audited by affiliate of Ernst & Young, Malaysia
^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(m) Held through Kencana Torsco Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Kencana Torsco Overseas Sdn. Bhd.^	Malaysia	Provision of engineering, fabrication and construction works	**100**	–
Kencana Torsco Assets Sdn. Bhd.^	Malaysia	Property investment	**100**	–
Kencana Torsco (Hong Kong) Private Limited^	Hong Kong	Engineering, fabrication and construction works	**100**	–
King Hang Engineering Company Limited^*	Hong Kong	Provision of engineering works	**60**	–
Dong Guan Hang Hoi Steel Structural Company Limited^*	China	Provision of engineering works	**60**	–

(n) Held through Kencana Petroleum Ventures Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Kencana Marine Drilling Sdn. Bhd.^	Malaysia	Offshore drilling and related services in the oil and gas industry	**100**	–
Kencana Marine Rig 1 Pte. Ltd.^#	Singapore	Dormant	**100**	–
Kencana Marine Rig 1 (Labuan) Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Leasing activities	**100**	–
Kencana Marine Rig 2 (Labuan) Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Dormant	**100**	–
Kencana Marine Rig 3 (Labuan) Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Dormant	**100**	–
Kencana Nautlius Sdn. Bhd.^	Malaysia	Provision of marine transportation and support services	**100**	–

* Audited by firms other than Ernst & Young
^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

(o) Held through Kencana Nautilus Sdn. Bhd.

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
Gemia (Labuan) Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Owner and operator of an offshore support vessel	100	–
Teras-Kencana Ventures Sdn. Bhd.^	Malaysia	Owner and operator of an offshore support vessel	67	–
Redang (Labuan) Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Owner and operator of an offshore support vessel	100	–
Dhow Offshore Sdn. Bhd.^	Malaysia	Provision of ship management services	100	–
Kencana Marine Asset Labuan Pte. Ltd.^	Federal Territory of Labuan, Malaysia	Dormant	100	–

(p) Held through Allied Marine & Equipment Sdn Bhd

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest 2013 %	2012 %
AME Marine Services Sdn. Bhd.^	Malaysia	Provision of vessel related management services	100	–
Allied Support Corporation^	Federal Territory of Labuan, Malaysia	Vessels owner and letting of dynamic positioning vessels and related equipment	100	–
Maju Hydro Sdn. Bhd.^	Malaysia	Dormant	100	–
AME Corporation^	Federal Territory of Labuan, Malaysia	Provision of subsea services	100	–
AME Robotics Corporation^	Federal Territory of Labuan, Malaysia	Provision of ROVs for rental	100	–
Allied Marine & Equipment (Thailand) Pte. Ltd.^#	Thailand	Provision of offshore diving and related services and diving equipment for rental	100	–

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^ Arising from the acquisition of asset and liabilities of Kencana Petroleum Berhad as disclosed in Note 42 to the financial statements.

42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

In the current financial year:

a) On 15 May 2012, the Company acquired the businesses and undertakings, including all assets and liabilities of Kencana.

The fair value of the identifiable assets and liabilities of Kencana's business as at the date of acquisition was:

	Fair value recognised on acquisition
	RM'000
Assets	
Property, plant and equipment	1,734,077
Intangible assets	47,246
Expenditure on oil and gas properties	270,582
Investment in associates	88,983
Inventories	86,449
Trade and other receivables	527,982
Cash and cash equivalents	730,082
	3,485,401
Liabilities	
Trade and other payables	(442,003)
Borrowings	(1,454,443)
Deferred tax liabilities	(27,571)
	(1,924,017)
Fair value of net identifiable assets	1,561,384
Less: Non-controlling interest	(2,722)
Group's interest in fair value of net identifiable assets	1,558,662
Goodwill arising on acquisition	4,771,662
Total cost of business combination	6,330,324
Purchase consideration consists of:	
Issuance of new ordinary shares of par value of RM1 each	5,361,635
Cash	968,689
	6,330,324
Analysis of cash flows on acquisition:	
Total cash paid	968,689
Less: Cash and cash equivalents of subsidiaries acquired	(730,082)
Net cash flow on acquisition	238,607

The financial statements include the results of Kencana's businesses for the eight and a half months period from the date of acquisition. Kencana's businesses have contributed RM2,128,100,000 of revenue and RM350,200,000 to the profit before tax of the Group from the date of acquisition.

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42. SUBSIDIARIES AND ACTIVITIES (CONT'D.)

b) On 13 July 2012, the Company, through its wholly-owned subsidiary, Geomark Sdn Bhd ("Geomark") entered into a Share Sale Agreement with Quippo Prakash Marine Holdings Pte Ltd ("QPMH"), MDL Energy Pvt Ltd ("MDL"), Quippo Oil and Gas Infrastructure Ltd ("QOGIL") (collectively referred as "the Vendors") to acquire 74,000 ordinary shares of SGD1.00 each in Quippo Prakash Pte Ltd ("QP") ("Sale Shares") which is equivalent to 74% of the issued and paid-up capital of QP ("Agreement"). Geomark acquired the Sale Shares from the Vendors for the sum of USD22,549,617 or RM70,384,120 ("Consideration") satisified by cash.

The acquisition was completed on 28 August 2012. With the completion of the acquisition, QP became a wholly-owned subsidiary of the Company.

The fair value of the identifiable assets and liabilities of QP's business as at the date of acquisition was:

	Fair value recognised on acquisition
	RM'000
Assets	
Property, plant and equipment	468,901
Deferred tax assets	13,428
Trade and other receivables	7,614
Cash and bank balances	25,800
	515,743
Liabilities	
Derivative financial liabilities	(2,028)
Borrowings	(281,295)
Deferred tax liabilities	(40,562)
Other payables	(1,736)
Amount due to holding company	(19,786)
Tax payables	(18,533)
	(363,940)
Fair value of net identifiable assets	151,803
Gain arising from acquisition	(41,950)
Total cost of business combination	109,853
Purchase consideration consists of:	
Portion discharged by non-cash consideration	39,469
Cash	70,384
	109,853
Analysis of cash flows on acquisition	
Total cash paid	70,384
Less: cash and cash equivalents of subsidiary acquired	(25,800)
Net cash flow on acquisition	44,584

The financial statements include the results of QP's businesses for the five months period from the date of acquisition. QP's businesses have contributed RM7,800,000 to the profit before tax of the Group from the date of acquisition.

43. OTHER SIGNIFICANT EVENTS

In addition to the significant events disclosed in Notes 17, 18 and 42, the other significant events are as follows:

a) On 26 April 2012, SC Projects Pty. Ltd., a wholly-owned subsidiary of the Company received the Award from Origin Energy Resources Ltd ("Origin") for the Origin Otway Phase 3 Development. SC Projects Pty Ltd's scope of work will involve project management, installation engineering, procurement, fabrication, installation and pre-commissioning works associated to the development of the Geographe discovery, located approximately 55 km offshore Port Campbell, Victoria, Australia. The value of the Award is approximately AUD51 million (equivalent to RM164 million), for a contract period of 14 months.

b) On 21 May 2012, TL Offshore Sdn. Bhd., a wholly-owned subsidiary of the Company, has received confirmation from Petroliam Nasional Berhad ("PETRONAS") that PETRONAS has exercised its option to extend the joint contract by 11 of Petronas' Production Sharing Contractors for the provision of works and services for the transportation and installation of offshore oil and gas facilities and structures for the PSC for one year (2013) effective from the expiry of the current contract primary term. The value of the expected scope of works for year 2013 is approximately RM1.3 billion.

(c) On 2 July 2012, Kencana HL Sdn. Bhd., a wholly-owned subsidiary of the Company, has received Notices of Award from Murphy Sarawak Oil Co. Ltd. ("Murphy Sarawak") for the Engineering, Procurement, Construction and Commissioning (EPCC) of Patricia Satellite (PT-SA) Topside and Serendah Accommodation (SN-AA) Topside ("the Contracts") located offshore Bintulu, Sarawak. The total value of the Contracts are estimated between RM250 million and RM300 million and expected to be completed and delivered to Murphy Sarawak in the first half of 2013.

(d) On 9 August 2012, Kencana HL Sdn. Bhd., a wholly-owned subsidiary of the Company, has received a letter of award from Kebabangan Petroleum Operating Company Sdn. Bhd. ("KPOC") for the provision of hook-up and commissioning services for Kebabangan Northern Hub Development Project (the "Contract"). The Contract comprises provision of hook-up and commissioning services for offshore facilities for the Kebabangan oil field located offshore Sabah for an estimated value of approximately RM106.0 million. The work for the Contract is expected to commence in middle of 2012 and is expected to be completed by middle of 2014.

(e) On 8 October 2012, Tioman Drilling Company Sdn. Bhd. ("Tioman"), a subsidiary of the Company, had received confirmation that Carigali PTTEPI Operating Company Sdn. Bhd. ("CPOC") has agreed to extend the T-6 contract for a further duration of three months commencing from 21 April 2013 until 20 July 2013. The contract extension for the period is valued at approximately USD9.2 million.

(f) Allied Marine & Equipment Sdn. Bhd., a wholly-owned subsidiary of the Company has received a letter of award from PETRONAS Carigali Sdn Bhd ("PCSB") for the provision of underwater services (the "Award"). The value of the Award is approximately RM700 million which comprises provision of underwater services, including inspection, repair and maintenance services utilising specialised vessels, equipment and personnel covering PCSB offshore oil and gas fields in Malaysia. The duration of the Award is three and a half ($3\frac{1}{2}$) years which will be effective from October 2012 until April 2016, with the option to extend for one (1) additional year.

(g) On 20 October 2012, the Berantai field has commenced its first gas production under the risk service contract. The Berantai field was jointly developed by Sapura Energy Ventures Sdn Bhd ("SEV") and Kencana Energy Sdn Bhd ("KE"), both wholly-owned subsidiaries of the Company and Petrofac Energy Developments Sdn Bhd ("PED").

Notes to the Financial Statements (cont'd.)
– 31 January 2013

44. SUBSEQUENT EVENTS

(a) On 5 November 2012, the Company had entered into a non-binding memorandum of understanding with Seadrill Limited ("Seadrill") with respect to the proposed combination and integration of the tender rig businesses of both the Group and Seadrill ("MOU") ("Proposed Transaction").

The MOU envisages that upon completion of the Proposed Transaction, the enlarged tender rig business under the Group will comprise 16 wholly-owned tender rigs in operation (including the KM1 rig currently owned by the Group), 5 of which are currently 51% owned and managed through our existing subsidiaries, Varia Perdana Sdn Bhd and Tioman Drilling Company Sdn Bhd. It will also include an additional 5 units that are currently under construction, 3 of which will be acquired through the Proposed Transaction and are expected to be delivered in 2013 ("Newbuilds"). In addition, the Group will also be offered the right to be the manager for 3 tender rigs which are not part of the Proposed Transaction. These rigs, West Vencedor, T-15 and T-16, are currently either owned or planned to be owned by Seadrill Partners LLC and are therefore not included in the Proposed Transaction.

The Proposed Transaction has been approved by the shareholders in an Extraordinary General Meeting on 23 April 2013 and was completed on 30 April 2013.

(b) On 6 February 2013, the Company acquired the entire issued and paid up capital of "SapuraKencana Drilling Pte. Ltd.", a company incorporated in Singapore ("SapuraKencana Drilling") at a total cash consideration of SGD2.00 comprising 2 ordinary shares of SGD1.00 each. SapuraKencana Drilling was incorporated on 5 February 2013 and has not commenced operation since incorporation. The acquisition of this new wholly-owned subsidiary is to facilitate the acquisition of tender rigs business of Seadrill Ltd.

(c) On 6 March 2013, Tioman, a subsidiary of the Company, has accepted the 2nd extension for the T-6 Contract for a further duration of 3 months from 21 July 2013 (expiry of 1st extension) until 20 October 2013. The T-6 Contract was for an initial duration of 28 months commencing from 21 December 2010 until 20 April 2013 and was subsequently extended until 20 July 2013 as per Note 43(e). The 2nd contract extension is valued at approximately USD9.3 million.

(c) On 8 March 2013, the Company had incorporated a new wholly-owned subsidiary in the Federal Territory of Labuan, Malaysia namely, SapuraKencana 900 Pte Ltd ("SapuraKencana 900"). SapuraKencana 900 was incorporated in the Federal Territory of Labuan, Malaysia with an issued and paid-up share capital of USD100 comprising 100 shares of USD1.00 each.

(d) On 25 March 2013, the Company been informed by the Registrar of Companies of Negara Brunei Darussalam that the incorporation of a new wholly-owned subsidiary in Brunei known as SapuraKencana (B) Sdn Bhd ("SKB") was approved on 20 March 2013. SKB was incorporated with an issued and paid-up share capital of Two Brunei Dollars (B$2.00) comprising two (2) ordinary shares of One Brunei Dollar (B$1.00). Kencana HL Sdn. Bhd. and Kencana Petroleum Ventures Sdn. Bhd., both wholly-owned subsidiaries of the Company, hold one (1) ordinary share each in the share capital of SKB.

(e) On 1 April 2013, the Company had incorporated a new wholly-owned subsidiary in Labuan known as SapuraKencana Drilling Pte. Ltd. ("SK Drilling"). The issued and paid-up share capital of SK Drilling is USD100 divided into 100 ordinary shares of USD1.00 each.

(f) The Company had, on 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 by way of the following:

(i) Issued 400,788,889 new ordinary shares of RM1.00 each to Seadrill at an issue price of RM2.70 per ordinary shares; and

(ii) Issued 587,000,000 new ordinary shares of RM1.00 each at an issue price of RM2.80 per ordinary shares via private placement.

45. 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 Dislosure 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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total retained profits of SapuraKencana and its subsidiaries				
– Realised	**1,358,404**	298,832	**44,908**	(24,739)
– Unrealised	**(54,648)**	28,820	**15,064**	9,776
	1,303,756	327,652	**59,972**	(14,963)
Total share of retained profits from jointly controlled entities and associates				
– Realised	**151,080**	90,297	**–**	–
– Unrealised	**11,022**	(16,975)	**–**	–
	162,102	73,322	**–**	–
Total retained profits	**1,465,858**	400,974	**59,972**	(14,963)
Add: Consolidation adjustments	**(356,786)**	183,502	**–**	–
Retained profits	**1,109,072**	584,476	**59,972**	(14,963)

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 28 May 2013

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	:	18,952 shareholders

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	1,715	9.05	70,277	*
100 – 1,000	2,724	14.37	1,788,197	0.03
1,001 – 10,000	10,197	53.80	41,641,062	0.70
10,001 – 100,000	3,251	17.16	94,799,551	1.58
100,001 to less than 5% of issued shares	1,061	5.60	3,314,945,515	55.32
5% and above of issued shares	4	0.02	2,538,910,485	42.37
Total	**18,952**	**100.00**	**5,992,155,087**	**100.00**

* Negligible

TOP 30 LARGEST SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

	Name of Shareholders	No. of Shares	% of Shares
1	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. SAPURA TECHNOLOGY SDN. BHD.	752,255,756	12.55
2	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DANSKE BANK A/S (CLIENT HOLDINGS)	720,733,391	12.03
3	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	601,879,139	10.04
4	KHASERA BARU SDN. BHD.	464,042,199	7.74
5	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	206,556,700	3.45
6	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN. BHD. (591001)	200,748,718	3.35
7	AMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR KHASERA BARU SDN. BHD.	126,851,663	2.12
8	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	115,009,768	1.92
9	CHONG HIN LOON	100,000,000	1.67
10	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	97,251,943	1.62
11	HSBC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT AA NOMS SG FOR KHASERA BARU SDN. BHD.	91,761,000	1.53

	Name of Shareholders	No. of Shares	% of Shares
12	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	81,741,300	1.36
13	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	71,501,175	1.19
14	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	65,438,924	1.09
15	AMMB NOMINEES (TEMPATAN) SDN. BHD. AMBANK (M) BERHAD FOR KHASERA BARU SDN. BHD.	61,315,580	1.02
16	AMANAH RAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	59,259,265	0.09
17	HSBC NOMINEES (ASING) SDN. BHD. FULLERTON ALPHA	57,593,141	0.96
18	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (BVI)	46,246,800	0.77
19	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	46,073,699	0.77
20	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	38,944,040	0.65
21	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB FOR SAPURA CAPITAL SDN. BHD. (PB)	37,387,227	062
22	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	35,276,733	0.59
23	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR J.P. MORGAN BANK LUXEMBOURG S.A.	28,965,156	0.48
24	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK)	28,907,639	0.48
25	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR UNITED NATIONS JOINT STAFF PENSION FUND	25,000,000	0.42
26	MAYBANK NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CAPRICE CAPITAL INTERNATIONAL LTD	25,000,000	0.42
27	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	24,235,700	0.40
28	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KHASERA BARU SDN. BHD. (SIN 90927-4)	22,849,871	0.38
29	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	22,792,971	0.38
30	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	22,564,491	0.38
		4,278,183,989	**71.40**

Analysis of Shareholdings (cont'd.)
as at 28 May 2013

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 Shahril Shamsuddin	7,876,092	0.13	1,001,022,718[(b)]	16.71
Dato' Shahriman Shamsuddin	506,385	0.008	1,001,022,718[(b)]	16.71
Khasera Baru Sdn Bhd	795,320,313	13.27	–	–
Dato' Mokhzani Mahathir	9,494,121	0.16	795,320,313[(c)]	13.27
Seadrill Limited	720,329,691	12.02	–	–
Employee Provident Fund Board	684,261,889	11.42	–	–

Notes:
(a) Deemed interested by virtue of it 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 it/him 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.

DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest No. of Shares Held	Direct Interest %	Indirect Interest No. of Shares Held	Indirect Interest %
Dato' Hamzah Bakar	5,000,249	0.08	–	–
Tan Sri Shahril Shamsuddin	7,876,092	0.13	1,001,022,718[(a)]	16.71
Dato' Mokhzani Mahathir	9,494,121	0.16	795,320,313[(b)]	13.27
Dato' Shahriman Shamsuddin	506,385	0.01	1,001,022,718[(a)]	16.71
Yeow Kheng Chew	22,180,701	0.37	–	–
Chong Hin Loon	110,757,783	1.85	480,230[(c)]	0.01
Tan Sri Nik Mohamed Nik Yaacob	–	–	–	–
Tan Sri Datuk Amar (Dr) Hamid Bugo	256,405	0.004	–	–
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin	–	–	–	–
Mohamed Rashdi Mohamed Ghazalli	97,864	0.002	48,932[(d)]	0.001
John Fredriksen	–	–	–	–
Tor Olav Trøim (Alternate Director to John Fredriksen)	–	–	–	–

Note:
(a) Deemed interested by virtue of him 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 shareholding held by his child pursuant to Section 134 of the Act.
(d) Deemed interested by virtue of the shareholding held by his spouse pursuant to Section 134 of the Act.

SapuraKencana PETROLEUM

SAPURAKENCANA PETROLEUM BERHAD
(Company No. 950894-T)
(Incorporated in Malaysia)

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

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 Second 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 on Thursday, 4 July 2013 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 Mr John Fredriksen as Director of the Company.		
ORDINARY RESOLUTION 3	Re-election of Tan Sri Shahril Shamsuddin as Director of the Company.		
ORDINARY RESOLUTION 4	Re-election of Tan Sri Nik Mohamed Nik Yaacob as Director of the Company.		
ORDINARY RESOLUTION 5	Re-election of Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin as Director of the Company.		
ORDINARY RESOLUTION 6	Re-election of Encik Mohamed Rashdi Mohamed Ghazalli as Director of the Company.		
ORDINARY RESOLUTION 7	Re-appointment of Messrs Ernst & Young as Auditors of the Company.		
ORDINARY RESOLUTION 8	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 ______________________ 2013

NOTES:

1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint up to two (2) 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 (1) 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 (2) 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, 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

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SapuraKencana Petroleum Berhad (950894-T)

Level 6, Menara SapuraKencana Petroleum
Solaris Dutamas, 1 Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia

Tel : (6)03-6209 8000
Fax : (6)03-6209 3800

www.**sapurakencana**.com

2013 Annual Report

SapuraKencana Petroleum Berhad (950894-T)