

# CORPORATE RESPONSIBILITY

Ranked

# TOP 5 Most Ideal Employers in Malaysia



WORKPLACE



MARKETPLACE



COMMUNITY



ENVIRONMENT





As a leading global integrated oil and gas services and solutions provider and a conscientious corporate citizen, SapuraKencana Petroleum Berhad (“SapuraKencana” or “Group”) is committed to operating in a responsible and sustainable manner that positively impacts our stakeholders. To this end, we bring the Group’s Corporate Responsibility (“CR”) framework into play to initiate change and positively influence stakeholders in the Workplace, Community, and Marketplace while safeguarding our Environment.

During the year in review, we continued to engage in activities that made a feasible impact to our stakeholders.

## CORPORATE RESPONSIBILITY

**STRENGTHENING OUR WORKFORCE**

Our employees are our greatest asset and form the foundation of the Group's success. As at end FY2015, the Group's total workforce stood at over 13,000 employees.

We recognise that diversity among our workforce gives us the strength to seize opportunities globally and across the breadth of the upstream oil and gas value chain. It also makes us more innovative and more competitive. To date, women make up 13% of the Group's total workforce, which includes offshore crew who in our industry are predominantly male. It is worth noting that among the Group's onshore employees, women make up 46% of the population as well as 13% of our Senior Management.

It is our ongoing goal to provide equal opportunities for all employees, and to administer workplace governance in a fair and commendable manner. SapuraKencana also does not tolerate sexual harassment nor discrimination pertaining to race, colour, gender, age, language, religion, political opinion and national or social origin in the workplace. This ensures that the SapuraKencana family remains well-balanced, safe and harmonious.

Investment in the Group's future is also undertaken by developing our employees and strengthening their skill-sets. By striving towards their full potential, our employees deliver world-class levels of performance and are equipped to meet the needs of a highly dynamic and complex industry.

We identify and groom high potential talent in order to develop future leaders and expert individuals who will provide us with a competitive advantage. Our holistic programmes have been designed to cater to the specific training needs of our employees at every level to foster optimal performance and professional growth.

As a testament to the progress we are making to strengthen our workforce, SapuraKencana was ranked among the Top Five Most Ideal Employers in Malaysia by the Universum Student Survey 2015. The survey, which was conducted between September 2014 and January 2015 canvassed almost 17,000 undergraduates throughout Malaysia and saw SapuraKencana being ranked fourth in the engineering category. Three other long-standing oil and gas industry players made it to the top five with Petrolam Nasional Berhad heading the list, and Shell Malaysia, Schlumberger Malaysia in second and fifth place respectively. This high ranking reflects the undergraduates' top-of-mind awareness of SapuraKencana and reflects the Company's strength in talent attraction.

The Group recognises the importance of a good work-life balance and we regularly encourage our staff to participate in healthy recreational activities. In FY2015, we organised weekly badminton sessions for employees and held SapuraKencana inter-divisional futsal and bowling tournaments. We also held other social contribution activities such as annual blood donation drives.

Women make up

**46%**

of the Group's  
onshore employees





## CREATING SUSTAINABLE FUTURES FOR COMMUNITIES

We believe in creating sustainable futures for the communities that we operate in. We express this by concentrating our community-based CR efforts on community development as well as youth and education activities. We strongly support employee volunteerism within the community and have to date invested more than RM5.5 million in support of numerous causes throughout Malaysia.

### Elevating Communities

The Group is committed to improving the welfare of communities by supporting and collaborating with partners such as non-governmental organisations and state authorities like Anjung Singgah and the Perak Fisheries Department respectively. The year under review saw us continuing our involvement in the MyKasih Food Aid and Bursary Programme in Lumut and Teluk Intan, Perak which provided financial aid in the form of fortnightly spending allowance for families in need. The financial assistance enables the families to purchase much-needed groceries while eligible students are able to purchase essential school supplies and food at school.

Our employees are passionate about bringing positive change to communities and they do this under the umbrella of the SapuraKencana Volunteer Programme. Launched in December 2012, the programme has seen our employees provide humanitarian relief to the needs of the communities that surround them time and again. The programme has also served to build unity and teamwork among our workforce as well as helped strengthen our relationship with communities.

In FY2015, our volunteers engaged in a host of community initiatives. In collaboration with the National Welfare Foundation, we kicked off our weekly volunteer programme with Anjung Singgah, a shelter located in Jalan Hang Lekiu, Kuala Lumpur in November 2014. Established in 2011, the main purpose of Anjung Singgah is to counsel and train its occupants to enable them to get back on their feet by improving their self-worth and life skills so they can secure employment. Our volunteers distributed meals sponsored by the Group and joined in programmes with the occupants of the shelter.

Additionally, our volunteers, in collaboration with Sapura Community, participated in flood relief activities in the East Coast of Malaysia. The operation saw volunteers journeying to the states of Pahang, Kelantan and Terengganu to assist with clean-up activities as well as to distribute food items, toiletries and cleaning materials.

We continued our support of the Perak Fisheries Department when our volunteers visited the Segari Turtle Sanctuary in Lumut, Perak to carry out *gotong-royong* activities, which included cleaning the turtle pools and the adjacent beach. We also made a cash donation for the daily maintenance operations of the sanctuary.

Our employees also showed their support for our annual blood donation drive which was held at Menara SapuraKencana Petroleum in collaboration with the National Blood Bank.

## CORPORATE RESPONSIBILITY

**Providing Our Youth Access to Educational Opportunities**

Our involvement on the youth and education fronts sees the Group effecting several programmes with the aim of nurturing the potential of the youth in communities. It is our ambition to help establish a secure future for the community by positively impacting the youth.

SapuraKencana continues to empower eligible students from economically challenged backgrounds to access quality education and to up-skill their competencies via the Yayasan Peneraju Pendidikan Bumiputera ("Yayasan") initiative. In FY2015, we donated RM1.0 million to the Yayasan while our Fabrication Yard in Lumut sponsored a further RM1.0 million for trainee welders. This helps upskill those with basic welding certification so that they can obtain Oil & Gas 6G Welding certification. Upon completion of the course, the Group conducts Welder Qualification Tests to ensure that participants are industry-ready.

We are also a participating sponsor of Skim Latihan 1Malaysia ("SL1M"), a training initiative which assists unemployed fresh graduates. The SL1M programme serves to enhance the employability skills of graduates by ensuring they have the relevant skills, contacts and opportunities to boost their competitive advantage in the job market. FY2015 marked our third year of involvement with SL1M, with 86% of our SL1M graduates securing employment upon completion of the programme.

We also expanded our sphere of influence through our support of various career fairs. The fairs not only served as a platform to project our corporate brand but also as a means to source talent from the large pools of attendees.

In FY2015, we participated in several career fairs including the UTM Oil & Gas Symposium 2014; UTP Technology, Education & Career 2014; BN Youth Job Fair; USM Career Fair 2014; Innovation Career & Education 2014 by Unimas; Graduan Australia Recruitment; and the UM Karnival Kerjaya dan Keusahawan Graduan. These fairs provided us a platform to network with university students and provide them with a deeper understanding of the latest industry developments and technologies.

**BOLSTERING OUR MARKETPLACE**

As a Group, we recognise the essential role that our vendors play in our growth and we have made it our goal to ensure that our vendors enjoy the same success that we do. We are committed to developing local vendors across the value chain through collaboration with key industry players. In line with this aim, we are currently focused on supporting the PETRONAS Vendor Development Programme.

This programme provides small and medium-sized enterprises in Malaysia a head start in the oil and gas business, while strengthening their business capacity to help them move further up the value chain. The initiative also supports the Malaysian Government's blueprint to transform Malaysia into a regional hub for oil field services under the Economic Transformation Programme.

SapuraKencana places great value on its relationship with its stakeholders. We keep our stakeholders informed through regular communication and updates that help to convey the Group's corporate vision and strategies. We consistently seek to

**86%**

of our **SL1M**  
**graduates**  
**secure**  
**employment**  
upon completion of  
the programme





strengthen our ties with our stakeholders to maintain their high levels of trust in us. As part of our stakeholder engagement efforts, our senior management conducts regular briefings with analysts, investors and the media throughout the year. Stakeholders can also access information via our corporate website that covers the Group’s activities across the oil and gas value chain.

We are committed to upholding good and fair marketplace practices while ensuring that the highest standards of transparency and accountability are carried out. Integrity is the focal aspect of our dealings with our stakeholders which comprise the investor community, shareholders, customers and other parties. Our emphasis on our core corporate values of honesty, trust and respect for all extends across the board. This includes our activities relating to the purchase of goods and the commissioning of services. The Group strongly advocates the importance of ethical procurement and we are continuously strengthening our Procurement Policy.

As a leading entity in the international oil and gas industry, SapuraKencana continuously looks to enhance its corporate governance standards and risk management practices. In line with our corporate values, we have established a governance structure and system of internal controls which are complemented by a strong risk management framework. These measures help us to achieve our end-goals as a corporation as well as to manage risks in an efficient and sustainable manner.

### PROTECTING OUR ENVIRONMENT

In our role as a responsible corporate citizen, we are committed to improving our operations so that we become more efficient and do no harm to the environment. At the same time, we ensure compliance with stringent international environmental guidelines and best practices.

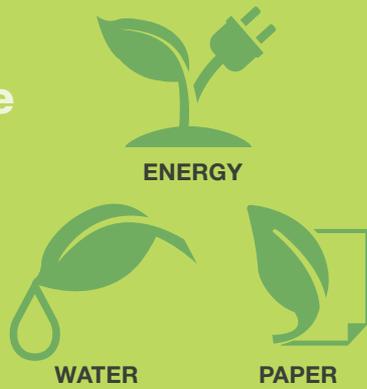
SapuraKencana is committed to reducing its carbon footprint through green activities that include energy conservation as well as water sampling for wastewater and effluents discharge, among other things. We go out of our way to contain oil spills and ensure that our licensed contractors undertake waste disposal in the most effective and safest manner possible. Our workforce and contractors are tasked with ensuring compliance with existing legislation and we undertake strict monitoring to enforce this.

Our conservation efforts have led to a reduction in the amount of energy, water and paper used throughout the Group. We have also reduced waste and carbon emissions and further improved our management of chemicals and other hazardous materials. Thus far, our green activities have evolved our operations into more eco-friendly operations. We will continue to develop and implement initiatives that will mitigate the impact of our operations on the environment as well as make us a more transparent and credible organisation.

### MOVING FORWARD

Moving forward, SapuraKencana will continue to focus on incorporating sustainable and efficient CR practices that will help us remain profitable while positively impacting our stakeholders as well as the communities and environment that surround us. It is our goal to operate in a responsible manner for the benefit of our future generations.

**“Our green activities have evolved our operations into more eco-friendly operations”**



# HIGHLIGHTS OF EVENTS



**2 - 4 March 2014**

**CIMB 2nd Annual Asia Pacific Leaders' Conference**  
Le Parker Meridien Hotel,  
New York, USA

**7 March 2014**

**Delivery of SapuraKencana 1200**  
Nantong, China



**27 March 2014**

**Signing Ceremony of Senior Multi-Currency Term and Revolving Facilities**  
Grand Hyatt Hotel,  
Kuala Lumpur



**17 April 2014**

**Skim Latihan 1Malaysia 2014 Launching Ceremony**  
National Institute of Occupational Safety and Health, Bandar Baru Bangi, Selangor



**28 April 2014**

**Maybank Investment Banking Oil & Gas Conference**  
JW Marriott Hotel,  
Kuala Lumpur

**6 - 8 May 2014**

**Offshore Technology Conference 2014**  
Houston Reliant Center, Houston, USA



**18 May 2014**

**Delivery of SapuraKencana 3500**  
Qidong, China



**28 May 2014**

**Delivery of Sapura Diamanté**  
Rotterdam, Netherlands



**9 June 2014**

**Invest Malaysia 2014**  
Mandarin Oriental Hotel, Kuala Lumpur



**25 June 2014**

**SapuraKencana Annual General Meeting and Extraordinary General Meeting**  
Sapura@Mines,  
Seri Kembangan, Selangor



**12 & 13 August 2014**

**SapuraKencana Hari Raya Open House**  
Mandarin Oriental Hotel, Kuala Lumpur



**21 August 2014**

**SKD T-20 Vessel  
Sail-Away Ceremony**  
SapuraKencana Lumut  
Fabrication Yard, Perak



**21 August 2014**

**Staff Engagement  
with SapuraKencana  
Management**  
SapuraKencana Lumut  
Fabrication Yard, Perak



**28 August 2014**

**Delivery of  
Sapura Topázio**  
Rotterdam,  
Netherlands



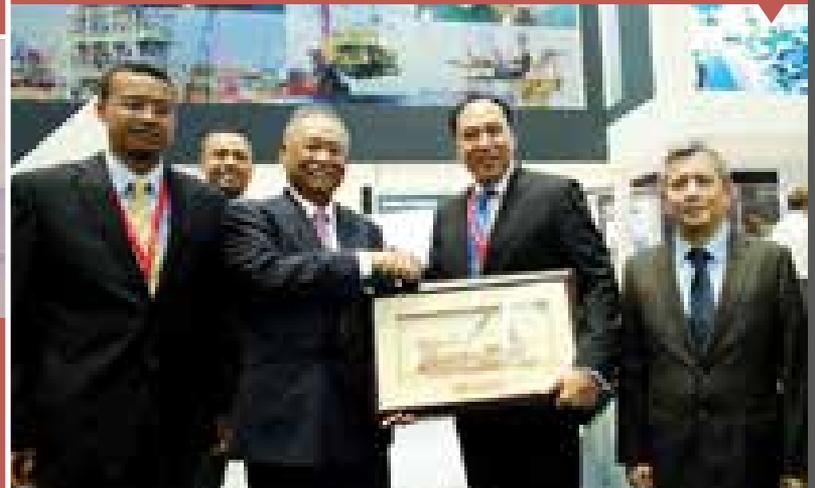
**1 - 2 September  
2014**

**Invest Malaysia  
UK 2014**  
Hyatt Regency London,  
London, UK



**23 - 25 September 2014**

**Malaysia Oil and Gas Services  
Exhibition and Conference 2014**  
Kuala Lumpur Convention Centre, Kuala Lumpur



**9 September 2014**

**CPOC Phase 3 EPCIC Contract Signing Ceremony**  
Grand Hyatt Hotel, Kuala Lumpur



**24 September 2014**

**EPCIC EVA Project  
Loadout and Sail-Away  
Ceremony**  
SapuraKencana Lumut  
Fabrication Yard, Perak



HIGHLIGHTS OF EVENTS

11 October 2014

**SapuraKencana Football Tournament**

Universiti Putra Malaysia, Seri Kembangan, Selangor



21 October 2014

**Bursa Bull Charge 2014**

Exchange Square, Kuala Lumpur



27 October - 2 November 2014

**CIMB Classic 2014**

Kuala Lumpur Golf & Country Club, Kuala Lumpur



20 November 2014

**Sabah Production Sharing Contract Signing Ceremony**

Kuala Lumpur Convention Centre, Kuala Lumpur



20 - 21 November 2014

**CIMB 12th Annual Asia Pacific Leaders' Conference**

May Fair Hotel, London, UK



20 November 2014

**SapuraKencana Analyst Briefing**

Kuala Lumpur Convention Centre, Kuala Lumpur



21 November 2014

**SapuraKencana vs International Islamic University Futsal Friendly Match**

International Islamic University Malaysia, Selangor



22 November 2014

**Anjung Singgah Community Service Programme**

Jalan Hang Lekiu, Kuala Lumpur



29 November 2014

**SapuraKencana Turtle Conservation Programme**

Segari Turtle Sanctuary, Lumut, Perak



10 - 12  
December 2014

**International  
Petroleum  
Technology  
Conference 2014**  
Kuala Lumpur  
Convention Centre,  
Kuala Lumpur



14 January 2015

**SapuraKencana  
Blood Donation Drive**  
Menara SapuraKencana  
Petroleum, Kuala Lumpur



7 February 2015

**SapuraKencana Bowling Tournament**  
U-Bowl One Utama,  
Petaling Jaya, Selangor



11 - 13 March 2015

**Australasian Oil & Gas Exhibition & Conference 2015**  
Perth Convention Exhibition Centre, Perth, Australia



3 March 2015

**SapuraKencana Chinese New Year Celebration**  
Menara SapuraKencana Petroleum, Kuala Lumpur



25 March 2015

**SapuraKencana  
FY2015 Financial  
Results Analyst  
Briefing**  
Menara SapuraKencana  
Petroleum,  
Kuala Lumpur



21 April 2015

**Delivery of Sapura Ônix**  
Rotterdam, Netherlands

## STATEMENT ON CORPORATE GOVERNANCE

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

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

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

### THE BOARD OF DIRECTORS

#### Roles and Responsibilities of the Board of Directors

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

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

The principal responsibilities and roles of the Board, among others, are as follows:

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

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

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

### **Board Balance and Composition**

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

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

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

The Board comprises members with various professional backgrounds from the fields of engineering, information technology, accounting, management, economics, business and public administration, all of whom, bring in-depth and diverse experiences, expertise and perspectives to the Group's operations to ultimately enhance shareholders' value for the long-term.

Diversity in the Board's composition is essential to facilitate good decision-making as this enables different insights and perspectives to be harnessed. This diversity criteria may include skills, competencies, experience, ethnicity, gender and nationality. In terms of gender diversity, the Board has one woman Director, Ms Gee Siew Yoong, who serves as an Independent Non-Executive Director. She is also a member of the Audit Committee and Nomination Committee of SapuraKencana. Aside from its Malaysian Directors, the Board also comprises Directors of other nationalities. Mr Eduardo Navarro Antonello, a Brazilian, serves as a Non-Independent Non-Executive Director, while Mr John Fredriksen, a Cypriot, serves as an Alternate Director to Mr Antonello. The Board is mindful of the requirements of the Code and the need to refresh itself from time to time and is actively exploring avenues to improve board diversity including gender, ethnicity and age.

In terms of time commitment, all members of the Board currently hold not more than five directorships in listed companies in line with the maximum limit as set out under paragraph 15.06 of the MMLR. The Board is satisfied that each member of the Board has spent sufficient time on all Board matters, hence ensuring a timely and orderly decision-making process for the Company.

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

to bring balanced judgment to matters of strategy, performance and resources, including key appointments and the standard of conduct.

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

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

The background of each Director is contained in the "Profiles of Board of Directors" section as set out on pages 18 to 30 of this Annual Report.

### **Division of Roles and Responsibilities between the Chairman and the PGCEO**

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

- (i) To build a high performance Board by leading the evaluation of the Board's performance and ensuring that succession planning is considered on an ongoing basis;
- (ii) To manage Board meetings in order to achieve robust decision-making by ensuring that accurate, timely and clear information is provided to all Directors. The Chairman encourages participation and deliberation by the Board to tap the wisdom of all members and to promote consensus building as much as possible; and
- (iii) To facilitate the Board and Management interface by acting as the conduit between the two parties.

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

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

### **Senior Independent Director**

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

Level 6, Menara SapuraKencana Petroleum  
Solaris Dutamas  
1, Jalan Dutamas 1  
50480 Kuala Lumpur, Malaysia  
Tel : (6)03-6209 5740/5743  
Email : independent@sapurakencana.com

## STATEMENT ON CORPORATE GOVERNANCE

**INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT**

Induction programmes are conducted for all newly appointed Directors which include briefings by the Senior Management to provide Directors with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies, as well as the structure and management of the Company. In the financial year ended 31 January 2015 (“FY2015”), visits to the Group’s assets and training sessions for the Directors on relevant topics were also arranged.

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

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

During FY2015, the Directors attended the following training programmes, seminars and conferences, including a site visit to SapuraKencana Lumut Fabrication Yard to enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

- Risk Management and Crisis Management
- Whistleblowing and Cyber Fraud
- Common Mistakes Made by Directors
- Boardroom Effectiveness and Accountability
- Challenges in relation to Financial Reporting
- Goods and Services Tax Training

A briefing on Remotely Operated Vehicle business of the Group was also organised for the Board during the year.

**BOARD MEETINGS**

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

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

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

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

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

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

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

## STATEMENT ON CORPORATE GOVERNANCE

Pursuant to the MMLR, all Directors have complied with the requirement to attend at least 50% of Board meetings held in a financial year. The attendance of the respective Directors in relation to Board meetings held during FY2015 is as set out below:

| Directors                                     | Designation   | Attendance | Percentage |
|---|---|------------|------------|
| Dato' Hamzah Bakar                            | Chairman, Non-Independent Non-Executive Director                                | 9 out of 9 | 100%       |
| Tan Sri Dato' Seri Shahril Shamsuddin         | President and Group Chief Executive Officer, Non-Independent Executive Director | 9 out of 9 | 100%       |
| Tan Sri Datuk Amar (Dr) Hamid Bugo            | Senior Independent Non-Executive Director                                       | 9 out of 9 | 100%       |
| Dato' Shahrizan Shamsuddin                    | Non-Independent Non-Executive Director  | 7 out of 9 | 78%        |
| Tunku Dato' Mahmood Fawzy<br>Tunku Muhiyiddin | Independent Non-Executive Director  | 9 out of 9 | 100%       |
| Mohamed Rashdi Mohamed Ghazalli               | Independent Non-Executive Director  | 9 out of 9 | 100%       |
| Gee Siew Yoong                                | Independent Non-Executive Director  | 8 out of 9 | 89%        |
| Ramlan Abdul Malek                            | Non-Independent Executive Director <sup>(a)</sup>                               | 7 out of 8 | 88%        |
| Eduardo Navarro Antonello                     | Non-Independent Non-Executive Director <sup>(b)</sup>                           | 3 out of 4 | 75%        |
| Datuk Muhamad Noor Hamid                      | Independent Non-Executive Director <sup>(c)</sup>                               | -          | -          |
| John Fredriksen                               | Alternate Director to Eduardo Navarro Antonello <sup>(d)</sup>                  | -          | -          |
| Tor Olav Trøim                                | Non-Independent Non-Executive Director <sup>(e)</sup>                           | 3 out of 4 | 75%        |
| Tan Sri Mokhzani Mahathir                     | Non-Independent Non-Executive Director <sup>(f)</sup>                           | 8 out of 9 | 89%        |
| Yeow Kheng Chew                               | Non-Independent Non-Executive Director <sup>(f)</sup>                           | 8 out of 9 | 89%        |

Notes:

(a) Appointed with effect from 1 March 2014

(b) Appointed with effect from 25 September 2014

(c) Appointed with effect from 14 April 2015

(d) Appointed as Alternate Director to Mr Eduardo Navarro Antonello with effect from 23 October 2014. He was the Alternate Director to Mr Tor Olav Trøim since 25 September 2014.

(e) Resigned with effect from 25 September 2014

(f) Resigned with effect from 4 March 2015

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

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

### ACCESS TO INFORMATION AND ADVICE

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

### BOARD REMUNERATION POLICIES AND PROCEDURES

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

### Remuneration of Non-Executive Directors

The level of Directors' remuneration is comparable in order to attract and retain Directors of such calibre to provide the necessary skills and experience as required and to commensurate with the responsibilities for the effective management and operations of the Group. The remuneration of all Directors is reviewed by the Board as a whole to ensure that it is aligned to the market and to the Directors' duties and responsibilities.

## STATEMENT ON CORPORATE GOVERNANCE

**Executive Directors**

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

Details of the remuneration of the Board for FY2015 are as follows:

| <b>Executive Directors</b>                   | <b>RM'000</b> |
|--|---------------|
| Salaries and Other Emoluments <sup>(a)</sup> | 91,583        |
| Benefits-in-Kind                             | 1,796         |
| <b>Total</b>                                 | <b>93,379</b> |

| <b>Non-Executive Directors</b>  | <b>RM'000</b> |
|---------------------------------|---------------|
| Fees <sup>(b)</sup>             | 5,319         |
| Other Emoluments <sup>(a)</sup> | 41            |
| Benefits-in-Kind                | 11            |
| <b>Total</b>                    | <b>5,371</b>  |

(a) Actual payout inclusive of allowances, bonuses and statutory contributions. The amount under Note 9 on page 121 of this Annual Report was a provisional amount.

(b) Inclusive of Directors' fees payable for their directorships in subsidiaries of SapuraKencana

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

|                             | <b>Number of Directors</b> | <b>Base Remuneration RM'000</b> | <b>Performance Related Remuneration RM'000</b> | <b>Group Total RM'000</b> |
|-----------------------------|----------------------------|---------------------------------|--|---------------------------|
| <b>Executive Directors</b>  |                            |                                 |  |                           |
| RM3,950,000 – RM4,000,000   | 1                          | 2,420                           | 1,551  | 3,971                     |
| RM89,400,000 – RM89,450,000 | 1                          | 10,753                          | 78,655   | 89,408                    |
| <b>Total</b>                | <b>2</b>                   | <b>13,173</b>                   | <b>80,206</b>                                  | <b>93,379</b>             |

| <b>Non-Executive Directors</b> | <b>Number of Directors</b> |
|--------------------------------|----------------------------|
| RM100,000 – RM150,000          | 1                          |
| RM250,000 – RM300,000          | 1                          |
| RM450,000 – RM500,000          | 3                          |
| RM500,001 – RM550,000          | 1                          |
| RM600,000 – RM650,000          | 1                          |
| RM650,001 – RM700,000          | 2                          |
| RM1,100,000 – RM1,150,000      | 1                          |
| <b>Total</b>                   | <b>10</b>                  |

## THE BOARD COMMITTEES

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

### Audit Committee

The Audit Committee which was established to assist the Board in the execution of its responsibilities comprises four Independent Non-Executive members. The Audit Committee is governed by written Terms of Reference which ensures it deals clearly within its authority and duties. The Report of the Audit Committee is presented on pages 80 and 81 of this Annual Report.

The members of the Audit Committee are as follows:

- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin (*Chairman*)
- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli
- Gee Siew Yoong

### Risk Committee

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

The members of the Risk Committee are as follows:

- Mohamed Rashdi Mohamed Ghazalli (*Chairman*)
- Dato' Shahrman Shamsuddin
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Yeow Kheng Chew (*resigned with effect from 4 March 2015*)

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

Details on the Risk Committee of the Company are set out in the Statement on Risk Management and Internal Control on page 82 of this Annual Report.

### Nomination Committee

The Nomination Committee which comprises four Non-Executive members, a majority of whom are Independent Directors, 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 Datuk Amar (Dr) Hamid Bugo (*Chairman*)
- Dato' Hamzah Bakar
- Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
- Gee Siew Yoong

#### Board Appointment Process

The Nomination Committee is responsible for recommending new nominees to fill vacancies on the Board as well as Board Committees. All nominees are initially considered by the Nomination Committee taking into consideration the required mix of skills, competencies, experience, ethnicity, gender and nationality and other required qualities before they are recommended to the Board for consideration and approval. The Nomination Committee has a set of criteria to be used in the recruitment process and the annual assessment of Directors.

#### Re-election of Directors

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

In accordance with the Articles of Association of the Company, all newly appointed Directors are subject to re-election by the shareholders at the first AGM following their appointments. Additionally, at least one-third of 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 every three years. They will, however, be eligible for re-election at every AGM. The retiring Directors would be those who have been longest in office since their last election. This provides shareholders the opportunity to evaluate the performance of the Directors and promote effective Board members.

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

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

## STATEMENT ON CORPORATE GOVERNANCE

*Independence of Independent Directors*

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

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

*Conflict of Interest*

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

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

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

Activities undertaken by the Nomination Committee during FY2015 were as follows:

- (a) Assessed the competencies, commitments and contributions of the Directors standing for re-election at the AGM prior to tabling the same for the Board's recommendation to the shareholders;
- (b) Assessed the performance and effectiveness of the Board, Board Committees and individual directors for the financial year under review in ensuring the right mix of skills, competencies, experience and other required qualities;
- (c) Reviewed the training and development programmes for Directors to address the gaps, if any, and to enhance the necessary skills required;
- (d) Reviewed, assessed and evaluated the qualifications and experience of candidates proposed as Directors; and
- (e) Reviewed, assessed and evaluated potential conflict of interest positions of the Board members.

**Remuneration Committee**

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

The members of the Remuneration Committee are as follows:

- Dato' Hamzah Bakar (*Chairman*)
- Tan Sri Dato' Seri Shahril Shamsuddin
- Mohamed Rashdi Mohamed Ghazalli
- Tan Sri Mokhzani Mahathir (*resigned with effect from 4 March 2015*)

**Long-Term Incentive Plan ("LTIP") Committee**

The LTIP Committee assists the Board in administering the long-term incentive scheme available to eligible employees. The scheme is part of the Group's total reward strategy to provide the right remuneration and benefits, and serves to align eligible employees' interests with the long-term objectives and business strategy of the Group.

The members of the LTIP Committee are as follows:

- Dato' Hamzah Bakar (*Chairman*)
- Tan Sri Dato' Seri Shahril Shamsuddin
- Tan Sri Datuk Amar (Dr) Hamid Bugo

**COMPANY SECRETARY**

The Company Secretary is responsible for advising the Board on issues relating to compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as the best practices of governance. He is 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 Secretary who is responsible for ensuring that Board meeting procedures are adhered to and are in compliance with the applicable rules and regulations. The Board as a whole decides on the appointment and removal of the Company Secretary.

**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 the Group are prohibited from trading in securities or any kind of properties based on price-sensitive information and knowledge which have not been publicly announced.

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

**INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION**

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

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

### **Analyst Briefings on Quarterly Results**

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

### **Conferences and Roadshows**

Stakeholders engagement activities are also conducted through conferences and roadshows organised locally or overseas. Senior Management of the Company communicates the Group's strategy and the progress of various initiatives and updates to enable stakeholders to understand the operations of the Company 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 ensures analysts and investors are able to engage with key executives within the Group.

### **Corporate Website**

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

### **Annual Report**

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

### **Media Coverage**

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

### **General Meetings**

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

During the financial year under review, an Extraordinary General Meeting of the Company ("EGM") was held on 25 June 2014 in relation to the proposed establishment of a share issuance scheme of up to five percent (5%) of the issued and paid-up share capital of SapuraKencana in relation to a LTIP for the eligible employees (including Executive Directors) of SapuraKencana and its subsidiaries. The EGM provided shareholders with the opportunity to participate in discussions relating to the scheme and subsequently to vote on the same.

## **ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING**

### **Financial Reporting**

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

The Board takes responsibility for presenting balanced and meaningful assessments of the financial performance and prospects of the Group. The financial statements are drawn up in accordance with the provisions of the Act and the applicable approved Financial Reporting Standards in Malaysia. The Statement by Directors pursuant to Section 169 (15) of the Act is set out on page 89 of this Annual Report.

### **Relationship with External Auditors**

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

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

### **Directors' Responsibility Statement**

The Company and the Group's financial statements are drawn up in accordance with the applicable approved accounting standards. The Board has the responsibility for ensuring that the financial statements of the Company and the Group provide a true and fair view of the affairs of the Company and the Group. A statement on Directors' responsibilities in preparing the financial statements is set out on page 84 of this Annual Report.

## REPORT OF THE AUDIT COMMITTEE

**THE BOARD OF DIRECTORS (“BOARD”) OF SAPURAKENCANA PETROLEUM BERHAD (“SAPURAKENCANA” OR “COMPANY”) IS PLEASED TO PRESENT REPORT OF THE AUDIT COMMITTEE (“REPORT”) INCLUDING A SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015 (“FY2015”).**

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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

### COMPOSITION

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

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

### MEETINGS

A total of nine meetings were held during FY2015. The details of attendance of each member are as follows:

| Members   | Attendance | Percentage |
|---|------------|------------|
| Tunku Dato' Mahmood Fawzy<br>Tunku Muhiyiddin<br><i>Chairman</i>      | 9 out of 9 | 100%       |
| Tan Sri Datuk Amar (Dr) Hamid Bugo                                    | 9 out of 9 | 100%       |
| Mohamed Rashdi Mohamed Ghazalli                                       | 8 out of 9 | 89%        |
| Gee Siew Yoong<br><i>(Appointed with effect from<br/>22 May 2014)</i> | 6 out of 6 | 100%       |

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

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

The audit partner of the external auditors attended five Audit Committee meetings and presented both the auditors’ report on the annual audited financial statements and the auditors’ review of the unaudited quarterly financial results of the Group for FY2015.

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

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

The secretary of the Audit Committee meetings recorded the deliberations by the members at the meetings with regard to issues discussed and the outcome of these discussions. The minutes of the Audit Committee meetings were distributed to the Audit Committee members for their approval and confirmed at the subsequent meeting. The minutes were then tabled at the ensuing Board meetings for notation.

### **SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

Over the course of FY2015, the Audit Committee undertook these activities:

#### **Financial Reporting**

- Reviewed the quarterly financial results and performance of the Group and recommended the same for the approval of the Board; and
- Reviewed the audited financial statements of SapuraKencana for FY2015.

#### **Internal Audit**

- Reviewed the Group Internal Audit Plan (“Audit Plan”);
- Reviewed the internal audit reports prepared by Group Internal Audit (“GIA”) and deliberated major and critical findings including Management’s responses, the mitigation action plans and deadlines for closure; and
- Reviewed the effectiveness of the GIA function.

#### **External Audit**

- Reviewed and discussed the Audit Planning Memorandum of the Group for FY2015;
- Conducted private discussions in the absence of Management and the Company Secretary;
- Discussed the external auditor’s reviews of the quarterly financial statements of the Group; and
- Reviewed significant audit and accounting matters identified during statutory audit on the Group.

#### **Related Party Transactions**

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

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

- (i) In the best interests of the Group;
- (ii) Fair, reasonable and on normal commercial terms; and
- (iii) Not detrimental to the interests of our non-interested shareholders.

#### **Annual Report**

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

#### **INTERNAL AUDIT FUNCTION**

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

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

During FY2015, GIA carried out the following activities:

- (i) Prepared and presented the Audit Plan which included budget and human capital planning for the review and approval by the Audit Committee;
- (ii) Performed annual risk profiling on all companies including joint venture companies within the Group and thereafter, based on available resources, formed the basis of the Audit Plan for the Group;
- (iii) Based on the approved Audit Plan:
  - Performed compliance reviews on several Company Policies and Procedures, limits of authority and other statutory and regulatory requirements; and
  - Identified and reviewed the adequacy and effectiveness of several Company Policies and Procedures, internal controls, risk management and governance activities to provide suitable recommendations to Management for improvement.
- (iv) Prepared audit reports and sought Management’s responses on issues raised and thereafter, incorporated the updates into the final reports which were then circulated to the Audit Committee;
- (v) Presented audit reports during Audit Committee meetings for its deliberation;
- (vi) Carried out follow-up reviews and updated the status to the Audit Committee; and
- (vii) Performed ad-hoc and special reviews as requested by Management with the approval of the Audit Committee.

The cost incurred for the internal audit function of the Group during FY2015 was approximately RM5.8 million.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### ELEMENTS OF SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors (“Board”) acknowledges its responsibilities in establishing a sound risk management framework and internal control system as well as reviewing its adequacy and effectiveness at SapuraKencana Petroleum Berhad Group (“Group”). The Board ensures the system addresses and manages the Group’s key areas of risk within an acceptable risk profile to increase the likelihood of the Group’s policies being complied with and its business objectives being achieved. The system provides reasonable but not absolute assurance against material misstatement, loss or fraud.

### ROLES AND RESPONSIBILITIES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Management of the Group is accountable for providing assurance to the Board that risk management practices and internal control system are implemented and monitored. The Board received assurance from the President and Group Chief Executive Officer (“PGCEO”), the Senior Vice President of Group Strategy and Regional Development and the Senior Vice President of Group Strategy and Finance that risk management and internal control system of the Group are operating adequately and effectively.

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

### KEY PROCESSES ON RISK MANAGEMENT AND INTERNAL CONTROL

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

#### Group Risk Management

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

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

The framework is operationalised by the respective Risk Management units of each business segment whose primary roles consist 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 regular reviews and reporting. Risk reports cover assessment of risks, evaluation of effectiveness of the controls in place and the requirements for further controls. The key elements of these processes are as follows:

- (a) Reporting of significant risks to the Board through the Risk Committee on a quarterly basis;
- (b) Reporting of significant risks by business segments to the PGCEO as part of monthly business review meetings;
- (c) Reviewing key risks within each business segment at least on a quarterly basis;
- (d) Reporting of significant risks by business segments in their annual business plans; and
- (e) Conducting continuous risk awareness and review sessions with business segments on ERM’s best practices and promoting a proactive risk management culture.

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

#### Group Internal Audit (“GIA”)

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

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

GIA also followed-up and reported to the Audit Committee on a quarterly basis regarding the closure status of audit issues by the Management based on the recommendations highlighted in the internal audit reports. Further details of the activities of the GIA are outlined in the Report of the Audit Committee on page 81 of this Annual Report.

## ADDITIONAL COMPLIANCE INFORMATION

PURSUANT TO PARAGRAPH 9.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“MMLR”)

### **IMPOSITION OF SANCTIONS AND/OR PENALTIES**

During the financial year ended 31 January 2015 (“FY2015”), no sanctions and/or penalties were imposed on SapuraKencana Petroleum Berhad (“SapuraKencana” or “Company”) and its subsidiaries, Board of Directors (“Board”) or Management by the relevant regulatory bodies.

### **NON-AUDIT FEES**

The amount of non-audit fees paid to the external auditors of SapuraKencana and its subsidiaries for FY2015 was RM870,000.00.

### **SHARE BUYBACKS**

During FY2015, there was no share buybacks made under Chapter 12 of the MMLR.

### **OPTIONS OR CONVERTIBLE SECURITIES**

The Company did not issue any options or convertible securities during FY2015.

### **AMERICAN DEPOSITORY RECEIPT OR GLOBAL DEPOSITORY RECEIPT**

The Company did not sponsor any American Depository Receipt or Global Depository Receipt during FY2015.

### **RESULTS VARIATION**

There was no variation between the audited financial results in the audited financial statements for FY2015 and the unaudited financial results for FY2015 announced by the Company on 24 March 2015.

### **PROFIT GUARANTEE**

The Company did not grant any profit guarantee during FY2015.

### **LIST OF PROPERTIES**

The Company does not own any material properties during FY2015 as defined in the MMLR.

### **MATERIAL CONTRACTS**

There were no material contracts entered into by the Company and/or its subsidiaries involving the Board and major shareholders’ interests during FY2015 save as disclosed in Note 35 to the financial statements as set out on pages 155 and 156 of this Annual Report.

## STATEMENT ON DIRECTORS' RESPONSIBILITY

FOR THE AUDITED FINANCIAL STATEMENTS

The Companies Act, 1965 ("Act") requires the Board of Directors ("Board") to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company and the Group for each financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements for the financial year ended 31 January 2015 ("FY2015") have been prepared in accordance with the applicable approved Financial Reporting Standards issued by the Malaysia Accounting Standards Board and provisions of the Act.

In preparing the financial statements for FY2015 set out on pages 85 to 192 of this Annual Report, the Board considers that the Company and the Group have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Board also acknowledges that the Company and the Group have prepared the financial statements on a going concern basis.

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

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

This Statement on Directors' Responsibility is made in accordance with a resolution passed by the Board on 14 April 2015.

# FINANCIAL STATEMENTS

|  |   |  |
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## 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 2015.

### PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are as described in Note 40 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in the financial statements.

### RESULTS

|   | Group<br>RM'000 | Company<br>RM'000 |
|---|-----------------|-------------------|
| Profit for the financial year, net of tax | 1,433,460       | 426,588           |
| Attributable to:                          |                 |                   |
| Owners of the Parent                      | 1,432,752       | 426,588           |
| Non-controlling interests                 | 708             | -                 |
|   | 1,433,460       | 426,588           |

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 financial statements.

### DIVIDENDS

The amounts of dividends paid by the Company since 31 January 2014 were as follows:

|  | RM'000  |
|--|---------|
| In respect of the financial year ended 31 January 2015:  |         |
| First tax exempt (single-tier) interim and special dividends of 2.35 sen per ordinary share, on 5,992,155,087 ordinary shares. | 140,816 |
| Second tax exempt (single-tier) interim dividend of 2.00 sen per ordinary share, on 5,971,797,087 ordinary shares.             | 119,436 |
|  | 260,252 |

The directors do not recommend any final dividend in respect of the financial year ended 31 January 2015.

### DIRECTORS

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

Dato' Hamzah bin Bakar  
 Tan Sri Dato' Seri Shahril bin Shamsuddin  
 Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo  
 Dato' Shahrman bin Shamsuddin  
 Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin  
 Mohamed Rashdi bin Mohamed Ghazalli  
 Gee Siew Yoong  
 Ramlan bin Abdul Malek  
 Eduardo Navarro Antonello (Appointed on 25 September 2014)  
 John Fredriksen (Ceased as Alternate Director to Tor Olav Trøim on 25 September 2014 and appointed as Alternate Director to Eduardo Navarro Antonello on 23 October 2014)  
 Tan Sri Mokhzani bin Mahathir (Resigned on 4 March 2015)  
 Yeow Kheng Chew (Resigned on 4 March 2015)  
 Tor Olav Trøim (Resigned on 25 September 2014)

**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 35 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 in the Company and its related corporations during the financial year were as follows:

|  | Number of ordinary shares of RM1.00 each |                  |              |                            |
|--|--|------------------|--------------|----------------------------|
|  | As at<br>1.2.2014<br>'000                | Acquired<br>'000 | Sold<br>'000 | As at<br>31.1.2015<br>'000 |
| <b>The Company</b>                                       |  |                  |              |                            |
| <b>Indirect interest</b>                                 |  |                  |              |                            |
| Dato' Hamzah bin Bakar                                   | -  | 1,000            | -            | 1,000                      |
| Tan Sri Dato' Seri Shahril bin Shamsuddin                | 1,001,023                                | 6,522            | -            | 1,007,545                  |
| Dato' Shahrman bin Shamsuddin                            | 1,001,023                                | 6,522            | -            | 1,007,545                  |
| Mohamed Rashdi bin Mohamed Ghazalli                      | 49                                       | -                | -            | 49                         |
| Tan Sri Mokhzani bin Mahathir                            | 795,320                                  | 5,000            | 190,320      | 610,000                    |
| Yeow Kheng Chew  | -  | 5,000            | -            | 5,000                      |
| <b>Direct interest</b>                                   |  |                  |              |                            |
| Dato' Hamzah bin Bakar                                   | 5,000                                    | -                | -            | 5,000                      |
| Tan Sri Dato' Seri Shahril bin Shamsuddin                | 7,876                                    | -                | -            | 7,876                      |
| Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo | 256                                      | -                | -            | 256                        |
| Dato' Shahrman bin Shamsuddin                            | 506                                      | -                | -            | 506                        |
| Mohamed Rashdi bin Mohamed Ghazalli                      | 98                                       | -                | -            | 98                         |
| Tan Sri Mokhzani bin Mahathir                            | 9,494                                    | -                | -            | 9,494                      |
| Yeow Kheng Chew  | 22,181                                   | 1,000            | -            | 23,181                     |

Tan Sri Dato' Seri Shahril bin Shamsuddin and Dato' Shahrman 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.

**TREASURY SHARES**

During the financial year, the Company purchased 20,358,000 of its issued ordinary shares (from the open market at an average price of RM3.64 per share) via a trustee established by the Company for the purpose of share bonus scheme for eligible employees.

The total consideration paid for the purchase including transaction costs was RM80,000,000. The shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Further relevant details are disclosed in Note 25(iii) to the financial statements.

## DIRECTORS' REPORT (CONT'D.)

**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 their expected realisable values.
- (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.
- (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 EVENTS**

Significant events are disclosed in Note 28, 40(z) and 41 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 14 April 2015.

## STATEMENT BY DIRECTORS

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

We, Dato' Hamzah bin Bakar and Tan Sri Dato' Seri Shahril bin Shamsuddin, being two of the directors of SapuraKencana Petroleum Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 91 to 191 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2015 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 192 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 14 April 2015.

**Dato' Hamzah bin Bakar**

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

## STATUTORY DECLARATION

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

I, Chow Mei Mei, 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 192 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Chow Mei Mei  
at Kuala Lumpur in the Federal Territory  
on 14 April 2015

**Chow Mei Mei**

Before me,  
Kalasagar Nair (W513)  
Suite D3-U1-13, Blok D3  
Solaris Dutamas  
Jalan Dutamas 1  
50480 Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

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

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of SapuraKencana Petroleum Berhad, which comprise the statements of financial position as at 31 January 2015 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 91 to 191.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 January 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 40 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 192 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountant ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

**Ernst & Young**  
AF: 0039  
Chartered Accountants

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

Kuala Lumpur, Malaysia  
14 April 2015

## CONSOLIDATED AND SEPARATE INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Revenue  | 3    | 9,943,019      | 8,378,776      | 925,840        | 856,116        |
| Cost of sales  | 4    | (7,110,993)    | (6,270,871)    | -              | -              |
| <b>Gross profit</b>  |      | 2,832,026      | 2,107,905      | 925,840        | 856,116        |
| Other income   | 5    | 379,185        | 236,767        | 117,311        | 91,590         |
| Other expenses   |      | (301,491)      | (163,317)      | -              | -              |
| Administrative expenses  |      | (879,309)      | (764,578)      | (490,310)      | (402,850)      |
| <b>Operating profit</b>  |      | 2,030,411      | 1,416,777      | 552,841        | 544,856        |
| Finance costs  | 6    | (666,566)      | (443,831)      | (126,253)      | (163,051)      |
| Share of profit from associates and joint venture companies                        |      | 252,117        | 234,811        | -              | -              |
| <b>Profit before tax</b>   | 7    | 1,615,962      | 1,207,757      | 426,588        | 381,805        |
| Income tax (expense)/credit  | 10   | (182,502)      | (84,060)       | -              | 32,177         |
| <b>Profit net of tax</b>   |      | 1,433,460      | 1,123,697      | 426,588        | 413,982        |
| Profit attributable to:  |      |                |                |                |                |
| Owners of the Parent   |      | 1,432,752      | 1,086,914      | 426,588        | 413,982        |
| Non-controlling interests  |      | 708            | 36,783         | -              | -              |
|  |      | 1,433,460      | 1,123,697      | 426,588        | 413,982        |
| <b>Earnings per share attributable to owners of the Parent<br/>(sen per share)</b> |      |                |                |                |                |
| Basic  | 11   | 23.93          | 18.92          |                |                |

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

# CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Profit net of tax</b>  | 1,433,460      | 1,123,697      | 426,588        | 413,982        |
| <b>Other comprehensive income:</b>  |                |                |                |                |
| <i>Items that may be reclassified to income statements<br/>in subsequent periods:</i> |                |                |                |                |
| Foreign currency translation  | 655,379        | 33,521         | -              | -              |
| Share of other comprehensive income of joint venture<br>and associated companies      | 60,986         | (3,258)        | -              | -              |
| <b>Total other comprehensive income</b>   | 716,365        | 30,263         | -              | -              |
| <b>Total comprehensive income for the year</b>  | 2,149,825      | 1,153,960      | 426,588        | 413,982        |
| Total comprehensive income attributable to:   |                |                |                |                |
| Owners of the Parent  | 2,149,176      | 1,151,925      | 426,588        | 413,982        |
| Non-controlling interests   | 649            | 2,035          | -              | -              |
|   | 2,149,825      | 1,153,960      | 426,588        | 413,982        |

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

## CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 JANUARY 2015

|   | Note    | Group             |                   | Company           |                   |
|---|---------|-------------------|-------------------|-------------------|-------------------|
|   |         | 2015<br>RM'000    | 2014<br>RM'000    | 2015<br>RM'000    | 2014<br>RM'000    |
| <b>Assets</b>   |         |                   |                   |                   |                   |
| <b>Non-current assets</b>                                   |         |                   |                   |                   |                   |
| Property, plant and equipment                               | 13      | 13,770,854        | 12,518,547        | 27,304            | 30,385            |
| Intangible assets   | 14      | 7,739,990         | 7,452,446         | -                 | -                 |
| Expenditure on oil and gas properties                       | 15      | 5,555,063         | 769,672           | -                 | -                 |
| Investment in subsidiaries                                  | 16      | -                 | -                 | 9,020,515         | 6,172,165         |
| Investment in associates                                    | 17      | 45,066            | 44,251            | -                 | -                 |
| Investment in joint venture companies                       | 18      | 1,331,657         | 984,322           | -                 | -                 |
| Deferred tax assets   | 19      | 352,977           | 114,497           | 39,464            | 39,464            |
| Trade receivables   | 22      | 50,162            | 55,432            | -                 | -                 |
|   |         | 28,845,769        | 21,939,167        | 9,087,283         | 6,242,014         |
| <b>Current assets</b>                                       |         |                   |                   |                   |                   |
| Inventories   | 20      | 636,629           | 472,287           | -                 | -                 |
| Amount due from subsidiaries                                | 21      | -                 | -                 | 2,223,543         | 5,151,968         |
| Trade and other receivables                                 | 22      | 3,620,805         | 2,734,419         | 12,731            | 19,680            |
| Tax recoverable   |         | 203,030           | 81,957            | 11,087            | 4,280             |
| Cash and cash equivalents                                   | 24      | 1,256,551         | 1,386,661         | 24,796            | 145,544           |
|   |         | 5,717,015         | 4,675,324         | 2,272,157         | 5,321,472         |
| <b>Total assets</b>   |         | <b>34,562,784</b> | <b>26,614,491</b> | <b>11,359,440</b> | <b>11,563,486</b> |
| <b>Equity and liabilities</b>                               |         |                   |                   |                   |                   |
| <b>Equity attributable to equity holders of the Company</b> |         |                   |                   |                   |                   |
| Share capital   | 25(i)   | 5,992,155         | 5,992,155         | 5,992,155         | 5,992,155         |
| Share premium   | 25(ii)  | 2,074,255         | 2,074,255         | 2,074,255         | 2,074,255         |
| Treasury shares   | 25(iii) | (80,000)          | -                 | (80,000)          | -                 |
| Other reserves  | 26      | 728,829           | 12,405            | -                 | -                 |
| Retained profits  |         | 3,270,783         | 2,115,986         | 640,290           | 473,954           |
|   |         | 11,986,022        | 10,194,801        | 8,626,700         | 8,540,364         |
| <b>Non-controlling interests</b>                            |         | <b>6,950</b>      | <b>6,301</b>      | <b>-</b>          | <b>-</b>          |
| <b>Total equity</b>   |         | <b>11,992,972</b> | <b>10,201,102</b> | <b>8,626,700</b>  | <b>8,540,364</b>  |

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (CONT'D.)  
AS AT 31 JANUARY 2015

|   |        | Group          |                | Company        |                |
|---|--------|----------------|----------------|----------------|----------------|
|   | Note   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Non-current liabilities</b>              |        |                |                |                |                |
| Borrowings                                  | 28     | 15,854,690     | 11,326,261     | 327            | 2,347,510      |
| Amount due to subsidiaries                  | 27     | -              | -              | 1,626,000      | -              |
| Trade and other payables                    | 31(i)  | 683,786        | 625,422        | -              | -              |
| Provisions for assets retirement obligation | 31(ii) | 151,350        | -              | -              | -              |
| Derivatives                                 | 32     | -              | 893            | -              | -              |
| Deferred tax liabilities                    | 19     | 1,425,025      | 71,128         | -              | -              |
|   |        | 18,114,851     | 12,023,704     | 1,626,327      | 2,347,510      |
| <b>Current liabilities</b>                  |        |                |                |                |                |
| Amount due to subsidiaries                  | 27     | -              | -              | 695,981        | 70,660         |
| Borrowings                                  | 28     | 1,098,576      | 1,034,362      | 230            | 280,911        |
| Trade and other payables                    | 31(i)  | 3,191,979      | 3,250,430      | 410,202        | 322,266        |
| Provisions for assets retirement obligation | 31(ii) | 72,217         | -              | -              | -              |
| Derivatives                                 | 32     | -              | 1,775          | -              | 1,775          |
| Income tax payable                          |        | 92,189         | 103,118        | -              | -              |
|   |        | 4,454,961      | 4,389,685      | 1,106,413      | 675,612        |
| <b>Total liabilities</b>                    |        | 22,569,812     | 16,413,389     | 2,732,740      | 3,023,122      |
| <b>Total equity and liabilities</b>         |        | 34,562,784     | 26,614,491     | 11,359,440     | 11,563,486     |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|  | <----- Attributable to the owners of the parent -----> |                            |                            |                              |                             |                               | Total equity<br>attributable<br>to owners<br>of the parent<br>RM'000 | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
|--|--|----------------------------|----------------------------|------------------------------|-----------------------------|-------------------------------|--|--|---------------------------|
|  | Note   | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Treasury<br>shares<br>RM'000 | Other<br>reserves<br>RM'000 | Retained<br>profits<br>RM'000 |  |  |                           |
| <b>At 1 February 2014</b>                            |  | 5,992,155                  | 2,074,255                  | -                            | 12,405                      | 2,115,986                     | 10,194,801   | 6,301                                      | 10,201,102                |
| <b>Total comprehensive income</b>                    |  | -                          | -                          | -                            | 716,424                     | 1,432,752                     | 2,149,176  | 649  | 2,149,825                 |
|  |  | 5,992,155                  | 2,074,255                  | -                            | 728,829                     | 3,548,738                     | 12,343,977   | 6,950                                      | 12,350,927                |
| <b>Transactions with owners:</b>                     |  |                            |                            |                              |                             |                               |  |  |                           |
| Purchase of treasury shares                          | 25(iii)  | -                          | -                          | (80,000)                     | -                           | -                             | (80,000)   | -  | (80,000)                  |
| Dividends on ordinary shares                         | 12   | -                          | -                          | -                            | -                           | (260,252)                     | (260,252)  | -  | (260,252)                 |
| Effect arising from step acquisition of a subsidiary |  | -                          | -                          | -                            | -                           | (17,703)                      | (17,703)   | -  | (17,703)                  |
| Total transactions with owners                       |  | -                          | -                          | (80,000)                     | -                           | (277,955)                     | (357,955)  | -  | (357,955)                 |
| <b>At 31 January 2015</b>                            |  | 5,992,155                  | 2,074,255                  | (80,000)                     | 728,829                     | 3,270,783                     | 11,986,022   | 6,950                                      | 11,992,972                |

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

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

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|  |         | <----- Non-distributable -----> |                         | Distributable             |                            |                        |
|--|---------|---------------------------------|-------------------------|---------------------------|----------------------------|------------------------|
|  | Note    | Share capital<br>RM'000         | Share premium<br>RM'000 | Treasury shares<br>RM'000 | Retained profits<br>RM'000 | Total equity<br>RM'000 |
| <b>At 1 February 2014</b>                                  |         | 5,992,155                       | 2,074,255               | -                         | 473,954                    | 8,540,364              |
| Total comprehensive income                                 |         | -                               | -                       | -                         | 426,588                    | 426,588                |
|  |         | 5,992,155                       | 2,074,255               | -                         | 900,542                    | 8,966,952              |
| <b>Transactions with owners:</b>                           |         |                                 |                         |                           |                            |                        |
| Purchase of treasury shares                                | 25(iii) | -                               | -                       | (80,000)                  | -                          | (80,000)               |
| Dividends on ordinary shares                               | 12      | -                               | -                       | -                         | (260,252)                  | (260,252)              |
|  |         | -                               | -                       | (80,000)                  | (260,252)                  | (340,252)              |
| <b>At 31 January 2015</b>                                  |         | 5,992,155                       | 2,074,255               | (80,000)                  | 640,290                    | 8,626,700              |
| <b>At 1 February 2013</b>                                  |         | 5,004,366                       | 242,886                 | -                         | 59,972                     | 5,307,224              |
| Total comprehensive income                                 |         | -                               | -                       | -                         | 413,982                    | 413,982                |
|  |         | 5,004,366                       | 242,886                 | -                         | 473,954                    | 5,721,206              |
| <b>Transactions with owners:</b>                           |         |                                 |                         |                           |                            |                        |
| Issuance of ordinary shares, net                           | 25(i)   | 587,000                         | 992,238                 | -                         | -                          | 1,579,238              |
| Shares issued pursuant to acquisition of subsidiaries, net | 25(i)   | 400,789                         | 839,131                 | -                         | -                          | 1,239,920              |
|  |         | 987,789                         | 1,831,369               | -                         | -                          | 2,819,158              |
| <b>At 31 January 2014</b>                                  |         | 5,992,155                       | 2,074,255               | -                         | 473,954                    | 8,540,364              |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                       |                |                |
| Profit before tax   | 1,615,962      | 1,207,757      |
| Adjustments for:  |                |                |
| Amortisation of intangible assets                                 | 39,333         | 13,473         |
| Amortisation of expenditure on oil and gas properties             | 535,443        | 120,472        |
| Short term accumulating compensated absences                      | -              | 2,856          |
| Provision for impairment on receivables                           | 8,087          | 10,169         |
| Depreciation of property, plant and equipment                     | 715,079        | 504,129        |
| Property, plant and equipment written off                         | 4,747          | 306            |
| Provision for impairment on expenditure on oil and gas properties | 54,935         | -              |
| Net gain on disposal of property, plant and equipment             | (815)          | (3)            |
| Changes in provision  | (63,526)       | -              |
| Net fair value loss/(gain) on derivatives                         | 139            | (93)           |
| Share of profits from associates and joint venture companies      | (252,117)      | (234,811)      |
| Gain arising from acquisition of a subsidiary                     | (214,758)      | -              |
| Net unrealised foreign exchange loss/(gain)                       | 52,328         | (168,273)      |
| Interest expense  | 666,566        | 443,831        |
| Interest income   | (15,272)       | (17,168)       |
| Operating profit before working capital changes                   | 3,146,131      | 1,882,645      |
| Decrease/(increase) in inventories                                | 154,908        | (98,069)       |
| (Increase)/decrease in trade and other receivables                | (383,326)      | 786,636        |
| Decrease in trade and other payables                              | (569,064)      | (401,592)      |
| Changes in derivatives  | (2,807)        | (729)          |
| Changes in balances with joint venture companies and associates   | (45,877)       | 19,257         |
| Cash generated from operating activities                          | 2,299,965      | 2,188,148      |
| Taxes paid  | (455,371)      | (185,526)      |
| Net cash generated from operating activities                      | 1,844,594      | 2,002,622      |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D.)  
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| <b>Cash flows from investing activities</b>                           |                |                |
| Additional investment in joint venture companies                      | (24,370)       | -              |
| Net (advances to)/repayment from joint venture companies              | (25,393)       | 297,600        |
| Net cash outflow on acquisition of subsidiaries                       | (2,374,938)    | (5,697,673)    |
| Deposit on acquisition of Newfield Malaysia Holding Inc. (Note 40(z)) | -              | (300,335)      |
| Deposit on acquisition of oil and gas assets                          | (144,940)      | -              |
| Proceeds from disposal of property, plant and equipment               | 44,964         | 61             |
| Purchase of property, plant and equipment                             | (1,843,775)    | (2,366,418)    |
| Purchase of intangible assets   | (14,606)       | (35,283)       |
| Expenditure on oil and gas properties                                 | (486,140)      | (173,234)      |
| Interest received   | 12,184         | 9,627          |
| Dividends received from a joint venture company                       | 40,888         | -              |
| Acquisition of non-controlling interests                              | -              | (437,034)      |
| Dividend paid to non-controlling interest of a subsidiary             | -              | (44,475)       |
| Net cash used in investing activities                                 | (4,816,126)    | (8,747,164)    |
| <b>Cash flows from financing activities</b>                           |                |                |
| Issuance of ordinary shares, net                                      | -              | 1,579,238      |
| Purchase of treasury shares (Note 25(iii))                            | (80,000)       | -              |
| Dividend paid on ordinary shares (Note 12)                            | (140,816)      | -              |
| Redemption of Sukuk Mudharabah (Note 30)                              | (700,000)      | -              |
| Net repayment of hire purchase and finance lease creditors            | (3,320)        | (5,679)        |
| Net drawdown of term loans and Murabahah facilities                   | 6,376,914      | 4,397,430      |
| Redemption of Istisna' Bonds  | -              | (190,000)      |
| Net (repayment)/drawdown of revolving credit                          | (2,153,353)    | 1,690,158      |
| Interest paid   | (555,077)      | (388,209)      |
| Net cash generated from financing activities                          | 2,744,348      | 7,082,938      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>           | (227,184)      | 338,396        |
| <b>Effects of exchange rate changes</b>                               | 97,074         | 22,493         |
| <b>Cash and cash equivalents at beginning of the year</b>             | 1,386,661      | 1,025,772      |
| <b>Cash and cash equivalents at end of year (Note 24)</b>             | 1,256,551      | 1,386,661      |

## COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2015

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                 |                |                |
| Profit before tax   | 426,588        | 381,805        |
| Adjustments for:  |                |                |
| Depreciation of plant and equipment                         | 13,475         | 5,889          |
| Short term accumulating compensated absences                | -              | 786            |
| Net fair value gain on derivatives                          | -              | (93)           |
| Dividend income   | (672,607)      | (651,105)      |
| Loss/(gain) on disposal of plant and equipment              | 394            | (65)           |
| Net unrealised foreign exchange loss/(gain)                 | 72,308         | (16,301)       |
| Interest expense  | 126,253        | 163,051        |
| Interest income   | (47,481)       | (74,824)       |
| Operating loss before working capital changes               | (81,070)       | (190,857)      |
| Net changes in balances with related companies              | 2,456,548      | (1,368,505)    |
| Decrease/(increase) in other receivables                    | 10,252         | (9,291)        |
| (Decrease)/increase in other payables                       | (84,132)       | 195,252        |
| Cash generated from/(used in) operating activities          | 2,301,598      | (1,373,401)    |
| Taxes (paid)/refund   | (6,807)        | 3,282          |
| Net cash generated from/(used in) operating activities      | 2,294,791      | (1,370,119)    |
| <b>Cash flows from investing activities</b>                 |                |                |
| Proceeds from disposal of plant and equipment               | 264            | 65             |
| Purchase of plant and equipment                             | (11,052)       | (9,029)        |
| Interest received   | 643            | 3,180          |
| Dividends received from subsidiaries                        | 520,608        | 616,640        |
| Net cash generated from investing activities                | 510,463        | 610,856        |
| <b>Cash flows from financing activities</b>                 |                |                |
| Issuance of ordinary shares, net                            | -              | 1,579,238      |
| Purchase of treasury shares (Note 25(iii))                  | (80,000)       | -              |
| Dividends paid on ordinary shares (Note 12)                 | (140,816)      | -              |
| Repayment of hire purchase creditors                        | (764)          | (1,869)        |
| Repayment of revolving credit, net                          | (280,553)      | (277,048)      |
| Repayment Sukuk Mudharabah (Note 30)                        | (700,000)      | -              |
| Repayment of term loan, net                                 | (1,691,250)    | (358,750)      |
| Interest paid   | (32,619)       | (149,341)      |
| Net cash (used in)/generated from financing activities      | (2,926,002)    | 792,230        |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | (120,748)      | 32,967         |
| <b>Cash and cash equivalents at beginning of year</b>       | 145,544        | 112,577        |
| <b>Cash and cash equivalents at end of year (Note 24)</b>   | 24,796         | 145,544        |

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

# NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY 2015

## 1. CORPORATE INFORMATION

SapuraKencana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Menara SapuraKencana Petroleum, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur and the principal place of business is located at Level 6, Menara SapuraKencana Petroleum, Solaris Dutamas, 1, Jalan Dutamas 1, 50480 Kuala Lumpur.

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are as described in Note 40 to the financial statements. There were no significant changes in the nature of these activities during the financial year, other than as disclosed in the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 April 2015.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

### 2.2 Changes in accounting policies

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

On 1 February 2014, the Group and the Company adopted the following new and amended MFRS and IC Interpretations:

| Description   | Effective for annual periods beginning on or after |
|---|--|
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities                  | 1 January 2014                                     |
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities     | 1 January 2014                                     |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets   | 1 January 2014                                     |
| Amendments to MFRS 139: Novation Derivatives and Continuation of Hedge Accounting | 1 January 2014                                     |
| IC Interpretation 21: Levies  | 1 January 2014                                     |

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

#### Amendments to MFRS 10, MFRS 12, and MFRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10: *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

#### Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively. These amendments have no impact to the Group, since none of the entities in the Group has any offsetting arrangements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.2 Changes in accounting policies (cont'd.)****Amendments to MFRS 136: Recoverable Amount Disclosure for Non-Financial Assets**

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13: *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group’s and the Company’s financial statements.

**2.3 Standards issued but not yet effective**

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

| Description  | Effective for annual periods beginning on or after |
|--|--|
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions  | 1 July 2014  |
| Annual improvements to MFRS 2010 - 2012 Cycle  | 1 July 2014  |
| Annual improvements to MFRS 2011 - 2013 Cycle  | 1 July 2014  |
| Annual improvements to MFRS 2012 - 2014 Cycle  | 1 January 2016                                     |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation            | 1 January 2016                                     |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants  | 1 January 2016                                     |
| Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016                                     |
| Amendments to MFRS 11: Accounting for Acquisitions of interest in Joint Operations                                   | 1 January 2016                                     |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements   | 1 January 2016                                     |
| Amendments to MFRS 101: Disclosure Initiative  | 1 January 2016                                     |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception               | 1 January 2016                                     |
| MFRS 14: Regulatory Deferral Accounts  | 1 January 2016                                     |
| MFRS 15: Revenue from Contracts with Customers   | 1 January 2017                                     |
| MFRS 9: Financial Instruments  | 1 January 2018                                     |

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

**MFRS 9: Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9: *Financial Instruments* which reflects all phases of the financial instruments project and replaces MFRS 139: *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

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

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

#### **MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: *Revenue*, MFRS 111: *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of MFRS 15.

### 2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

### 2.4 Basis of consolidation (cont'd.)

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

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

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

#### ***Business Combinations***

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

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

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

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

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

Acquisition of subsidiaries that meets that conditions of a merger is accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries 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 Subsidiaries

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

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

### 2.6 Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

### 2.7 Investments in joint operations

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

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

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

### 2.8 Transaction with non-controlling interests

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

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

### 2.9 Foreign currency

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.10 Property, plant and equipment**

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

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

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, whichever is shorter.

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

|   |           |
|---|-----------|
| Leasehold land  | 1% - 2%   |
| Building and structure  | 1% - 2%   |
| Vessels, remotely operated vehicles ("ROV") and saturation diving system ("SAT System") | 4% - 20%  |
| Tender assisted drilling rigs, and plant and machinery                                  | 3% - 50%  |
| Other equipments, tools and implements  | 20%       |
| Furniture, equipments and motor vehicles  | 10% - 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.

**2.11 Intangible assets****(a) Goodwill**

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.11 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.

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

|                              |                              |
|------------------------------|------------------------------|
| Patents                      | 10 years                     |
| Intellectual property rights | 5 years                      |
| Software                     | 3 years                      |
| Customer contracts           | Remaining contractual period |

Other development cost is amortised over the period of expected sales from the related projects on a straight line basis.

**2.12 Expenditure on oil and gas properties**

Expenditure on oil and gas properties is stated at cost less accumulated amortisation, depreciation, depletion and any impairment. Expenditure on oil and gas properties comprise the following:

**(a) Risk Sharing Contract ("RSC")**

Cost comprises the purchase price or construction cost and any costs directly attributable in making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortisation is computed on a straight line basis over the remaining term of the 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.

**(b) Production Sharing Contract ("PSC")****(i) Oil and gas Properties**

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development well is capitalised within oil and gas properties.

Amortisation of producing oil and gas properties is computed based on the unit of production method using:

- (a) total proved and probable reserve for capitalised acquisition costs; and
- (b) total proved and probable developed reserves for capitalised exploration and development costs.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate.

Cost associated with production and general corporate activities are expensed in the period incurred.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.12 Expenditure on oil and gas properties (cont'd.)****(b) Production Sharing Contract ("PSC") (cont'd.)****(ii) Exploration and development expenditure**

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

**(a) Exploration and evaluation expenditure**

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

If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as exploration and evaluation assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

When a development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to development in progress in expenditures on oil and gas properties.

**(b) Development expenditure**

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

Upon commencement of production, the exploration and development expenditure initially capitalised as development in progress are transferred to oil and gas properties.

**2.13 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset that has a finite economic useful life 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 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. 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 profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

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

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

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

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

#### (b) Loans and receivables

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

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

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

#### (c) Held-to-maturity investments

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

#### (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.

A financial asset is derecognised when 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.

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

### 2.15 Impairment of financial assets carried at amortised cost

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

Financial assets are impaired when there is objective evidence as a result of one or more events that the present value of estimated discounted future cash flows is lower than the carrying value. Any impairment losses are recognised immediately in the income statement.

Financial assets are continuously monitored and allowances applied against financial assets consist of both specific impairments and collective impairments based on the Group's and the Company's historical loss experiences for the relevant aged category and taking into account general economic conditions.

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 reversal of the previously recognised impairment loss is recognised in the income statement.

### 2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

### 2.19 Provisions

#### (a) Provision for asset retirement obligations

Decommissioning and restoration costs are recognised when the Group has the obligation to dismantle and remove a facility or an item of oil and gas properties and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

A corresponding item of plant, property and equipment of an amount equivalent to the provision is also created. The change in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment to the provision and the corresponding oil and gas properties.

#### (b) Other provisions

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

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

### 2.20 Financial liabilities

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

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

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

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

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

#### (b) Other financial liabilities

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.20 Financial liabilities (cont'd.)****(c) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified 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.

**2.21 Borrowing costs**

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

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

**2.22 Employee benefits****(i) Short term benefit**

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

**(ii) Defined contribution plans**

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

**2.23 Leases****(a) As lessee**

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

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.

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

### 2.23 Leases (cont'd.)

#### (a) As lessee (cont'd.)

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 hire revenue is set out in Note 2.24(c).

### 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 (if applicable) as and when the services are performed.

#### (b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method, as described in Note 2.17.

#### (c) Hire revenue

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

#### (d) Sale of oil and gas and its related products

Revenue from sale of oil and gas and its related products are recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

#### (e) Interest income

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

#### (f) Dividend income

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

#### (g) Intellectual property rights, trademarks and branding fees

Intellectual property rights, trademarks and branding fees are charged to subsidiaries for the use of the Company's intellectual property rights, trademarks and brand.

### 2.25 Income taxes

#### (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.25 Income taxes (cont'd.)****(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.

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.26 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided for the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

**2.27 Share capital**

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

### 2.28 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are purchased by the Company, the amount of consideration paid is recognised directly in equity. Purchased shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 2.29 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 the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

### 2.30 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:

- (a) 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
- (b) 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
- (c) 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 criteria for hedge accounting are accounted for as follows:

#### 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.31 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.

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:

**(a) Judgements made in applying accounting policies**

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact on the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**(i) Treatment of contract variation**

Included in the financial statements are values of change orders that have not yet been approved which are at various stages of process with the customers. These are included in Note 23. In this respect, the values are estimated based on the management's assessment and judgement as to the realisable amount.

The complexity of estimation process, risks and uncertainties will affect the amounts reported in the financial statements. Depending on the outcome of negotiations with customers, this could result in reduction/increase in attributable profits/losses.

The directors are of the opinion that the change orders recognised in the financial statements represents the best estimate, with justifiable grounds for the claims submitted and favourable progress of discussions with the customers.

**(b) Key sources of estimation uncertainty**

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

**(i) Impairment****(a) 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. Further details are disclosed in Note 14.

**(b) Oil and gas properties**

In assessing whether an impairment is required for the carrying value of a potentially impaired asset, its carrying value is compared against its recoverable amount. Assets are tested for impairment as part of a cash-generating unit. The recoverable amount is the higher of the asset's fair value less costs to sell and its value-in-use. Due to the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the Group's impairment of oil and gas properties and exploration and evaluation assets is its value-in-use.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.31 Significant accounting judgements and estimates (cont'd.)****(b) Key sources of estimation uncertainty (cont'd.)****(i) Impairment (cont'd.)****(b) Oil and gas properties (cont'd.)**

In estimating future cash flows for value-in-use of the cash-generating units, the following factors are considered:

- remaining unexpired PSC period;
- crude oil prices;
- future capital and operating expenditures to be spent on the projects which meet the Group's investment criteria and their corresponding incremental reserves potentially to be recovered; and
- current and forecasted market conditions.

The future cash flows are subject to change as new information become available on the above factors and the changes may eventually affect income statement through impairment charges or reversal of impairment.

**(c) 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.

**(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 based on 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) Estimation of oil and gas reserves**

Estimates of recoverable quantities of reserves reported, assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs affect expected future cash flows.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.31 Significant accounting judgements and estimates (cont'd.)****(b) Key sources of estimation uncertainty (cont'd.)****(v) Estimation of oil and gas reserves (cont'd.)**

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

Such revisions will impact the Group's financial position and results which includes:

- (a) carrying value of oil and gas properties and their corresponding amortisation charges;
- (b) carrying value of projects-in-progress;
- (c) provisions for decommissioning and restoration;
- (d) carrying value of deferred tax assets/liabilities.

**(vi) Exploration and evaluation assets**

The Group's accounting policy for exploration and evaluation assets is set out in Note 2.12(ii)(a). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploration or sale, the relevant capitalised amount will be written off in the income statement.

**(vii) Provision for asset retirement obligations**

Provisions are made for the future decommissioning and restoration of certain oil and gas production facilities and pipelines at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas properties.

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when the removal events actually occurs are uncertain. Because actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
31 JANUARY 2015**3. REVENUE**

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

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Installation of pipelines and facilities                                     | 2,281,799      | 2,889,240      | -              | -              |
| Engineering, procurement, construction and commissioning                     | 1,960,459      | 1,755,829      | -              | -              |
| Offshore drilling services   | 2,739,126      | 2,295,178      | -              | -              |
| Oilfield development and production  | 2,081,861      | 379,054        | -              | -              |
| Offshore support, geotechnical, maintainance and consultation services       | 879,774        | 1,059,475      | -              | -              |
| Dividend income  | -              | -              | 672,607        | 651,105        |
| Management fees from subsidiaries  | -              | -              | 182,284        | 135,011        |
| Intellectual property rights, trademarks and branding fees from subsidiaries | -              | -              | 70,949         | 70,000         |
|  | 9,943,019      | 8,378,776      | 925,840        | 856,116        |

**4. COST OF SALES**

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

**5. OTHER INCOME**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Interest income                                   |                |                |                |                |
| - third parties                                   | 15,272         | 11,094         | 643            | 3,180          |
| - joint venture companies                         | -              | 6,074          | -              | -              |
| - subsidiaries                                    | -              | -              | 46,838         | 71,644         |
| Net fair value gains on derivatives               | -              | 93             | -              | 93             |
| Gain on disposal of scrap materials               | -              | 3,941          | -              | -              |
| Gain on disposal of property, plant and equipment | 815            | 3              | -              | 65             |
| Gain arising from acquisition of subsidiaries     | 214,758        | -              | -              | -              |
| Foreign exchange differences:                     |                |                |                |                |
| - net unrealised exchange gain                    | -              | 168,273        | -              | 16,301         |
| - net realised exchange gain                      | 51,168         | 40,361         | 69,001         | -              |
| Changes in provision                              | 63,526         | -              | -              | -              |
| Miscellaneous income                              | 33,646         | 6,928          | 829            | 307            |
|   | 379,185        | 236,767        | 117,311        | 91,590         |

**6. FINANCE COSTS**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Interest expense on borrowings   | 677,556        | 458,552        | 126,253        | 163,051        |
| Less: Interest expense capitalised in property, plant and equipment (Note 13(c)) | (39,769)       | (14,721)       | -              | -              |
|  | 637,787        | 443,831        | 126,253        | 163,051        |
| Accretion of asset retirement obligations  | 28,779         | -              | -              | -              |
|  | 666,566        | 443,831        | 126,253        | 163,051        |

**7. PROFIT BEFORE TAX**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| This is arrived at after charging:                                   |                |                |                |                |
| Employee benefits expense (Note 8)                                   | 2,072,148      | 1,441,108      | 220,066        | 218,368        |
| Non-executive directors' remuneration (Note 9)                       | 5,319          | 2,415          | 5,258          | 2,324          |
| Auditors' remuneration:  |                |                |                |                |
| - Statutory audits:  |                |                |                |                |
| - Group auditors   | 3,363          | 2,782          | 166            | 100            |
| - Other auditors   | 286            | 106            | -              | -              |
| - Other services:  |                |                |                |                |
| - Group auditors   | 870            | 2,229          | 870            | 1,022          |
| Charter of vessels, barges and rigs and hire of equipment *          | 488,489        | 339,193        | -              | -              |
| Depreciation of property, plant and equipment *                      | 715,078        | 500,605        | 13,475         | 5,889          |
| Amortisation of intangible assets (Note 14)                          | 39,333         | 13,473         | -              | -              |
| Amortisation of expenditure on oil and gas properties (Note 15)      | 535,443        | 120,472        | -              | -              |
| Loss on disposal of property, plant and equipment                    | -              | -              | 394            | -              |
| Property, plant and equipment written off                            | 4,747          | 306            | -              | -              |
| Rental of premises   | 55,952         | 34,372         | 5,892          | 3,949          |
| Foreign exchange differences:  |                |                |                |                |
| - net unrealised exchange loss                                       | 52,328         | -              | 72,308         | -              |
| - net realised exchange loss   | -              | -              | -              | 13,347         |
| Provision for impairment on receivables                              | 8,087          | 10,169         | -              | -              |
| Provision for impairment on oil and gas properties (Note 15)         | 54,935         | -              | -              | -              |
| Net fair value loss on derivatives                                   | 139            | -              | -              | -              |
| Realised loss on settlement of derivatives                           | -              | 4,168          | -              | 3,342          |
| Intellectual property rights, trademarks and branding fees (Note 35) | 70,000         | 70,000         | 70,000         | 70,000         |

\* Depreciation of property, plant and equipment and charter of vessels, barges and rigs and hire of equipment shown above exclude amounts charged in the construction contract costs as explained in Note 23.

**8. EMPLOYEE BENEFITS EXPENSE**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Wages and salaries                               | 1,827,237      | 1,229,857      | 196,811        | 192,310        |
| Social security contributions                    | 18,314         | 4,525          | 147            | 167            |
| Contributions to defined contribution plan       | 82,727         | 86,101         | 21,204         | 23,168         |
| Other benefits                                   | 253,283        | 120,625        | 1,904          | 2,723          |
|  | 2,181,561      | 1,441,108      | 220,066        | 218,368        |
| Represented by:                                  |                |                |                |                |
| Billed to joint venture partners                 | 51,461         | -              | -              | -              |
| Capitalised in exploration and evaluation assets | 57,952         | -              | -              | -              |
| Charged to income statement (Note 7)             | 2,072,148      | 1,441,108      | 220,066        | 218,368        |
|  | 2,181,561      | 1,441,108      | 220,066        | 218,368        |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration as disclosed in Note 9.

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## 9. DIRECTORS' REMUNERATION

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Directors of the Company</b>  |                |                |                |                |
| Executive:   |                |                |                |                |
| Salaries and other emoluments  | 89,707         | 113,425        | 89,707         | 113,425        |
| Benefits-in-kind   | 44             | 974            | 44             | 974            |
|  | 89,751         | 114,399        | 89,751         | 114,399        |
| Non-Executive:   |                |                |                |                |
| Fees   | 5,319          | 2,374          | 5,258          | 2,283          |
| Other emoluments   | -              | 41             | -              | 41             |
| Total remuneration (Note 7)  | 5,319          | 2,415          | 5,258          | 2,324          |
| Benefits-in-kind   | 52             | 34             | 52             | 7              |
|  | 5,371          | 2,449          | 5,310          | 2,331          |
|  | 95,122         | 116,848        | 95,061         | 116,730        |
| Analysis excluding benefits-in-kind:   |                |                |                |                |
| Total executive directors' remuneration, excluding benefits-in-kind              | 89,707         | 113,425        | 89,707         | 113,425        |
| Total non-executive directors' remuneration, excluding benefits-in-kind (Note 7) | 5,319          | 2,415          | 5,258          | 2,324          |
| Total directors' remuneration excluding benefits-in-kind                         | 95,026         | 115,840        | 94,965         | 115,749        |

## 10. INCOME TAX EXPENSE

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Income tax:                                      |                |                |                |                |
| Malaysian income tax                             | 189,363        | 129,129        | -              | -              |
| Foreign tax                                      | 92,056         | 54,722         | -              | -              |
|  | 281,419        | 183,851        | -              | -              |
| Under/(over)provided in prior years:             |                |                |                |                |
| Malaysian income tax                             | 6,900          | (5,819)        | -              | -              |
| Foreign tax                                      | (3,989)        | (745)          | -              | -              |
|  | 2,911          | (6,564)        | -              | -              |
|  | 284,330        | 177,287        | -              | -              |
| Deferred tax (Note 19):                          |                |                |                |                |
| Relating to origination of temporary differences | (78,631)       | (91,737)       | -              | (34,644)       |
| (Over)/underprovided in prior years              | (23,197)       | (1,490)        | -              | 2,467          |
|  | (101,828)      | (93,227)       | -              | (32,177)       |
| Total income tax expense/(credit)                | 182,502        | 84,060         | -              | (32,177)       |

**10. INCOME TAX EXPENSE (CONT'D.)**

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year tax rate of 25%, effective 2016.

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38%.

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

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:

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| <b>Group</b>  |                |                |
| Profit before tax   | 1,615,962      | 1,207,757      |
| Taxation at Malaysian statutory tax rate of 25% (2014: 25%)   | 317,845        | 301,939        |
| Effect of taxation at Malaysian petroleum income tax rate of 38%  | 130,980        | -              |
| Effect of different tax rates in other countries and jurisdictions  | (100,872)      | (206,722)      |
| Effect of losses from foreign sources not deductible for tax purposes   | 4,153          | 15,275         |
| Effect of utilisation of 70% exemption as approved Treasury Management Centre by Malaysian Investment Development Authority | (7,117)        | -              |
| Effect of income not subject to tax   | (126,433)      | (24,521)       |
| Effect of double deduction of expenses and tax incentive  | (1,493)        | (84)           |
| Effect of expenses not deductible for tax purposes  | 132,127        | 104,790        |
| Effect of share of results of associates and joint venture companies  | (63,029)       | (58,703)       |
| Effect of current year reinvestment allowance   | (77)           | (13,193)       |
| Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances                               | (5,979)        | (4,280)        |
| Deferred tax assets recognised on previously unrecognised tax allowances carried forward                                    | (117,407)      | (23,381)       |
| Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances                | 40,090         | 994            |
| Overprovision of deferred tax in prior years  | (23,197)       | (1,490)        |
| Under/(over) provision of tax expense in prior years  | 2,911          | (6,564)        |
| Income tax expense for the year   | 182,502        | 84,060         |
| <b>Company</b>  |                |                |
| Profit before tax   | 426,588        | 381,805        |
| Taxation at Malaysian statutory tax rate of 25% (2014: 25%)   | 106,647        | 95,451         |
| Effect of income not subject to tax   | (168,152)      | (162,176)      |
| Effect of expenses not deductible for tax purposes  | 55,070         | 32,081         |
| Deferred tax assets not recognised  | 6,435          | -              |
| Underprovision of deferred tax in prior years   | -              | 2,467          |
| Income tax credit for the year  | -              | (32,177)       |

**11. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

|   | Group     |           |
|---|-----------|-----------|
|   | 2015      | 2014      |
| Profit for the year attributable to owners of the parent (RM'000) | 1,432,752 | 1,086,914 |
| Weighted average number of ordinary shares in issue ('000) *      | 5,987,066 | 5,745,208 |
| Basic earnings per share (sen)                                    | 23.93     | 18.92     |

\* The weighted average number of shares takes into account the weighted average effect of treasury shares transactions during the year.

**12. DIVIDENDS**

|  | Group and Company |        |
|--|-------------------|--------|
|  | 2015              | 2014   |
|  | RM'000            | RM'000 |
| <b>Recognised during the financial year:</b>   |                   |        |
| Dividends on ordinary shares:  |                   |        |
| First tax exempt (single-tier) interim and special dividends of 2.35 sen per ordinary share, on 5,992,155,087 ordinary shares. | 140,816           | -      |
| Second tax exempt (single-tier) interim dividend of 2.00 sen per ordinary share, on 5,971,797,087 ordinary shares.             | 119,436           | -      |
|  | 260,252           | -      |

**13. PROPERTY, PLANT AND EQUIPMENT**

|   | Freehold land<br>RM'000 | Leasehold land and buildings<br>RM'000 | Vessels and related dry docking, ROVs, and SAT system<br>RM'000 | Tender assisted drilling rigs and related dry docking, and plant and machinery<br>RM'000 | Other equipments, tools and implements<br>RM'000 | Furniture, equipment and motor vehicles<br>RM'000 | Tender assisted drilling rigs, vessels and SAT system under construction<br>RM'000 | Total<br>RM'000 |
|---|-------------------------|--|---|--|--|---|--|-----------------|
| <b>Group</b>  |                         |  |   |  |  |   |  |                 |
| <b>At 31 January 2015</b>                           |                         |  |   |  |  |   |  |                 |
| <b>Cost</b>   |                         |  |   |  |  |   |  |                 |
| At 1 February 2014                                  | 4,568                   | 465,021                                | 2,591,130   | 9,181,575  | 17,158   | 243,820   | 2,289,182  | 14,792,454      |
| Additions   | -                       | 25,204                                 | 162,257   | 401,302  | 10,574   | 95,205  | 474,986  | 1,169,528       |
| Acquisition of subsidiaries (Note 40 (z))           | -                       | -                                      | -   | -  | -  | 7,089   | -  | 7,089           |
| Disposals   | -                       | -                                      | (1,479)   | (454,953)  | -  | (3,359)   | -  | (459,791)       |
| Write-off   | -                       | -                                      | -   | (19,973)   | -  | -   | -  | (19,973)        |
| Reclassification                                    | -                       | -                                      | 1,460,296   | 1,156,796  | -  | -   | (2,617,092)  | -               |
| Transfer from expenditure on oil and gas properties | -                       | -                                      | -   | -  | -  | 1,427   | -  | 1,427           |
| Exchange differences                                | -                       | -                                      | 175,834   | 954,187  | -  | 42,225  | 295,273  | 1,467,519       |
| At 31 January 2015                                  | 4,568                   | 490,225                                | 4,388,038   | 11,218,934   | 27,732   | 386,407   | 442,349  | 16,958,253      |

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

|  | Freehold<br>land<br>RM'000 | Leasehold<br>land and<br>buildings<br>RM'000 | Vessels and<br>related dry<br>docking,<br>ROVs, and<br>SAT system<br>RM'000 | Tender<br>assisted<br>drilling<br>rigs and<br>related dry<br>docking, and<br>plant and<br>machinery<br>RM'000 | Other<br>equipments,<br>tools and<br>implements<br>RM'000 | Furniture,<br>equipment<br>and<br>motor<br>vehicles<br>RM'000 | Tender<br>assisted<br>drilling rigs,<br>vessels and<br>SAT system<br>under<br>construction<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|--|---|---|---|---|--|-----------------|
| <b>Group (cont'd.)</b>                         |                            |  |   |   |   |   |  |                 |
| <b>At 31 January 2015 (cont'd.)</b>            |                            |  |   |   |   |   |  |                 |
| <b>Accumulated depreciation and impairment</b> |                            |  |   |   |   |   |  |                 |
| At 1 February 2014                             | -                          | 36,268                                       | 593,986   | 1,516,474   | 13,772  | 113,407   | -  | 2,273,907       |
| Depreciation charge for the year               | -                          | 8,555  | 148,007   | 512,185   | 1,948   | 44,384  | -  | 715,079         |
| Disposals                                      | -                          | -  | (1,277)   | (412,192)   | -   | (2,173)   | -  | (415,642)       |
| Write-off                                      | -                          | -  | -   | (15,226)  | -   | -   | -  | (15,226)        |
| Exchange differences                           | -                          | -  | 5,183   | 592,754   | -   | 31,344  | -  | 629,281         |
| At 31 January 2015                             | -                          | 44,823                                       | 745,899   | 2,193,995   | 15,720  | 186,962   | -  | 3,187,399       |
| <b>Net carrying amount</b>                     |                            |  |   |   |   |   |  |                 |
| At 31 January 2015                             | 4,568                      | 445,402                                      | 3,642,139   | 9,024,939   | 12,012  | 199,445   | 442,349  | 13,770,854      |
| <b>At 31 January 2014</b>                      |                            |  |   |   |   |   |  |                 |
| <b>Cost</b>                                    |                            |  |   |   |   |   |  |                 |
| At 1 February 2013                             | 4,568                      | 378,768                                      | 2,189,309   | 2,051,286   | 15,243  | 204,954   | 706,514  | 5,550,642       |
| Additions                                      | -                          | 86,253                                       | 373,692   | 1,157,107   | 1,915   | 39,957  | 1,463,494  | 3,122,418       |
| Acquisition of subsidiaries                    | -                          | -  | -   | 5,151,487   | -   | 2,593   | 241,557  | 5,395,637       |
| Disposals                                      | -                          | -  | (2,545)   | (5,239)   | -   | (692)   | -  | (8,476)         |
| Write-off                                      | -                          | -  | -   | (575)   | -   | (825)   | -  | (1,400)         |
| Reclassification                               | -                          | -  | -   | 161,058   | -   | -   | (161,058)  | -               |
| Exchange differences                           | -                          | -  | 30,674  | 666,451   | -   | (2,167)   | 38,675   | 733,633         |
| At 31 January 2014                             | 4,568                      | 465,021                                      | 2,591,130   | 9,181,575   | 17,158  | 243,820   | 2,289,182  | 14,792,454      |
| <b>Accumulated depreciation and impairment</b> |                            |  |   |   |   |   |  |                 |
| At 1 February 2013                             | -                          | 29,000                                       | 472,639   | 724,335   | 12,690  | 89,492  | -  | 1,328,156       |
| Acquisition of subsidiaries                    | -                          | -  | -   | 336,506   | -   | 1,647   | -  | 338,153         |
| Depreciation charge for the year               | -                          | 7,268  | 117,811   | 354,296   | 1,082   | 23,672  | -  | 504,129         |
| Disposals                                      | -                          | -  | (2,627)   | (5,248)   | -   | (543)   | -  | (8,418)         |
| Write-off                                      | -                          | -  | -   | (491)   | -   | (603)   | -  | (1,094)         |
| Exchange differences                           | -                          | -  | 6,163   | 107,076   | -   | (258)   | -  | 112,981         |
| At 31 January 2014                             | -                          | 36,268                                       | 593,986   | 1,516,474   | 13,772  | 113,407   | -  | 2,273,907       |
| <b>Net carrying amount</b>                     |                            |  |   |   |   |   |  |                 |
| At 31 January 2014                             | 4,568                      | 428,753                                      | 1,997,144   | 7,665,101   | 3,386   | 130,413   | 2,289,182  | 12,518,547      |

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

|   | Furniture,<br>equipment<br>and motor<br>vehicles<br>RM'000 |
|---|--|
| <b>Company</b>                            |  |
| <b>At 31 January 2015</b>                 |  |
| <b>Cost</b>                               |  |
| At 1 February 2014                        | 47,091   |
| Additions                                 | 11,052   |
| Disposal                                  | (1,317)  |
| At 31 January 2015                        | 56,826   |
| <b>Accumulated depreciation</b>           |  |
| At 1 February 2014                        | 16,706   |
| Depreciation charge for the year (Note 7) | 13,475   |
| Disposal                                  | (659)  |
| At 31 January 2015                        | 29,522   |
| <b>Net carrying amount</b>                |  |
| At 31 January 2015                        | 27,304   |
| <b>At 31 January 2014</b>                 |  |
| <b>Cost</b>                               |  |
| At 1 February 2013                        | 37,859   |
| Additions                                 | 9,579  |
| Disposal                                  | (347)  |
| At 31 January 2014                        | 47,091   |
| <b>Accumulated depreciation</b>           |  |
| At 1 February 2013                        | 11,164   |
| Depreciation charge for the year (Note 7) | 5,889  |
| Disposal                                  | (347)  |
| At 31 January 2014                        | 16,706   |
| <b>Net carrying amount</b>                |  |
| At 31 January 2014                        | 30,385   |

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

- (a) The Group's vessels include a vessel of a subsidiary which had been last revalued in August 1998 based on a valuation carried out by independent professional valuers using the fair market value basis. The carrying value of the vessel of RM2.8 million has been stated on the basis of its 1998 valuation as allowed by MFRS 116 by virtue of the transitional provisions of MFRS 116 then. Had it been carried at historical cost, the carrying value of the vessel would have been RM Nil (2014: RM Nil).
- (b) The net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Motor vehicles      | 2,146          | 4,538          | 1,376          | 2,854          |
| Plant and machinery | 22,175         | 29,167         | -              | -              |
|                     | 24,321         | 33,705         | 1,376          | 2,854          |

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 29.

- (c) During the year, the Group and the Company acquired property, plant and equipment by the following means:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Cash and payables                            | 1,129,759      | 3,082,835      | 11,052         | 9,029          |
| Hire purchase and finance lease arrangements | -              | 24,862         | -              | 550            |
| Borrowing costs capitalised (Note 6)         | 39,769         | 14,721         | -              | -              |
|  | 1,169,528      | 3,122,418      | 11,052         | 9,579          |

- (d) The net carrying amounts of property, plant and equipment pledged as securities for borrowings (Note 28) are as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| Freehold land   | -              | 4,568          |
| Tender assisted drilling rigs and plant and machinery | -              | 6,749,028      |
| Vessels, ROVs and SAT system                          | 36,448         | 965,828        |
|   | 36,448         | 7,719,424      |

## 14. INTANGIBLE ASSETS

| Group                           | Software<br>Development<br>Costs<br>RM'000 | Intellectual<br>Property<br>Right<br>and Patent<br>RM'000 | Development<br>Costs<br>RM'000 | Customer<br>Contracts<br>RM'000 | Goodwill<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--|---|--------------------------------|---------------------------------|--------------------|-----------------|
| <b>At 31 January 2015</b>       |  |   |                                |                                 |                    |                 |
| <b>Cost</b>                     |  |   |                                |                                 |                    |                 |
| At 1 February 2014              | 17,461                                     | 1,759   | 29,896                         | 116,333                         | 7,312,326          | 7,477,775       |
| Additions                       | 14,606                                     | -   | -                              | -                               | -                  | 14,606          |
| Reclassification                | -  | -   | (10,870)                       | -                               | (17,666)           | (28,536)        |
| Exchange differences            | 489  | -   | 361                            | 5,963                           | 336,854            | 343,667         |
| At 31 January 2015              | 32,556                                     | 1,759   | 19,387                         | 122,296                         | 7,631,514          | 7,807,512       |
| <b>Accumulated amortisation</b> |  |   |                                |                                 |                    |                 |
| At 1 February 2014              | 9,631                                      | 1,454   | -                              | 14,244                          | -                  | 25,329          |
| Charge for the year (Note 7)    | 10,946                                     | 138   | 1,907                          | 26,342                          | -                  | 39,333          |
| Exchange differences            | 869  | -   | -                              | 1,991                           | -                  | 2,860           |
| At 31 January 2015              | 21,446                                     | 1,592   | 1,907                          | 42,577                          | -                  | 67,522          |
| <b>Net carrying amount</b>      |  |   |                                |                                 |                    |                 |
| At 31 January 2015              | 11,110                                     | 167   | 17,480                         | 79,719                          | 7,631,514          | 7,739,990       |
| <b>At 31 January 2014</b>       |  |   |                                |                                 |                    |                 |
| <b>Cost</b>                     |  |   |                                |                                 |                    |                 |
| At 1 February 2013              | 10,241                                     | 1,759   | 1,833                          | 47,246                          | 4,985,439          | 5,046,518       |
| Acquisition of subsidiaries     | -  | -   | -                              | 62,622                          | 2,114,379          | 2,177,001       |
| Additions                       | 7,220                                      | -   | 28,063                         | -                               | -                  | 35,283          |
| Exchange differences            | -  | -   | -                              | 6,465                           | 212,508            | 218,973         |
| At 31 January 2014              | 17,461                                     | 1,759   | 29,896                         | 116,333                         | 7,312,326          | 7,477,775       |
| <b>Accumulated amortisation</b> |  |   |                                |                                 |                    |                 |
| At 1 February 2013              | 5,227                                      | 1,316   | -                              | 5,313                           | -                  | 11,856          |
| Charge for the year (Note 7)    | 4,404                                      | 138   | -                              | 8,931                           | -                  | 13,473          |
| At 31 January 2014              | 9,631                                      | 1,454   | -                              | 14,244                          | -                  | 25,329          |
| <b>Net carrying amount</b>      |  |   |                                |                                 |                    |                 |
| At 31 January 2014              | 7,830                                      | 305   | 29,896                         | 102,089                         | 7,312,326          | 7,452,446       |

**14. INTANGIBLE ASSETS (CONT'D.)****Impairment tests for goodwill****Allocation of goodwill**

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to business segment as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| Offshore Construction and Subsea Services | 301,470        | 308,374        |
| Fabrication, Hook-up and Commissioning    | 3,795,851      | 3,795,851      |
| Drilling and Energy Services              | 3,534,193      | 3,208,101      |
|   | 7,631,514      | 7,312,326      |

**Key assumptions used in value-in-use calculations**

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections covering a 5-year period based on a 1-year financial budget approved by the Board of Directors. Revenue year-on-year growth in the cash flow projections from year 2 to year 5 is from 2% to 19% (2014: -1% to 27%).

The revenue growth are based on order book, a percentage on bid book and management expectation.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**(i) Budgeted margin**

Gross margins are based on forecast margins for order book, customer contract, management's expectation and past experience for new work.

**(ii) Discount rate**

The discount rates reflect specific risks relating to the relevant CGU. The range of discount rate is from 10.2% to 12.6% (2014: 10.5% to 12%).

**(iii) Growth rate beyond 5-year**

Cash flow beyond the 5-year period is extrapolated using the growth rates of 2.8% to 3% (2014: 2% to 3%).

**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 to materially exceed their recoverable amounts.

## 15. EXPENDITURE ON OIL AND GAS PROPERTIES

|  | Oil and Gas<br>Properties<br>RM'000 | Exploration<br>and<br>Evaluation<br>Assets<br>RM'000 | Total<br>RM'000                              |
|--|-------------------------------------|--|--|
| <b>Group</b>   |                                     |  |  |
| <b>At 31 January 2015</b>  |                                     |  |  |
| <b>Cost</b>  |                                     |  |  |
| At 1 February 2014   | 926,921                             | -  | 926,921                                      |
| Acquisition of subsidiaries (Note 40(z))                               | 1,153,307                           | 3,386,560  | 4,539,867                                    |
| Additions  | 283,347                             | 202,793  | 486,140                                      |
| Change in decommissioning liabilities                                  | (52,672)                            | -  | (52,672)                                     |
| Transfer to property, plant and equipment                              | (1,427)                             | -  | (1,427)                                      |
| Exchange differences   | 178,330                             | 297,656  | 475,986                                      |
| At 31 January 2015   | 2,487,806                           | 3,887,009  | 6,374,815                                    |
| <b>Accumulated depletion, depreciation and amortisation/impairment</b> |                                     |  |  |
| At 1 February 2014   | 157,249                             | -  | 157,249                                      |
| Impairment during the year   | 54,935                              | -  | 54,935                                       |
| Charge for the year (Note 7)   | 535,443                             | -  | 535,443                                      |
| Exchange differences   | 72,125                              | -  | 72,125                                       |
| At 31 January 2015   | 819,752                             | -  | 819,752                                      |
| <b>Net carrying amount</b>   |                                     |  |  |
| At 31 January 2015   | 1,668,054                           | 3,887,009  | 5,555,063                                    |
|  |                                     |  | <b>Oil and Gas<br/>Properties<br/>RM'000</b> |
| <b>At 31 January 2014</b>  |                                     |  |  |
| <b>Cost</b>  |                                     |  |  |
| At 1 February 2013   |                                     |  | 805,435                                      |
| Net addition   |                                     |  | 89,136                                       |
| Exchange differences   |                                     |  | 32,350                                       |
| At 31 January 2014   |                                     |  | 926,921                                      |
| <b>Accumulated amortisation</b>  |                                     |  |  |
| At 1 February 2013   |                                     |  | 25,372                                       |
| Amortisation for the year (Note 7)                                     |                                     |  | 120,472                                      |
| Exchange differences   |                                     |  | 11,405                                       |
| At 31 January 2014   |                                     |  | 157,249                                      |
| <b>Net carrying amount</b>   |                                     |  |  |
| At 31 January 2014   |                                     |  | 769,672                                      |

**15. EXPENDITURE ON OIL AND GAS PROPERTIES (CONT'D.)****(a) Production Sharing Contracts**

The Group secures the rights to carry out exploitation of petroleum resource activities via various joint venture arrangements with Petroliam Nasional Berhad ("PETRONAS").

Under the terms of the various PSC that the Group as PSC contractor has entered into, the PSC contractors bear all costs. The PSC contractors fund the work outlined in the approved work programme and budget and may recover their costs in barrels of crude oil or gas equivalent, in accordance with the terms of the respective PSCs. Remaining unrecovered costs in any quarter can be carried forward for recovery against production of crude oil or gas equivalent in subsequent quarter/quarters. The contractors' share of production also includes an element of profit.

Title to all equipment and other assets purchased or acquired by PSC contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent are vested with the host authority. The contractors retain the right to use those assets for the duration of the relevant PSCs.

**Impairment**

Impairment losses have been recognised in the following line items of income statement:

|                          | <b>2015</b>   |
|--------------------------|---------------|
|                          | <b>RM'000</b> |
| Other operating expenses | 54,935        |

The recoverable amount of RM808,519,000 was determined from value-in-use calculations, using cash flow projection. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units applying discount rate of 9%. The rate used to discount future cash flows is subject to change in economic conditions and is reviewed annually.

**(b) Risk Sharing Contracts**

Expenditure on Risk Sharing Contract ("RSC") represent the costs incurred as per the RSC agreement with 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 commenced its first gas production on 20 October 2012.

**16. INVESTMENT IN SUBSIDIARIES**

|                                     | <b>Company</b> |               |
|-------------------------------------|----------------|---------------|
|                                     | <b>2015</b>    | <b>2014</b>   |
|                                     | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted shares, at cost            | 9,027,393      | 6,179,043     |
| Less: Accumulated impairment losses | (6,878)        | (6,878)       |
|                                     | 9,020,515      | 6,172,165     |

The details of the subsidiaries are set out in Note 40.

## 17. INVESTMENT IN ASSOCIATES

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2015<br>RM'000 | 2014<br>RM'000 |
| Unquoted shares, at cost           | 27,765         | 27,765         |
| Share of post-acquisition reserves | 17,301         | 16,486         |
|                                    | 45,066         | 44,251         |

(a) Details of the associates are as follows:

| Name of Company                           | Country of Incorporation | Principal Activities  | Proportion of<br>ownership interest |           |
|---|--------------------------|---|-------------------------------------|-----------|
|   |                          |   | 2015<br>%                           | 2014<br>% |
| * 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                                  | 30        |
| * Matrix Maintenance Sdn. Bhd.            | Malaysia                 | Provision of maintenance services for petrol chemical plants and general industries           | 30                                  | 30        |

\* Audited by firms other than Ernst & Young

The financial statements of the above associates that are not coterminous with those of the Company are as follows:

|  | Financial year end |
|--|--------------------|
| (i) Geowell Sdn. Bhd. ("Geowell")                      | 31 December        |
| (ii) Labuan Shipyard and Engineering Sdn. Bhd. ("LSE") | 31 December        |
| (iii) Matrix Maintenance Sdn. Bhd. ("Matrix")          | 31 December        |
| (iv) Best Wide Engineering (M) Sdn. Bhd. ("BWE")       | 30 November        |

For the purpose of applying the equity method of accounting, the financial statements of Geowell, LSE, Matrix and BWE have been used and appropriate adjustments have been made for the effects of significant transactions between the respective financial year end and 31 January 2015.

(b) Aggregate information of associates that are not individually material

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| Share of profit before tax  | 815            | 1,833          |
| Share of profit after tax, representing share of total comprehensive income | 815            | 1,650          |

**18. INVESTMENT IN JOINT VENTURE COMPANIES**

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| Unquoted shares, at cost                          | 183,073        | 158,703        |
| Share of post-acquisition reserves                | 687,878        | 398,285        |
|   | 870,951        | 556,988        |
| Shareholders' advances to joint venture companies | 460,706        | 427,334        |
|   | 1,331,657      | 984,322        |

The shareholders' advances are unsecured, not due within twelve months and non-interest bearing except for advances of RM103,444,000 (2014: RM95,479,000) provided to a joint venture company, Berantai Floating Production Limited for the acquisition of a Floating Production, Storage and Offloading vessel ("FPSO") for Berantai field activities which is subject to interest rate of LIBOR + 2% per annum.

Details of the joint venture companies are as follows:

| Name of Company   | Country of Incorporation                    | Principal Activities   | Proportion of<br>ownership interest |           |
|---|---|--|-------------------------------------|-----------|
|   |   |  | 2015<br>%                           | 2014<br>% |
| <b>(a) Held through Probadi Sdn. Bhd.</b>   |   |  |                                     |           |
| * Uzmal Oil Inc.  | Uzbekistan                                  | Liquidated   | -                                   | 50        |
| <b>(b) Held through SapuraKencana Nautical Essence Sdn. Bhd.<br/>(formerly known as Nautical Essence Sdn. Bhd.)</b> |   |  |                                     |           |
| SapuraAcergy<br>Sdn. Bhd.   | Malaysia                                    | Management and operation<br>of vessel and provision of<br>offshore related works | 50                                  | 50        |
| SapuraAcergy<br>Assets Pte. Ltd.  | Federal Territory<br>of Labuan,<br>Malaysia | Leasing of vessels<br>and operational<br>equipment                               | 49                                  | 49        |
| <b>(c) Held through SapuraKencana Nautical Power Pte. Ltd.<br/>(formerly known as Nautical Power Pte. Ltd.)</b>     |   |  |                                     |           |
| * L&T Sapura<br>Shipping<br>Pvt. Ltd.   | India                                       | Vessel owner   | 40                                  | 40        |
| * L&T Sapura<br>Offshore<br>Pvt. Ltd.   | India                                       | Provision of engineering<br>and installation services                            | 40                                  | 40        |

\* Audited by firms other than Ernst & Young

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

Details of the joint venture companies are as follows (cont'd.):

| Name of Company  | Country of Incorporation    | Principal Activities  | Proportion of ownership interest |           |
|--|-----------------------------|---|----------------------------------|-----------|
|  |                             |   | 2015<br>%                        | 2014<br>% |
| <b>(d) Held through SapuraAcergy Sdn. Bhd.</b>   |                             |   |                                  |           |
| # SapuraAcergy<br>(Australia)<br>Pty. Ltd.   | Australia                   | Management and operation<br>of vessel and provision of<br>offshore related works  | 50                               | 50        |
| <b>(e) Held through SapuraCrest Ventures Sdn. Bhd.</b>   |                             |   |                                  |           |
| SapuraCrest<br>Qatar LLC   | Qatar                       | Liquidated  | -                                | 49        |
| <b>(f) Held through Sapura Australia Pty. Ltd.</b>   |                             |   |                                  |           |
| # Peritus International<br>Limited   | United Kingdom              | Provision of advanced<br>subsea, pipeline and<br>floating systems<br>engineering and project<br>management services<br>to offshore projects | 51                               | 51        |
| # Peritus International<br>Pty. Ltd.   | Australia                   | Provision of advanced<br>subsea, pipeline and<br>floating systems<br>engineering and project<br>management services<br>to offshore projects | 51                               | 51        |
| <b>(g) Held through SapuraKencana USA Holdings Inc.<br/>(formerly known as SapuraClough USA Holdings Inc.)</b> |                             |   |                                  |           |
| Peritus International<br>Incorporated  | United States of<br>America | Provision of advanced<br>subsea, pipeline and<br>floating systems<br>engineering and project<br>management services<br>to offshore projects | 51                               | 51        |

# Audited by affiliates of Ernst & Young, Malaysia

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

Details of the joint venture companies are as follows (cont'd.):

| Name of Company  | Country of Incorporation              | Principal Activities   | Proportion of ownership interest |           |
|--|---------------------------------------|--|----------------------------------|-----------|
|  |                                       |  | 2015<br>%                        | 2014<br>% |
| <b>(h) Held through Peritus International Pty. Ltd.</b>  |                                       |  |                                  |           |
| Peritus International Sdn. Bhd.  | Malaysia                              | Provision of advanced subsea, pipeline and floating systems engineering and project management services to offshore projects | 51                               | 51        |
| <b>(i) Held through SapuraKencana Petroleum Ventures Sdn. Bhd. (formerly known as Kencana Petroleum Ventures Sdn. Bhd.) and Sapura Energy Ventures Sdn. Bhd.</b> |                                       |  |                                  |           |
| Berantai Floating Production Limited   | Federal Territory of Labuan, Malaysia | Provision of leasing of FPSO   | 49                               | 49        |
| <b>(j) Held through SapuraKencana TL Offshore Sdn. Bhd. (formerly known as TL Offshore Sdn. Bhd.)</b>  |                                       |  |                                  |           |
| * Seabras Sapura Participações S.A.  | Brazil                                | Investment holding   | 50                               | 50        |
| * Seabras Sapura Holding, GmbH   | Austria                               | Investment holding   | 50                               | 50        |
| <b>(k) Held through SapuraKencana Engineering Sdn. Bhd. (formerly known as Kencana Bestwide Sdn. Bhd.)</b>   |                                       |  |                                  |           |
| * Best Wide M CCS Sdn. Bhd.  | Malaysia                              | Dormant  | 50                               | 50        |
| <b>(l) Held through Seabras Sapura Participações S.A.</b>  |                                       |  |                                  |           |
| * Sapura Navegação Marítima S.A.   | Brazil                                | Vessel owner and chartering  | 50                               | 50        |
| <b>(m) Held through Seabras Sapura Holding, GmbH</b>   |                                       |  |                                  |           |
| * Seabras Sapura PLSV Holding GmbH   | Austria                               | Investment holding   | 50                               | 50        |

\* Audited by firms other than Ernst &amp; Young

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

Details of the joint venture companies are as follows (cont'd.):

| Name of Company  | Country of Incorporation | Principal Activities            | Proportion of ownership interest |           |
|--|--------------------------|---------------------------------|----------------------------------|-----------|
|  |                          |                                 | 2015<br>%                        | 2014<br>% |
| <b>(n) Held through Seabras Sapura PLSV Holding GmbH</b> |                          |                                 |                                  |           |
| * Seabras Sapura Holdco Ltd.                             | Bermuda                  | Investment holding              | 50                               | 50        |
| * Sapura Diamante GmbH                                   | Austria                  | Vessel owner and chartering     | 50                               | 50        |
| * Sapura Topazio GmbH                                    | Austria                  | Vessel owner and chartering     | 50                               | 50        |
| * Sapura Onix GmbH                                       | Austria                  | Vessel owner and chartering     | 50                               | -         |
| * Sapura Jade GmbH                                       | Austria                  | Vessel owner and chartering     | 50                               | -         |
| * Sapura Rubi GmbH                                       | Austria                  | Vessel owner and chartering     | 50                               | -         |
| <b>(o) Held through Seabras Sapura Holdco Ltd.</b>       |                          |                                 |                                  |           |
| * Seabras Sapura Talent Ltd.                             | Bermuda                  | Provision for manpower services | 50                               | 50        |
| TL Offshore PLSV1 Ltd.                                   | Bermuda                  | Dormant                         | 50                               | 50        |
| TL Offshore PLSV2 Ltd.                                   | Bermuda                  | Dormant                         | 50                               | 50        |
| TL Offshore PLSV3 Ltd.                                   | Bermuda                  | Vessel owner and chartering     | 50                               | 50        |
| TL Offshore PLSV4 Ltd.                                   | Bermuda                  | Vessel owner and chartering     | 50                               | 50        |
| TL Offshore PLSV5 Ltd.                                   | Bermuda                  | Vessel owner and chartering     | 50                               | 50        |

\* Audited by firms other than Ernst & Young

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

Details of the joint venture companies are as follows (cont'd.):

The financial statements of the above joint venture companies that are not coterminous with those of the Company are as follows:

|  | <b>Financial year end</b> |
|--|---------------------------|
| (i) L&T Sapura Shipping Pvt. Ltd.          | 31 March                  |
| (ii) L&T Sapura Offshore Pvt. Ltd.         | 31 March                  |
| (iii) Peritus International Limited        | 30 June                   |
| (iv) Peritus International Pty. Ltd.       | 30 June                   |
| (v) Peritus International Incorporated     | 30 June                   |
| (vi) Peritus International Sdn. Bhd.       | 30 June                   |
| (vii) Berantai Floating Production Limited | 31 December               |
| (viii) Best Wide MCCS Sdn. Bhd.            | 31 December               |
| (ix) Seabras Sapura Holding, GmbH          | 31 December               |
| (x) Seabras Sapura Participações S.A.      | 31 December               |
| (xi) Seabras Sapura Talent Ltd.            | 31 December               |
| (xii) Sapura Navegação Maritima S.A.       | 31 December               |
| (xiii) Seabras Sapura PLSV Holding GmbH    | 31 December               |
| (xiv) Sapura Diamante GmbH                 | 31 December               |
| (xv) Sapura Topazio GmbH                   | 31 December               |
| (xvi) Seabras Sapura Holdco Ltd.           | 31 December               |
| (xvii) Sapura Onix GmbH                    | 31 December               |
| (xviii) Sapura Jade GmbH                   | 31 December               |
| (xix) Sapura Rubi GmbH                     | 31 December               |

For the purpose of applying the equity method of accounting, the financial statements of the above joint venture companies have been used, and appropriate adjustments have been made for the effects of significant transactions between the respective financial year ended and 31 January 2015.

Information relating to the joint ventures:

- (a) In financial year 2008, SapuraAcergy Assets Pte. Ltd. ("SAAPL") obtained a banking facility which consist of a seven year term loan of USD200,000,000 (RM647,200,000) and reducing revolving credit facility of USD25,000,000 (RM80,900,000) from a foreign financial institution in Singapore.

In order to hedge its exposure to interest risks arising from its term loan, SAAPL entered into an interest rate swap contract with its lender.

The hedging arrangement was terminated following repayment of the loan on 4 February 2015.

- (b) The details on commitments relating to the Group's interest in the joint venture companies are disclosed in Note 33.

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

(c) Summarised financial information of the Group's material joint ventures by operating segments is set out below. Material joint ventures in the Offshore Construction and Subsea Services ("OCSS") segment comprises of SapuraAcergy Sdn. Bhd. and its subsidiaries and Seabras Sapura Holding, GmbH and its subsidiaries, whilst Drilling and Energy Services ("DES") comprise of Berantai Floating Production Limited:

(i) Summarised statements of financial position:

|                           | 2015           |               | 2014           |               |
|---------------------------|----------------|---------------|----------------|---------------|
|                           | OCSS<br>RM'000 | DES<br>RM'000 | OCSS<br>RM'000 | DES<br>RM'000 |
| Cash and cash equivalents | 600,558        | 67,856        | 390,320        | 71,547        |
| Other current assets      | 707,791        | 96,697        | 355,689        | 199,194       |
| Total current assets      | 1,308,349      | 164,553       | 746,009        | 270,741       |
| Non-current assets        | 2,550,959      | 1,309,030     | 85,057         | 1,157,800     |
| Total assets              | 3,859,308      | 1,473,583     | 831,066        | 1,428,541     |
| Total current liabilities | 527,052        | 342,437       | 346,815        | 194,630       |
| Non-current liabilities   | 2,644,814      | 749,900       | 275            | 1,064,591     |
| Total liabilities         | 3,171,866      | 1,092,337     | 347,090        | 1,259,221     |
| Net assets                | 687,442        | 381,246       | 483,976        | 169,320       |

(ii) Summarised statements of comprehensive income:

|   | 2015           |               | 2014           |               |
|---|----------------|---------------|----------------|---------------|
|   | OCSS<br>RM'000 | DES<br>RM'000 | OCSS<br>RM'000 | DES<br>RM'000 |
| Revenue                                     | 786,686        | 252,778       | 1,119,430      | 149,654       |
| Other expenses                              | (477,217)      | (40,028)      | (693,700)      | (41,979)      |
| Profit before tax                           | 309,469        | 212,750       | 425,730        | 107,675       |
| Income tax expense                          | (68,321)       | (824)         | (126,717)      | (19)          |
| Profit after tax                            | 241,148        | 211,926       | 299,013        | 107,656       |
| Other comprehensive income                  | 44,094         | -             | 24,224         | -             |
| Total comprehensive income                  | 285,242        | 211,926       | 323,237        | 107,656       |
| Dividends paid during the year to the Group | (40,888)       | -             | -              | -             |

**18. INVESTMENT IN JOINT VENTURE COMPANIES (CONT'D.)**

(d) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures:

|  | 2015           |               | 2014           |               |
|--|----------------|---------------|----------------|---------------|
|  | OCSS<br>RM'000 | DES<br>RM'000 | OCSS<br>RM'000 | DES<br>RM'000 |
| Net assets as at 1 February 2014/2013            | 483,976        | 169,320       | 160,740        | 61,664        |
| Profit for the year                              | 241,148        | 211,926       | 299,012        | 107,656       |
| Other comprehensive income                       | 44,094         | -             | 24,224         | -             |
| Dividends paid during the year                   | (81,776)       | -             | -              | -             |
| Net assets as at 31 January                      | 687,442        | 381,246       | 483,976        | 169,320       |
| Interest in joint ventures                       | 50%            | 49%           | 50%            | 49%           |
| Carrying value of interest in joint ventures     | 343,721        | 186,811       | 241,988        | 82,967        |
| Shareholders' advances                           | 345,517        | 103,444       | -              | 97,726        |
| Net carrying value of interest in joint ventures | 689,238        | 290,255       | 241,988        | 180,693       |

(e) Aggregate information of joint ventures that are not individually material.

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| Share of profit before tax  | 46,758         | 45,016         |
| Share of profit after tax, representing share of total comprehensive income | 30,364         | 43,079         |

**19. DEFERRED TAX**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| At 1 February 2014/2013                            | (43,369)       | 47,401         | (39,464)       | (7,287)        |
| Recognised in the income statement (Note 10)       | (101,828)      | (93,227)       | -              | (32,177)       |
| Acquisition of subsidiaries (Note 40(z))           | 1,108,107      | 3,919          | -              | -              |
| Exchange differences                               | 109,138        | (1,462)        | -              | -              |
| At 31 January                                      | 1,072,048      | (43,369)       | (39,464)       | (39,464)       |
| Presented after appropriate offsetting as follows: |                |                |                |                |
| Deferred tax assets                                | (352,977)      | (114,497)      | (39,464)       | (39,464)       |
| Deferred tax liabilities                           | 1,425,025      | 71,128         | -              | -              |
|  | 1,072,048      | (43,369)       | (39,464)       | (39,464)       |

**19. DEFERRED TAX (CONT'D.)**

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

**Deferred tax liabilities of the Group:**

|  | <b>Accelerated<br/>capital<br/>allowances<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--------------------------|-------------------------|
| At 1 February 2014                       | 82,057   | 4,233                    | 86,290                  |
| Recognised in the income statement       | (23,884)   | 10,177                   | (13,707)                |
| Acquisition of subsidiaries (Note 40(z)) | 1,271,909  | -                        | 1,271,909               |
| Exchange differences                     | 132,941  | 3,098                    | 136,039                 |
| At 31 January 2015                       | 1,463,023  | 17,508                   | 1,480,531               |
| At 1 February 2013                       | 100,246  | 5,323                    | 105,569                 |
| Recognised in the income statement       | (24,257)   | (502)                    | (24,759)                |
| Acquisition of subsidiaries              | 5,492  | -                        | 5,492                   |
| Exchange differences                     | 576  | (588)                    | (12)                    |
| At 31 January 2014                       | 82,057   | 4,233                    | 86,290                  |

**Deferred tax assets of the Group:**

|  | <b>Tax losses and<br/>unabsorbed<br/>capital<br/>allowances<br/>RM'000</b> | <b>Provisions<br/>for liabilities<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--------------------------|-------------------------|
| At 1 February 2014                       | (49,321)   | (65,951)   | (14,387)                 | (129,659)               |
| Recognised in the income statement       | (8,592)  | 6,256  | (85,785)                 | (88,121)                |
| Acquisition of subsidiaries (Note 40(z)) | (163,802)  | -  | -                        | (163,802)               |
| Exchange differences                     | (1,802)  | (3,379)  | (21,720)                 | (26,901)                |
| At 31 January 2015                       | (223,517)  | (63,074)   | (121,892)                | (408,483)               |
| At 1 February 2013                       | (29,580)   | (17,040)   | (11,548)                 | (58,168)                |
| Recognised in the income statement       | (16,907)   | (48,722)   | (2,839)                  | (68,468)                |
| Acquisition of subsidiaries              | (1,575)  | -  | -                        | (1,575)                 |
| Exchange differences                     | (1,259)  | (189)  | -                        | (1,448)                 |
| At 31 January 2014                       | (49,321)   | (65,951)   | (14,387)                 | (129,659)               |

**Deferred tax liabilities of the Company:**

|                                    | <b>Accelerated<br/>capital<br/>allowances<br/>RM'000</b> |
|------------------------------------|--|
| At 1 February 2014/31 January 2015 | 4,210  |
| At 1 February 2013                 | 1,068  |
| Recognised in the income statement | 3,142  |
| At 31 January 2014                 | 4,210  |

**19. DEFERRED TAX (CONT'D.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (cont'd.):

**Deferred tax assets of the Company:**

|                                    | <b>Tax losses and<br/>unabsorbed<br/>capital<br/>allowances<br/>RM'000</b> | <b>Provisions<br/>for liabilities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|------------------------------------|--|--|-------------------------|
| At 1 February 2014/31 January 2015 | (5,008)  | (38,666)   | (43,674)                |
| At 1 February 2013                 | -  | (8,355)  | (8,355)                 |
| Recognised in the income statement | (5,008)  | (30,311)   | (35,319)                |
| At 31 January 2014                 | (5,008)  | (38,666)   | (43,674)                |

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

|  | <b>Group</b>           |                        |
|--|------------------------|------------------------|
|  | <b>2015<br/>RM'000</b> | <b>2014<br/>RM'000</b> |
| Unutilised tax losses  | 382,542                | 385,786                |
| Unabsorbed capital allowances and other deductible temporary differences | 138,636                | 49,276                 |
|  | 521,178                | 435,062                |

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**

|                                  | <b>Group</b>           |                        |
|----------------------------------|------------------------|------------------------|
|                                  | <b>2015<br/>RM'000</b> | <b>2014<br/>RM'000</b> |
| <b>At cost</b>                   |                        |                        |
| Consumable, materials and spares | 429,309                | 361,383                |
| Work-in-progress                 | 132,129                | 110,904                |
|                                  | 561,438                | 472,287                |
| <b>At net realisable value</b>   |                        |                        |
| Crude oil                        | 75,191                 | -                      |
|                                  | 636,629                | 472,287                |

The cost of inventories recognised as an expense during the financial year amounted to RM1,472 million (2014: RM173 million).

During the year, the Group has written down its inventory based on net realisable value totalling RM49.5 million.

**21. AMOUNT DUE FROM SUBSIDIARIES**

|                                | Company        |                |
|--------------------------------|----------------|----------------|
|                                | 2015<br>RM'000 | 2014<br>RM'000 |
| Amount due from subsidiaries   | 2,394,838      | 5,323,263      |
| Less: Provision for impairment | (171,295)      | (171,295)      |
|                                | 2,223,543      | 5,151,968      |

Amount due from subsidiaries are unsecured, interest free and repayable on demand except for RM968,305,000 (2014: RM1,599,706,000) which is subject to interest rates ranging from 3.06% to 8.00% (2014: 3.30% to 8.00%) per annum.

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks are disclosed in Note 36.

**22. TRADE AND OTHER RECEIVABLES**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Non current</b>                        |                |                |                |                |
| <b>Trade receivables</b>                  |                |                |                |                |
| Retention sums                            | 24,338         | 55,432         | -              | -              |
| Third parties                             | 25,824         | -              | -              | -              |
|   | 50,162         | 55,432         | -              | -              |
| <b>Current</b>                            |                |                |                |                |
| <b>Trade receivables</b>                  |                |                |                |                |
| Third parties                             | 1,823,834      | 1,300,490      | -              | -              |
| Retention sums                            | 6,469          | 27,631         | -              | -              |
| Joint venture companies                   | 4,757          | 6,975          | -              | -              |
|   | 1,835,060      | 1,335,096      | -              | -              |
| Less: Provision for impairment            |                |                |                |                |
| Third parties                             | (46,364)       | (33,874)       | -              | -              |
|   | 1,788,696      | 1,301,222      | -              | -              |
| Construction contracts:                   |                |                |                |                |
| Due from customers on contracts (Note 23) | 562,207        | 551,655        | -              | -              |
| Trade receivables, net                    | 2,350,903      | 1,852,877      | -              | -              |
| <b>Other receivables</b>                  |                |                |                |                |
| Amount due from:                          |                |                |                |                |
| Related parties                           | 345            | 322            | 323            | 322            |
| Joint venture companies                   | 196,389        | 98,269         | 5,568          | 3,916          |
| Joint venture partners                    | 311,075        | -              | -              | -              |
|   | 507,809        | 98,591         | 5,891          | 4,238          |
| Deposits and prepayments                  | 484,712        | 450,637        | 5,718          | 7,785          |
| Sundry receivables                        | 277,462        | 332,395        | 1,122          | 7,657          |
|   | 762,174        | 783,032        | 6,840          | 15,442         |
| Less: Provision for impairment            |                |                |                |                |
| Third parties                             | (81)           | (81)           | -              | -              |
|   | 762,093        | 782,951        | 6,840          | 15,442         |
|   | 3,620,805      | 2,734,419      | 12,731         | 19,680         |

**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 (2014: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by senior management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables (excluded amount due from customer on contracts)

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

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| Neither past due nor impaired            | 1,432,161      | 852,058        |
| 1 to 30 days past due not impaired       | 148,610        | 270,664        |
| 31 to 60 days past due not impaired      | 129,118        | 51,514         |
| 61 to 90 days past due not impaired      | 27,522         | 47,204         |
| 91 to 120 days past due not impaired     | 20,519         | 56,544         |
| More than 121 days past due not impaired | 80,928         | 78,670         |
|  | 406,697        | 504,596        |
| Impaired                                 | 46,364         | 33,874         |
|  | 1,885,222      | 1,390,528      |

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's trade receivables arise from customers with many years of experience with the Group and losses have occurred infrequently.

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

Included in trade receivables of the Group are retention sums from contract customers of RM30.8 million (2014: RM83.1 million). These retention sums from contract customers are unsecured, interest free and are expected to be collected in accordance with the terms of the respective contract agreements.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM406.7 million (2014: RM504.6 million) that are past due at the reporting date but not impaired. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, are periodically monitored.

The receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the provision accounts used to record the impairment are as follows:

|                                     | Group<br>Individually impaired |                |
|-------------------------------------|--------------------------------|----------------|
|                                     | 2015<br>RM'000                 | 2014<br>RM'000 |
| Trade receivables - nominal amounts | 46,364                         | 33,874         |
| Less: Provision for impairment      | (46,364)                       | (33,874)       |
|                                     | -                              | -              |

**22. TRADE AND OTHER RECEIVABLES (CONT'D.)****(a) Trade receivables (cont'd.)**

Movement in provision accounts:

|                             | Group          |                |
|-----------------------------|----------------|----------------|
|                             | 2015<br>RM'000 | 2014<br>RM'000 |
| At 1 February 2014/2013     | 33,874         | 14,487         |
| Acquisition of subsidiaries | -              | 8,988          |
| Impairment loss recognised  | 8,087          | 10,169         |
| Write-off                   | -              | (95)           |
| Exchange differences        | 4,403          | 325            |
| At 31 January               | 46,364         | 33,874         |

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in dispute or debtors in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**(b) Other receivables**

Other receivables (excluding prepayment) are non trade, unsecured, interest free and repayable on demand.

Included in deposits and prepayments for 2015 is RM144,940,000 relating to deposits paid for the acquisition of oil and gas properties.

Other receivables that are impaired

At the reporting date, the Group has provided a provision of RM81,000 (2014: RM81,000) for impairment of sundry receivables with a nominal amount of RM81,000 (2014: RM81,000). This sundry receivables are either in dispute or debtors in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Movement in provision accounts:

|                         | Group          |                |
|-------------------------|----------------|----------------|
|                         | 2015<br>RM'000 | 2014<br>RM'000 |
| At 1 February 2014/2013 | 81             | 181            |
| Write-off               | -              | (100)          |
| At 31 January           | 81             | 81             |

**(c) Amount due from related parties**

Related parties are companies in which the directors of the Company have interests.

Amount due from related parties are unsecured, interest free and repayable on demand.

**(d) Amount due from joint venture companies**

Amount due from joint venture companies are unsecured, interest free and repayable on demand.

**(e) Amount due from joint venture partners**

The amount due from joint venture partners is in relation to upstream oil and gas business activities, which are unsecured, interest free and repayable on demand.

**23. DUE FROM CUSTOMERS ON CONTRACTS**

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| Construction contract costs incurred and recognised profit to date * | 5,693,663      | 7,040,974      |
| Less: Progress billings  | (5,187,167)    | (6,492,236)    |
| Due to customers on contracts (Note 31(ii))                          | 506,496        | 548,738        |
| Due from customers on contracts (Note 22)                            | 55,711         | 2,917          |
|  | 562,207        | 551,655        |

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

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| Hire of barges and vessels and operational equipment | 620,803        | 845,168        |
| Depreciation of property, plant and equipment        | 1              | 3,524          |
| Rental of motor vehicles                             | 3,039          | 1,565          |
| Rental expense for buildings                         | 14,802         | 14,270         |

**24. CASH AND CASH EQUIVALENTS**

|                              | Group          |                | Company        |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Cash on hand and at banks    | 768,084        | 999,971        | 24,796         | 5,663          |
| Deposits with licensed banks | 488,467        | 386,690        | -              | 139,881        |
| Cash and cash equivalents    | 1,256,551      | 1,386,661      | 24,796         | 145,544        |

Other information on financial risks of cash and cash equivalents are disclosed in Note 36.

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

|                   | Group       |             | Company |             |
|-------------------|-------------|-------------|---------|-------------|
|                   | 2015        | 2014        | 2015    | 2014        |
| Interest rate (%) | 0.50 - 5.00 | 0.16 - 6.40 | -       | 3.00 - 3.10 |
| Maturities (days) | 1 - 90      | 1 - 90      | -       | 1 - 90      |

**25. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES****(i) Share capital**

|  | Group and Company |              |                |                |
|--|-------------------|--------------|----------------|----------------|
|  | Number of shares  |              | Amount         |                |
|  | 2015<br>'000      | 2014<br>'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Authorised share capital</b>        |                   |              |                |                |
| <b>Ordinary shares of RM1.00 each</b>  |                   |              |                |                |
| At 1 February 2014/2013 and 31 January | 10,000,000        | 10,000,000   | 10,000,000     | 10,000,000     |
| <b>Issued and fully paid</b>           |                   |              |                |                |
| <b>Ordinary shares of RM1.00 each</b>  |                   |              |                |                |
| At 1 February 2014/2013                | 5,992,155         | 5,004,366    | 5,992,155      | 5,004,366      |
| Issued during the year                 | -                 | 987,789      | -              | 987,789        |
| At 31 January                          | 5,992,155         | 5,992,155    | 5,992,155      | 5,992,155      |

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.

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

- (i) Issuance of 587,000,000 new ordinary shares of RM1.00 each at an issue price of RM2.80 per ordinary share via a private placement; and
- (ii) Issuance of 400,788,889 new ordinary shares of RM1.00 each to Seadrill at an issue price of RM2.70 per ordinary share. For the purpose of accounting for the shares consideration issued to Seadrill, the fair value of RM3.0937 per share as at the issuance date was recorded instead of issue price of RM2.70 per share.

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

**(ii) Share premium**

|  | Group and Company |                |
|--|-------------------|----------------|
|  | 2015<br>RM'000    | 2014<br>RM'000 |
| At 1 February 2014/2013                      | 2,074,255         | 242,886        |
| Arising from issuance of new ordinary shares | -                 | 1,831,369      |
| At 31 January                                | 2,074,255         | 2,074,255      |

**(iii) Treasury shares**

|  | Group and Company<br>2015 |        |
|--|---------------------------|--------|
|  | Units<br>'000             | RM'000 |
| Purchased during the year/at 31 January 2015 | 20,358                    | 80,000 |

During the financial year, the Company purchased 20,358,000 of its issued ordinary shares (from the open market at an average price of RM3.64 per share) via trustee established by the Company for the purpose of share bonus scheme for eligible employees. The total consideration paid for the purchased during the financial year, including transaction costs is RM80 million and was financed by internally generated funds. The treasury shares have no right to vote, dividends and participation in other distribution.

**26. OTHER RESERVES**

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2015<br>RM'000 | 2014<br>RM'000 |
| Foreign currency translation reserve | 660,012        | (39,534)       |
| Revaluation reserve                  | 13,309         | 13,309         |
| Hedge reserve                        | -              | (16,878)       |
| Capital reserve                      | 3,519          | 3,519          |
| Merger reserve                       | 51,989         | 51,989         |
|                                      | 728,829        | 12,405         |

The movement in the reserves are as follows:

|  | Group          |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Foreign currency translation reserve</b>  |                |                |
| At 1 February 2014/2013  | (39,534)       | (74,387)       |
| Exchange differences on translation of foreign subsidiaries, joint ventures and associated companies | 699,546        | 34,853         |
| At 31 January  | 660,012        | (39,534)       |
| <b>Hedge reserve</b>   |                |                |
| At 1 February 2014/2013  | (16,878)       | (13,620)       |
| Net fair value gain/(loss) on hedged items   | 16,878         | (3,258)        |
| At 31 January  | -              | (16,878)       |

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 as disclosed in Note 13(a).

**(c) Hedge reserve**

The hedge reserve represents the share of hedge reserve from a joint venture companies.

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.

Further details are disclosed in Note 18.

**26. OTHER RESERVES (CONT'D.)**

The nature and purpose of each category of reserve are as follows (cont'd.):

**(d) Capital reserve**

The capital reserve comprises profits, which would otherwise have been available for dividend, being used to redeem preference shares of the Company in previous years.

**(e) Merger reserve**

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

The difference between the recorded carrying value of the investment in Probadi Sdn. Bhd. (that is the value of the shares of the Company issued as consideration) and the value of Probadi Sdn. Bhd. shares transferred to the Company had been treated as a merger reserve in the consolidated financial statements.

**27. AMOUNT DUE TO SUBSIDIARIES**

|                            | Company        |                |
|----------------------------|----------------|----------------|
|                            | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Current</b>             |                |                |
| Amount due to subsidiaries | 695,981        | 70,660         |
| <b>Non-current</b>         |                |                |
| Amount due to a subsidiary | 1,626,000      | -              |

**(a) Current liability - Amount due to subsidiaries**

Amount due to subsidiaries are unsecured, interest free and repayable on demand, except for the amount in previous financial year of RM2,003,550, which was subject to interest rate of 7.5%.

**(b) Non-current liability - Amount due to a subsidiary**

Amount due to a subsidiary, SapuraKencana TMC Sdn. Bhd. ("SKTMC") relates to utilisation of MCF loan to refinance the merger loan, which is subject to interest rate of 2% + cost of funds and will mature on 11 March 2021.

Further details on related party transactions are disclosed in Note 35.

Other information on financial risks of amount due to subsidiaries are disclosed in Note 36.

**28. BORROWINGS**

|  | Group      |            |
|--|------------|------------|
|  | 2015       | 2014       |
|  | RM'000     | RM'000     |
| <b>Short term borrowings</b>   |            |            |
| Secured:   |            |            |
| Term loans   | 5,999      | 78,680     |
| Revolving credits  | -          | 655,343    |
| Hire purchase and finance lease liabilities (Note 29)                      | 8,178      | 7,686      |
|  | 14,177     | 741,709    |
| Unsecured:   |            |            |
| Revolving credits  | 639,682    | 292,653    |
| Term loans   | 431,774    | -          |
| Bank overdrafts  | 12,943     | -          |
|  | 1,084,399  | 292,653    |
|  | 1,098,576  | 1,034,362  |
| <b>Long term borrowings</b>  |            |            |
| Secured:   |            |            |
| Term loans   | 10,500     | 10,603,281 |
| Hire purchase and finance lease liabilities (Note 29)                      | 19,089     | 22,980     |
| Sukuk Mudharabah Programme (Note 30)                                       | -          | 700,000    |
|  | 29,589     | 11,326,261 |
| Unsecured:   |            |            |
| Term loans   | 9,029,470  | -          |
| Term Murabahah facility  | 6,795,631  | -          |
|  | 15,825,101 | -          |
|  | 15,854,690 | 11,326,261 |
| <b>Total borrowings</b>  |            |            |
| Term loans   | 9,477,743  | 10,681,961 |
| Term Murabahah facility  | 6,795,631  | -          |
| Revolving credits  | 639,682    | 947,996    |
| Hire purchase and finance lease liabilities (Note 29)                      | 27,267     | 30,666     |
| Sukuk Mudharabah Programme (Note 30)                                       | -          | 700,000    |
| Bank overdrafts  | 12,943     | -          |
|  | 16,953,266 | 12,360,623 |
| <b>Maturity of borrowings (excluding hire purchase and finance lease):</b> |            |            |
| Within one year  | 1,090,398  | 1,026,676  |
| More than 1 year and less than 2 years                                     | 7,557,534  | 9,033,876  |
| More than 2 years and less than 5 years                                    | 4,462,755  | 2,265,929  |
| More than 5 years  | 3,815,312  | 3,476      |
|  | 16,925,999 | 12,329,957 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
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## 28. BORROWINGS (CONT'D.)

|  | Company        |                |
|--|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Short term borrowings</b>   |                |                |
| Secured:   |                |                |
| Hire purchase and finance lease liabilities (Note 29)                      | 230            | 358            |
| Unsecured:   |                |                |
| Revolving credits  | -              | 280,553        |
|  | 230            | 280,911        |
| <b>Long term borrowings</b>  |                |                |
| Secured:   |                |                |
| Term loans   | -              | 1,646,547      |
| Hire purchase and finance lease liabilities (Note 29)                      | 327            | 963            |
| Sukuk Mudharabah Programme (Note 30)                                       | -              | 700,000        |
|  | 327            | 2,347,510      |
| <b>Total borrowings</b>  |                |                |
| Term loans   | -              | 1,646,547      |
| Revolving credits  | -              | 280,553        |
| Hire purchase and finance lease liabilities (Note 29)                      | 557            | 1,321          |
| Sukuk Mudharabah Programme (Note 30)                                       | -              | 700,000        |
|  | 557            | 2,628,421      |
| <b>Maturity of borrowings (excluding hire purchase and finance lease):</b> |                |                |
| Within one year  | -              | 280,553        |
| More than 1 year and less than 2 years                                     | -              | 799,003        |
| More than 2 years and less than 5 years                                    | -              | 1,547,544      |
|  | -              | 2,627,100      |

The range of the interest rates (per annum) as at the reporting date for borrowings, excluding hire purchase and finance lease liabilities and Sukuk Mudharabah were as follows:

|                   | Group        |              | Company   |              |
|-------------------|--------------|--------------|-----------|--------------|
|                   | 2015<br>%    | 2014<br>%    | 2015<br>% | 2014<br>%    |
| Term loans        | 2.17 to 6.19 | 2.25 to 7.60 | -         | 5.82         |
| Revolving credits | 1.67 to 4.55 | 2.05 to 4.70 | -         | 2.05 to 4.70 |

Included in the borrowings are USD denominated borrowings as follows:

|           | Group          |                | Company        |                |
|-----------|----------------|----------------|----------------|----------------|
|           | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| US Dollar | 13,852,394     | 9,072,132      | -              | 153,426        |

**28. BORROWINGS (CONT'D.)**

Included in the borrowings are USD denominated borrowings as follows (cont'd.):

|           | Group           |                 | Company         |                 |
|-----------|-----------------|-----------------|-----------------|-----------------|
|           | 2015<br>USD'000 | 2014<br>USD'000 | 2015<br>USD'000 | 2014<br>USD'000 |
| US Dollar | 3,822,932       | 2,712,553       | -               | 45,874          |

Information relating to borrowings:

- (i) On 18 March 2014, SapuraKencana TMC Sdn Bhd ("SKTMC") entered into a facilities agreement with amongst others 13 domestic and international financial institutions for multi-currencies credit facilities ("MCF") of up to USD5.5 billion (RM18.4 billion) equivalent comprising term facilities and revolving credit facilities.

The MCF which are unsecured were undertaken as part of the Group's ongoing capital management initiatives.

The Group's existing term loans and revolving credits have been refinanced through this multi-currencies credit facilities programme.

The key terms of the MCF are as follows:

- (a) Corporate guarantee from the Company and key subsidiaries;
  - (b) Negative pledge over existing assets including assets under construction;
  - (c) Debenture over SKTMC fixed and floating assets; and
  - (d) First legal charge over certain bank accounts of the Company and SKTMC.
- (ii) The Group had, on 15 January 2015 signed an agreement with 11 local, regional and international banks for the Islamic facility valued at USD2.3 billion (RM8.3 billion). On 30 January 2015, the Group through its wholly-owned subsidiary, SKTMC converted RM6,795,631,000 of its existing MCF into a facility based on the Shariah principles of Murabahah ("Murabahah Facility"). The Company has undertaken the Murabahah Facility as part of the Company's initiative to be reclassified as Shariah-Compliant Securities by the Advisory Council of the Securities Commission Malaysia ("SC").

The Murabahah Facility comprises of dual currencies i.e. RM and USD. The Murabahah Facility bears profit rate of 0.95% - 2.50%, plus cost of funds ("COF")/LIBOR. The Murabahah Facility is unsecured and will mature on 7 February 2016.

As at 31 January 2015, subsequent to conversion of its conventional borrowings to Murabahah Facility, the Group's total non-Islamic borrowings over total assets ratio stood at 29%.

- (iii) In the previous financial year, the term loans were secured by the following:
- (a) Legal charges over certain vessels, tender assisted drilling rigs, buildings and structures and leasehold land of certain subsidiaries as disclosed in Note 13;
  - (b) Assignment of proceeds over the existing contracts of certain subsidiaries;
  - (c) Assignment and charge over designated accounts of SapuraKencana;
  - (d) Assignment by SapuraKencana of all income received from subsidiaries, associated companies and investees;
  - (e) Legal charge over project accounts of subsidiaries;
  - (f) Legal charge over the shares of subsidiaries held directly by the Company; and
  - (g) Corporate guarantee by the Company.

**28. BORROWINGS (CONT'D.)**

Information relating to borrowings (cont'd.):

(iv) In the previous financial year, the revolving credits were secured by the following:

- (a) Assignment of proceeds over the existing contracts of a subsidiary;
- (b) Legal charges over certain vessels of subsidiaries as disclosed in Note 13;
- (c) The charge of certain bank accounts of subsidiaries; and
- (d) The letter of undertaking by the Company.

**29. HIRE PURCHASE AND FINANCE LEASE LIABILITIES**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Future minimum lease payments:</b>  |                |                |                |                |
| Not later than 1 year  | 9,006          | 9,443          | 260            | 403            |
| Later than 1 year and not later than 2 years                                     | 9,337          | 6,112          | 237            | 403            |
| Later than 2 years and not later than 5 years                                    | 11,517         | 19,275         | 138            | 678            |
| Total future minimum lease payments  | 29,860         | 34,830         | 635            | 1,484          |
| Less: Future finance charges   | (2,593)        | (4,164)        | (78)           | (163)          |
| Present value of hire purchase and finance lease liabilities (Note 28)           | 27,267         | 30,666         | 557            | 1,321          |
| <b>Analysis of present value of hire purchase and finance lease liabilities:</b> |                |                |                |                |
| Not later than 1 year  | 8,178          | 7,686          | 230            | 358            |
| Later than 1 year and not later than 2 years                                     | 8,311          | 5,713          | 209            | 358            |
| Later than 2 years and not later than 5 years                                    | 10,778         | 17,267         | 118            | 605            |
|  | 27,267         | 30,666         | 557            | 1,321          |
| Due within 12 months (Note 28)   | (8,178)        | (7,686)        | (230)          | (358)          |
| Due after 12 months (Note 28)  | 19,089         | 22,980         | 327            | 963            |

The Group's and the Company's hire purchase and finance lease liabilities bore effective interest rates ranging from 4% to 6% (2014: 4% to 6%) per annum.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 36.

**30. SUKUK MUDHARABAH**

In the previous financial year, Sukuk Mudharabah Programme was secured by the following:

- (i) Legal charge over the shares of certain subsidiaries held directly and indirectly by the Company;
- (ii) Assignment and charge over designated accounts of SapuraKencana;
- (iii) Assignment by SapuraKencana of all income received from its subsidiaries, associated companies and investees; and
- (iv) Assignment and charge over Shariah-compliant accounts and financial service reserve account.

In the previous financial year, Sukuk Mudharabah Programme bore effective interest rate range between 4.5% to 5.5% per annum.

The RM700 million outstanding Sukuk Mudharabah has been fully redeemed by the Company on 7 February 2014.

**31. TRADE, OTHER PAYABLES AND PROVISIONS****(i) Trade and other payables**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Non-current liability</b>            |                |                |                |                |
| Other payables                          | 683,786        | 625,422        | -              | -              |
| <b>Current liabilities</b>              |                |                |                |                |
| <b>Trade payables</b>                   |                |                |                |                |
| Third parties                           | 1,590,589      | 1,190,127      | -              | -              |
| Construction contracts:                 |                |                |                |                |
| Due to customers on contracts (Note 23) | 55,711         | 2,917          | -              | -              |
|   | 1,646,300      | 1,193,044      | -              | -              |
| <b>Other payables</b>                   |                |                |                |                |
| Staff costs                             | 471,933        | 317,663        | 217,564        | 155,771        |
| Accruals                                | 507,297        | 1,497,654      | 49,818         | 164,165        |
| Dividend payables                       | 119,436        | -              | 119,436        | -              |
| Sundry payables                         | 366,274        | 199,302        | 23,384         | 491            |
|   | 1,464,940      | 2,014,619      | 410,202        | 320,427        |
| <b>Amount due to:</b>                   |                |                |                |                |
| Joint venture companies                 | 79,133         | 26,890         | -              | -              |
| Related parties                         | 1,606          | 15,877         | -              | 1,839          |
|   | 80,739         | 42,767         | -              | 1,839          |
|   | 3,191,979      | 3,250,430      | 410,202        | 322,266        |

**(a) Non-current liability - Other payables**

The non-current liability relates to deferred considerations payable to Seadrill Limited arising from acquisition of tender rig business in April 2013 which are due within 3 years and bears interest rate of LIBOR + 5%.

During the year, a total of RM63.5 million was reversed to the income statement as the Group is no longer required to settle the obligation.

**(b) Current liability - Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days (2014: 30 days to 90 days).

**(c) Other payables**

Other payables are non-interest bearing and the normal credit terms granted to the Group range from 7 days to 90 days (2014: 7 days to 90 days).

**(d) Amount due to joint venture companies and related parties**

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

**31. TRADE, OTHER PAYABLES AND PROVISIONS (CONT'D.)****(ii) Provisions for asset retirement obligations**

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

|  | <b>Group<br/>RM'000</b> |
|--|-------------------------|
| Acquisition of subsidiaries (Note 40(z)) | 304,665                 |
| Addition                                 | 2,502                   |
| Revision                                 | (59,572)                |
| Payment during the year                  | (74,293)                |
| Accretion expense                        | 28,779                  |
| Foreign currency translation difference  | 21,486                  |
| At 31 January 2015                       | 223,567                 |
| Current                                  | 72,217                  |
| Non-current                              | 151,350                 |
|  | 223,567                 |

The current provision for asset retirement obligations represent abandonment cess payable within the next 12 months.

During the year, the Group revised its estimated future cost of decommissioning of oil and gas properties resulting from changes in estimated cash flows. The revision was accounted for prospectively resulting in the following:

|   | <b>Group<br/>RM'000</b> |
|---|-------------------------|
| Decrease in provision                             | (59,572)                |
| Decrease in expenditure on oil and gas properties | (52,672)                |
| Increase in profit                                | 6,900                   |

**32. DERIVATIVES**

|                                 | <b>2015</b>   |                               | <b>2014</b>   |                               |
|---------------------------------|---|-------------------------------|---|-------------------------------|
|                                 | <b>Contract/<br/>Notional<br/>Amount<br/>RM'000</b> | <b>Liabilities<br/>RM'000</b> | <b>Contract/<br/>Notional<br/>Amount<br/>RM'000</b> | <b>Liabilities<br/>RM'000</b> |
| <b>Group</b>                    |   |                               |   |                               |
| <b>Non-hedging derivatives:</b> |   |                               |   |                               |
| <b>Current</b>                  |   |                               |   |                               |
| IRS                             | -   | -                             | -   | -                             |
| CCIRS                           | -   | -                             | 18,500  | (1,775)                       |
|                                 |   | -                             |   | (1,775)                       |
| <b>Non-current</b>              |   |                               |   |                               |
| IRS                             | -   | -                             | 140,000   | (893)                         |
| CCIRS                           | -   | -                             | -   | -                             |
| Total derivatives               |   | -                             |   | (2,668)                       |
| <b>Company</b>                  |   |                               |   |                               |
| <b>Non-hedging derivatives:</b> |   |                               |   |                               |
| <b>Current</b>                  |   |                               |   |                               |
| CCIRS                           | -   | -                             | 18,500  | (1,775)                       |
| <b>Non-current</b>              |   |                               |   |                               |
| CCIRS                           | -   | -                             | -   | -                             |
| Total derivatives               |   | -                             |   | (1,775)                       |

**32. DERIVATIVES (CONT'D.)**

The Group uses forward currency contracts, Cross Currency Interest Rate Swap (“CCIRS”) and Interest Rate Swap (“IRS”) to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

**CCIRS**

CCIRS was used to hedge its exposure to interest risk and currency risk arising from its Istisna’ Bonds.

**IRS**

IRS was used to manage exposure to interest rate movements on bank borrowings, by swapping a proportion of those borrowings from floating rates to fixed rates.

During the year, the Group terminated its IRS in line with loans refinancing exercise undertaken through SapuraKencana TMC Sdn. Bhd. as explained in Note 28. The Group recognised loss of RM139,000 arising from the termination. In financial year 2014, the Group recognised loss of RM826,000 arising from fair value changes of derivative liabilities.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 37(c).

**33. COMMITMENTS**

|   | Group          |                |
|---|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>(a) Capital expenditure</b>                          |                |                |
| Approved and contracted for:                            |                |                |
| Property, plant and equipment and oil and gas property  | 1,468,651      | 1,167,219      |
| Approved but not contracted for:                        |                |                |
| Property, plant and equipment and oil and gas property  | 981,894        | 223,414        |
|   | 2,450,545      | 1,390,633      |
| Share of capital commitments of joint venture companies | 1,226,976      | 2,042,749      |
| Equity commitment in joint venture companies            | 145,868        | 120,806        |
|   | 3,823,389      | 3,554,188      |
| <b>(b) Operating leases</b>                             |                |                |
| Non-cancellable operating commitments as lessee         |                |                |
| - Within 1 year   | 14,362         | 18,740         |
| - Later than 1 year but less than 5 years               | 10,224         | 12,571         |
|   | 24,586         | 31,311         |

The Group leases premises under non-cancellable operating leases expiring within 3 years (2014: 3 years). The leases have various terms and escalation clauses.

**34. CORPORATE GUARANTEES**

The fair value of the corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and joint venture companies is deemed immaterial as the value of the underlying collateral provided by the respective subsidiaries is sufficient to cover the outstanding loan amounts.

The corporate guarantees are secured by way of deposits pledged, legal charges over certain vessels and assignment of proceeds from receivables of certain subsidiaries.

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

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| <b>Secured</b>   |                |                |                |                |
| Corporate guarantees given to financial institutions for credit facilities granted to:             |                |                |                |                |
| - subsidiaries   | -              | -              | -              | 463,304        |
| - joint venture companies *  | 713,322        | 610,309        | -              | -              |
|  | 713,322        | 610,309        | -              | 463,304        |
| <b>Unsecured</b>   |                |                |                |                |
| Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries | -              | -              | 788,981        | 12,100         |
|  | 713,322        | 610,309        | 788,981        | 475,404        |

The Company together with other key subsidiaries jointly guaranteed the MCF loan undertaken by SKTMC totalling USD5.5 billion (RM18.4 billion) as explained in Note 28(ii).

\* The loan amounting to USD101.0 million (RM366.0 million) was fully repaid on 4 February 2015.

**35. 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:

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| <b>Group</b>   |                |                |
| <b>(a) Transactions with a subsidiary of a shareholder</b>   |                |                |
| (i) Purchase of technical drilling services  | 36,254         | 37,533         |
| (ii) Rental of bareboat for drilling services from a related party                                     | -              | 86,304         |
| (iii) Provision of bareboat charter for drilling services to a related party                           | -              | 80,390         |
| (iv) Purchase of information technology support and maintenance services                               | 6,616          | 30,919         |
| (v) Provision of technical drilling services   | (26,496)       | -              |
| <b>(b) Transactions with companies connected to directors</b>  |                |                |
| (i) Intellectual property rights, trademarks and branding fees paid/ payable to Corporate shareholders | 70,000         | 70,000         |
| (ii) Rental of office premises   | 20,435         | 21,572         |

**35. RELATED PARTY DISCLOSURES (CONT'D.)****(a) Related party transactions (cont'd.)**

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| <b>Company</b>   |                |                |
| <b>(a) Transactions with subsidiaries</b>  |                |                |
| (i) Dividend income from subsidiaries  | 672,607        | 651,105        |
| (ii) Management fees received/receivable from subsidiaries   | 182,284        | 135,011        |
| (iii) Intellectual property rights, trademarks and branding fees received/receivable from subsidiaries | 70,949         | 70,000         |
| (iv) Interest charged to subsidiaries  | 46,838         | 71,644         |
| (v) Interest paid/payable to subsidiaries  | 106,172        | -              |
| <b>(b) Transactions with companies connected to directors</b>  |                |                |
| (i) Intellectual property rights, trademarks and branding fees paid/payable to Corporate shareholders  | 70,000         | 70,000         |
| (ii) Rental of office premises   | 5,892          | 3,949          |

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and on a negotiated basis.

**(b) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year are as follows:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Short term employee benefits               | 138,090        | 165,911        | 84,791         | 110,766        |
| Contributions to defined contribution plan | 16,009         | 20,291         | 12,677         | 16,275         |
|  | 154,099        | 186,202        | 97,468         | 127,041        |

Included in the total key management personnel compensation are executive directors' remuneration as detailed in Note 9.

**36. 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.

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)****(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group will fluctuate because of changes in market interest rates.

The Group's earnings are affected by changes in interest rates due to the changes in interest bearing financial assets and liabilities. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

At the reporting date, approximately 100% of the Group's loans are at floating interest rates. 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.

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 borrowings).

|                    | 2015                                       | 2014  |
|--------------------|--|---|
|                    | Increase/<br>(decrease) in<br>basis points | Effect on<br>profit<br>net of tax<br>RM'000 |
|                    | Increase/<br>(decrease) in<br>basis points | Effect on<br>profit<br>net of tax<br>RM'000 |
| <b>Group</b>       |  |   |
| - Ringgit Malaysia | + 25                                       | (8,257)                                     |
| - US Dollar        | + 25                                       | (30,968)                                    |
| - Ringgit Malaysia | - 25                                       | 8,257                                       |
| - US Dollar        | - 25                                       | 30,968                                      |
| <b>Company</b>     |  |   |
| - Ringgit Malaysia | + 25                                       | (3,684)                                     |
| - US Dollar        | + 25                                       | -   |
| - Ringgit Malaysia | - 25                                       | 3,684                                       |
| - US Dollar        | - 25                                       | -   |

**(b) Foreign currency risk**

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments.

As at 31 January 2015, approximately 18% (2014: 36%) and 16% (2014: 48%) of the Group's receivables and payables are denominated in foreign currencies respectively.

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)****(b) Foreign currency risk (cont'd.)**

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 amount to RM288,722,000 (2014: RM218,589,000) and RM12,534,000 (2014: RM1,853,000) for the Group and the Company respectively.

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.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

|                   | Profit net of tax<br>Group |                | Profit net of tax<br>Company |                |
|-------------------|----------------------------|----------------|------------------------------|----------------|
|                   | 2015<br>RM'000             | 2014<br>RM'000 | 2015<br>RM'000               | 2014<br>RM'000 |
| USD/RM            |                            |                |                              |                |
| - strengthened 1% | 11,100                     | 89,099         | 3,730                        | 40,224         |
| - weakened 1%     | (11,100)                   | (89,099)       | (3,730)                      | (40,224)       |

**(c) Liquidity risk**

Liquidity risk is the risk that the Group or the Company may encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. The Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio.

At the reporting date, approximately 6% (2014: 8%) and Nil (2014: 11%) of the Group's and Company's borrowings (Note 28), excluding hire purchase and finance lease, will mature in less than one year based on the carrying amount reflected in the financial statements respectively.

**36. 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.

|   | 2015   |                                |                                   | Total<br>RM'000   |
|---|--|--------------------------------|-----------------------------------|-------------------|
|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 |                   |
| <b>Group</b>                                    |  |                                |                                   |                   |
| Financial liabilities:                          |  |                                |                                   |                   |
| Trade and other payables                        | 2,037,603                                    | 723,185                        | -                                 | 2,760,788         |
| Borrowings                                      | 1,641,543                                    | 12,841,283                     | 3,883,905                         | 18,366,731        |
| <b>Total undiscounted financial liabilities</b> | <b>3,679,146</b>                             | <b>13,564,468</b>              | <b>3,883,905</b>                  | <b>21,127,519</b> |

|   | 2014   |                                |                                   | Total<br>RM'000   |
|---|--|--------------------------------|-----------------------------------|-------------------|
|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 |                   |
| <b>Group</b>                                    |  |                                |                                   |                   |
| Financial liabilities:                          |  |                                |                                   |                   |
| Trade and other payables                        |  | 1,218,124                      | 723,675                           | 1,941,799         |
| Borrowings                                      |  | 1,272,363                      | 11,679,592                        | 12,951,955        |
| Derivatives                                     |  | 1,775                          | 893                               | 2,668             |
| <b>Total undiscounted financial liabilities</b> |  | <b>2,492,262</b>               | <b>12,404,160</b>                 | <b>14,896,422</b> |

|   | 2015   |                                |                                   | Total<br>RM'000  |
|---|--|--------------------------------|-----------------------------------|------------------|
|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 |                  |
| <b>Company</b>                                  |  |                                |                                   |                  |
| Financial liabilities:                          |  |                                |                                   |                  |
| Amount due to subsidiaries                      | 695,981                                      | 1,279,662                      | 680,955                           | 2,656,598        |
| Other payables                                  | 23,384                                       | -                              | -                                 | 23,384           |
| <b>Total undiscounted financial liabilities</b> | <b>719,365</b>                               | <b>1,279,662</b>               | <b>680,955</b>                    | <b>2,679,982</b> |

|   | 2014   |                                |                                   | Total<br>RM'000  |
|---|--|--------------------------------|-----------------------------------|------------------|
|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | More than<br>five years<br>RM'000 |                  |
| <b>Company</b>                                  |  |                                |                                   |                  |
| Financial liabilities:                          |  |                                |                                   |                  |
| Amount due to subsidiaries                      |  | 70,660                         | -                                 | 70,660           |
| Other payables                                  |  | 68,487                         | -                                 | 68,487           |
| Borrowings                                      |  | 439,450                        | 2,583,171                         | 3,022,621        |
| Derivatives                                     |  | 1,775                          | -                                 | 1,775            |
| <b>Total undiscounted financial liabilities</b> |  | <b>580,372</b>                 | <b>2,583,171</b>                  | <b>3,163,543</b> |

At the reporting date, the counterparty to the financial guarantees have no right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)****(d) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Credit approvals are performed in accordance to approved Limits of Authority. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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 RM713.3 million (2014: RM610.3 million) and RM789 million (2014: RM475.4 million) respectively (Note 34).

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     |            |           |            |
|-----------------------------|-----------|------------|-----------|------------|
|                             | 2015      | 2015       | 2014      | 2014       |
|                             | RM'000    | % of total | RM'000    | % of total |
| <b>By country/region</b>    |           |            |           |            |
| Malaysia                    | 1,366,416 | 74%        | 925,925   | 69%        |
| Asia                        | 128,510   | 7%         | 196,714   | 14%        |
| Australia and Russia        | 103,822   | 6%         | 94,578    | 7%         |
| Americas and United Kingdom | 45,126    | 2%         | 46,246    | 3%         |
| Africa                      | 194,984   | 11%        | 93,191    | 7%         |
|                             | 1,838,858 | 100%       | 1,356,654 | 100%       |

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions.

The Group's principal customers with which it conducts business are diversified and there is no significant concentration of credit risk at reporting date.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

**37. FINANCIAL INSTRUMENTS****(a) Classification of financial instruments**

The accounting policies in Note 2.14 and Note 2.20 describe how the categories of financial instruments are measured, and how income and expenses, including changes in fair value, are recognised.

The table below reflects the financial assets and liabilities in the statement of financial position by the categories of financial instrument to which they are assigned:

|                                 | Note | Loans and<br>receivables<br>RM'000 | Other<br>financial<br>liabilities<br>RM'000 | Total<br>RM'000                                      |                 |
|---------------------------------|------|------------------------------------|---|--|-----------------|
| <b>2015</b>                     |      |                                    |   |  |                 |
| <b>Group</b>                    |      |                                    |   |  |                 |
| <b>Assets</b>                   |      |                                    |   |  |                 |
| Trade and other receivables     |      | 3,042,233                          | -   | 3,042,233  |                 |
| Cash and cash equivalents       | 24   | 1,256,551                          | -   | 1,256,551  |                 |
| Total financial assets          |      | 4,298,784                          | -   | 4,298,784  |                 |
| Total non-financial assets      |      |                                    |   | 30,264,000   |                 |
| Total assets                    |      |                                    |   | 34,562,784   |                 |
| <b>Liabilities</b>              |      |                                    |   |  |                 |
| Borrowings                      | 28   | -                                  | 16,953,266                                  | 16,953,266   |                 |
| Trade and other payables        |      | -                                  | 2,721,388                                   | 2,721,388  |                 |
| Total financial liabilities     |      | -                                  | 19,674,654                                  | 19,674,654   |                 |
| Total non-financial liabilities |      |                                    |   | 2,895,158  |                 |
| Total liabilities               |      |                                    |   | 22,569,812   |                 |
|                                 | Note | Loans and<br>receivables<br>RM'000 | Other<br>financial<br>liabilities<br>RM'000 | Fair value<br>through<br>profit or<br>loss<br>RM'000 | Total<br>RM'000 |
| <b>2014</b>                     |      |                                    |   |  |                 |
| <b>Group</b>                    |      |                                    |   |  |                 |
| <b>Assets</b>                   |      |                                    |   |  |                 |
| Trade and other receivables     |      | 1,846,567                          | -   | -  | 1,846,567       |
| Cash and cash equivalents       | 24   | 1,386,661                          | -   | -  | 1,386,661       |
| Total financial assets          |      | 3,233,228                          | -   | -  | 3,233,228       |
| Total non-financial assets      |      |                                    |   |  | 23,381,263      |
| Total assets                    |      |                                    |   |  | 26,614,491      |
| <b>Liabilities</b>              |      |                                    |   |  |                 |
| Borrowings                      | 28   | -                                  | 12,360,623                                  | -  | 12,360,623      |
| Trade and other payables        |      | -                                  | 1,843,546                                   | -  | 1,843,546       |
| Derivatives                     | 32   | -                                  | -   | 2,668  | 2,668           |
| Total financial liabilities     |      | -                                  | 14,204,169                                  | 2,668  | 14,206,837      |
| Total non-financial liabilities |      |                                    |   |  | 2,206,552       |
| Total liabilities               |      |                                    |   |  | 16,413,389      |

**37. FINANCIAL INSTRUMENTS (CONT'D.)****(a) Classification of financial instruments (cont'd.)**

|                                 | Note | Loans and<br>receivables<br>RM'000 | Other<br>financial<br>liabilities<br>RM'000 | Total<br>RM'000                                   |                 |
|---------------------------------|------|------------------------------------|---|---|-----------------|
| <b>2015</b>                     |      |                                    |   |   |                 |
| <b>Company</b>                  |      |                                    |   |   |                 |
| <b>Assets</b>                   |      |                                    |   |   |                 |
| Amount due from subsidiaries    | 21   | 2,223,543                          | -   | 2,223,543   |                 |
| Other receivables               |      | 6,203                              | -   | 6,203   |                 |
| Cash and cash equivalents       | 24   | 24,796                             | -   | 24,796  |                 |
| Total financial assets          |      | 2,254,542                          | -   | 2,254,542   |                 |
| Total non-financial assets      |      |                                    |   | 9,104,898   |                 |
| Total assets                    |      |                                    |   | 11,359,440  |                 |
| <b>Liabilities</b>              |      |                                    |   |   |                 |
| Amount due to subsidiaries      | 27   | -                                  | 2,321,981                                   | 2,321,981   |                 |
| Borrowings                      | 28   | -                                  | 557   | 557   |                 |
| Other payables                  |      | -                                  | 23,384                                      | 23,384  |                 |
| Total financial liabilities     |      | -                                  | 2,345,922                                   | 2,345,922   |                 |
| Total non-financial liabilities |      |                                    |   | 386,818   |                 |
| Total liabilities               |      |                                    |   | 2,732,740   |                 |
|                                 | Note | Loans and<br>receivables<br>RM'000 | Other<br>financial<br>liabilities<br>RM'000 | Fair value<br>through<br>profit or loss<br>RM'000 | Total<br>RM'000 |
| <b>2014</b>                     |      |                                    |   |   |                 |
| <b>Company</b>                  |      |                                    |   |   |                 |
| <b>Assets</b>                   |      |                                    |   |   |                 |
| Amount due from subsidiaries    | 21   | 5,151,968                          | -   | -   | 5,151,968       |
| Other receivables               |      | 16,057                             | -   | -   | 16,057          |
| Cash and cash equivalents       | 24   | 145,544                            | -   | -   | 145,544         |
| Total financial assets          |      | 5,313,569                          | -   | -   | 5,313,569       |
| Total non-financial assets      |      |                                    |   |   | 6,249,917       |
| Total assets                    |      |                                    |   |   | 11,563,486      |
| <b>Liabilities</b>              |      |                                    |   |   |                 |
| Amount due to subsidiaries      | 27   | -                                  | 70,660                                      | -   | 70,660          |
| Borrowings                      | 28   | -                                  | 2,628,421                                   | -   | 2,628,421       |
| Other payables                  |      | -                                  | 68,487                                      | -   | 68,487          |
| Derivatives                     | 32   | -                                  | -   | 1,775   | 1,775           |
| Total financial liabilities     |      | -                                  | 2,767,568                                   | 1,775   | 2,769,343       |
| Total non-financial liabilities |      |                                    |   |   | 253,779         |
| Total liabilities               |      |                                    |   |   | 3,023,122       |

**37. FINANCIAL INSTRUMENTS (CONT'D.)****(b) Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value**

|   | Group<br>Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 |
|---|---------------------------------------|-------------------------|
| <b>Financial liabilities:</b>               |                                       |                         |
| <b>As at 31 January 2015</b>                |                                       |                         |
| Hire purchase and finance lease liabilities | 27,267                                | 25,944                  |
| <b>As at 31 January 2014</b>                |                                       |                         |
| Term loans                                  | 1,646,547                             | 1,283,927               |
| Hire purchase and finance lease liabilities | 30,666                                | 26,723                  |

**(c) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

|  | <b>Note</b> |
|--|-------------|
| Trade and other receivables  | 22          |
| Trade and other payables   | 31          |
| Borrowings (floating rate borrowings, excluding those in Note 37(b)) | 28          |
| Amount due from subsidiaries   | 21          |
| Amount due to subsidiaries   | 27          |

The carrying amounts of the current financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the long term payables are reasonable approximation of fair values due to the insignificant impact of discounting.

**(d) Determination of fair value**Derivatives

Forward currency contracts and cross currencies interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

Non-derivative financial liabilities

Fair value for non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest is determined by reference to similar borrowing arrangements.

**(e) Fair value hierarchy**

The Group and the Company's financial instruments are analysed in a three level fair value hierarchy based on the significance of inputs.

The three level of fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Input for the asset or liability that are not based on observable market data (unobservable input)

The fair value of all the financial instruments of the Group and of the Company are determined using Level 2 inputs.

**38. CAPITAL MANAGEMENT**

Capital management refers to implementing measures to maintain sufficient capital to support the Group's business and growth plans. The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and maximise shareholders' value.

One of the key considerations in this regard is to maintain ready access to capital markets and to preserve the Group's ability to repay and service debt obligations over time.

The Group manages its capital structure and monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's endeavours to maintain healthy gearing ratio and regularly monitor the gearing level to ensure compliance with debts covenant. The Group includes within net debt, borrowings (exclude amortisation of transaction cost) less cash and cash equivalents. Capital includes total equity less non-controlling interests.

|                                 | Note | Group          |                | Company        |                |
|---------------------------------|------|----------------|----------------|----------------|----------------|
|                                 |      | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Borrowings                      | 28   | 16,953,266     | 12,360,623     | 557            | 2,628,421      |
| Add: Amortisation               |      | 196,692        | -              | -              | -              |
| Less: Cash and cash equivalents | 24   | (1,256,551)    | (1,386,661)    | (24,796)       | (145,544)      |
| Net debt/(cash)                 |      | 15,893,407     | 10,973,962     | (24,239)       | 2,482,877      |
| Total equity                    |      | 11,992,972     | 10,201,102     | 8,626,700      | 8,540,364      |
| Less: Non-controlling interests |      | (6,950)        | (6,301)        | -              | -              |
| Total capital                   |      | 11,986,022     | 10,194,801     | 8,626,700      | 8,540,364      |
| <b>Net gearing ratio</b>        |      | 1.33           | 1.08           | -              | 0.29           |

**39. SEGMENT INFORMATION****(a) Operating segments**

For management purpose, the Group is organised on a worldwide basis into major business segments as follows.

- (i) Offshore Construction and Subsea Services;
- (ii) Fabrication, Hook-up and Commissioning;
- (iii) Drilling and Energy Services; and
- (iv) Corporate - investment holding and provision of management services.

With the completion of acquisition of SapuraKencana Energy Inc. Group ("SKEI") (formerly known as Newfield Malaysia Holding Inc.), whose principal activities are exploration, development and production of crude oil and natural gas, the Group reorganised the composition of the business divisions within its operating segment.

Major activities of the Offshore Construction and Subsea Services business segment are:

- Installation of offshore platforms, marine pipelines and subsea services; and
- Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of-sale systems for petrol stations and asset management services for offshore installations.

Drilling and Energy Services segment comprises of Drilling and Energy & Joint Ventures business divisions. Major activities of the segment are:

- Provisions of drilling rigs and services;
- Oilfield development and production, leasing of floating, production, storage and offloading; and
- Exploration, development and production of crude oil and natural gas.

**39. SEGMENT INFORMATION (CONT'D.)****(a) Operating segments (cont'd.)**

Fabrication, Hook-up and Commissioning segment comprises of engineering, procurement, construction and commissioning 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 a negotiated basis in a manner similar to transactions with third parties.

|  | <b>Offshore<br/>Construction<br/>and Subsea<br/>Services<br/>RM'000</b> | <b>Fabrication,<br/>Hook-up and<br/>Commissioning<br/>RM'000</b> | <b>Drilling and<br/>Energy<br/>Services<br/>RM'000</b> | <b>Corporate<br/>RM'000</b> | <b>Eliminations *<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|--|---|--|--|-----------------------------|----------------------------------|--------------------------------|
| <b>31 January 2015</b>   |   |  |  |                             |                                  |                                |
| <b>Revenue</b>   |   |  |  |                             |                                  |                                |
| External sales   | 3,014,672   | 2,035,706  | 4,892,641  | -                           | -                                | 9,943,019                      |
| Inter-segment sales  | 88,903  | 81,725   | -  | 925,841                     | (1,096,469)                      | -                              |
| Total revenue  | 3,103,575   | 2,117,431  | 4,892,641  | 925,841                     | (1,096,469)                      | 9,943,019                      |
| <b>Results</b>   |   |  |  |                             |                                  |                                |
| Operating results  | 607,359   | 293,124  | 1,544,250  | 556,873                     | (986,467)                        | 2,015,139                      |
| Finance costs  |   |  |  |                             |                                  | (666,566)                      |
| Interest income  |   |  |  |                             |                                  | 15,272                         |
| Share of profit from associates<br>and joint venture companies | 147,459   | 647  | 104,011  | -                           | -                                | 252,117                        |
| Profit before tax  |   |  |  |                             |                                  | 1,615,962                      |
| Income tax expense   |   |  |  |                             |                                  | (182,502)                      |
| Profit net of tax  |   |  |  |                             |                                  | 1,433,460                      |
| Non-controlling interests                                      |   |  |  |                             |                                  | (708)                          |
| Profit for the year attributable<br>to owners of the Parent    |   |  |  |                             |                                  | 1,432,752                      |

\* Inter-segment revenue are eliminated on consolidation

**39. SEGMENT INFORMATION (CONT'D.)****(a) Operating segments (cont'd.)**

|  | <b>Offshore<br/>Construction<br/>and Subsea<br/>Services<br/>RM'000</b> | <b>Fabrication,<br/>Hook-up and<br/>Commissioning<br/>RM'000</b> | <b>Drilling and<br/>Energy<br/>Services<br/>RM'000</b> | <b>Corporate<br/>RM'000</b> | <b>Eliminations <sup>^</sup><br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|--|---|--|--|-----------------------------|---|--------------------------------|
| <b>31 January 2015 (cont'd.)</b>                         |   |  |  |                             |   |                                |
| <b>Assets</b>  |   |  |  |                             |   |                                |
| Segment assets   | 4,924,441   | 2,133,192  | 17,302,161   | 672,850                     | (34,104)                                    | 24,998,540                     |
| Investment in associates and<br>joint venture companies  | 1,030,858   | 3,424  | 346,473  | -                           | (4,032)                                     | 1,376,723                      |
| Goodwill   | 301,470   | 3,795,851  | 3,534,193  | -                           | -   | 7,631,514                      |
| Deferred tax assets                                      | 20,143  | -  | 283,168  | 39,464                      | 10,202                                      | 352,977                        |
| Unallocated corporate assets                             |   |  |  |                             |   | 203,030                        |
| Consolidated total assets                                |   |  |  |                             |   | <u>34,562,784</u>              |
| <b>Liabilities</b>                                       |   |  |  |                             |   |                                |
| Segment liabilities                                      | 807,493   | 507,547  | 2,342,820  | 428,698                     | 12,773                                      | 4,099,331                      |
| Borrowings   |   |  |  |                             |   | 16,953,266                     |
| Deferred tax liabilities                                 | 21,486  | 44,481   | 1,359,058  | -                           | -   | 1,425,025                      |
| Unallocated corporate liabilities                        |   |  |  |                             |   | 92,190                         |
| Consolidated total liabilities                           |   |  |  |                             |   | <u>22,569,812</u>              |
| <b>Other Information</b>                                 |   |  |  |                             |   |                                |
| Capital expenditure                                      | 287,542   | 189,735  | 1,167,341  | 11,050                      | -   | 1,655,668                      |
| Depreciation of property,<br>plant and equipment         | 179,107   | 81,358   | 444,048  | 10,566                      | -   | 715,079                        |
| Amortisation of intangible assets                        | 4,216   | 768  | 34,349   | -                           | -   | 39,333                         |
| Amortisation of expenditure on<br>oil and gas properties | -   | -  | 535,443  | -                           | -   | 535,443                        |
| Provision for impairment on<br>receivables, net          | 8,025   | 62   | -  | -                           | -   | 8,087                          |
| Provision for impairment on<br>oil and gas properties    | -   | -  | 54,935   | -                           | -   | 54,935                         |
| Changes in provisions                                    | -   | -  | (63,526)   | -                           | -   | (63,526)                       |

<sup>^</sup> Intercompany transactions are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
31 JANUARY 2015

## 39. SEGMENT INFORMATION (CONT'D.)

## (a) Operating segments (cont'd.)

|  | Offshore<br>Construction<br>and Subsea<br>Services<br>RM'000 | Fabrication,<br>Hook-up and<br>Commissioning<br>RM'000 | Drilling and<br>Energy<br>Services<br>RM'000 | Corporate<br>RM'000 | Eliminations *<br>RM'000 | Consolidated<br>RM'000 |
|--|--|--|--|---------------------|--------------------------|------------------------|
| <b>31 January 2014</b>   |  |  |  |                     |                          |                        |
| <b>Revenue</b>   |  |  |  |                     |                          |                        |
| External sales   | 3,788,338  | 1,877,479  | 2,712,959                                    | -                   | -                        | 8,378,776              |
| Inter-segment sales  | 8,334  | 174,410  | 8,672  | 868,071             | (1,059,487)              | -                      |
| Total revenue  | 3,796,672  | 2,051,889  | 2,721,631                                    | 868,071             | (1,059,487)              | 8,378,776              |
| <b>Results</b>   |  |  |  |                     |                          |                        |
| Operating results  | 333,961  | 314,684  | 1,436,495                                    | 476,336             | (1,161,869)              | 1,399,607              |
| Finance costs  |  |  |  |                     |                          | (443,831)              |
| Interest income  |  |  |  |                     |                          | 17,168                 |
| Share of profit from associates<br>and joint venture companies | 181,905  | 518  | 52,390                                       | -                   | -                        | 234,813                |
| Profit before tax  |  |  |  |                     |                          | 1,207,757              |
| Income tax expense   |  |  |  |                     |                          | (84,060)               |
| Profit net of tax  |  |  |  |                     |                          | 1,123,697              |
| Non-controlling interests                                      |  |  |  |                     |                          | (36,783)               |
| Profit for the year attributable to<br>owners of the Parent    |  |  |  |                     |                          | 1,086,914              |

\* Inter-segment revenue are eliminated on consolidation

**39. SEGMENT INFORMATION (CONT'D.)****(a) Operating segments (cont'd.)**

|  | <b>Offshore<br/>Construction<br/>and Subsea<br/>Services<br/>RM'000</b> | <b>Fabrication,<br/>Hook-up and<br/>Commissioning<br/>RM'000</b> | <b>Drilling and<br/>Energy<br/>Services<br/>RM'000</b> | <b>Corporate<br/>RM'000</b> | <b>Eliminations <sup>^</sup><br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|--|---|--|--|-----------------------------|---|--------------------------------|
| <b>31 January 2014 (cont'd.)</b>                         |   |  |  |                             |   |                                |
| <b>Assets</b>  |   |  |  |                             |   |                                |
| Segment assets   | 4,691,286   | 1,943,238  | 10,897,714   | 752,270                     | (207,410)                                   | 18,077,098                     |
| Investment in associates and<br>joint venture companies  | 849,095   | 2,778  | 180,732  | -                           | (4,032)                                     | 1,028,573                      |
| Goodwill   | 308,374   | 3,795,851  | 3,208,101  | -                           | -   | 7,312,326                      |
| Deferred tax assets                                      | 33,874  | -  | 33,228   | 36,023                      | 11,372                                      | 114,497                        |
| Unallocated corporate assets                             |   |  |  |                             |   | 81,997                         |
| Consolidated total assets                                |   |  |  |                             |   | <u>26,614,491</u>              |
| <b>Liabilities</b>                                       |   |  |  |                             |   |                                |
| Segment liabilities                                      | 1,516,181   | 572,594  | 1,552,408  | 331,435                     | (94,098)                                    | 3,878,520                      |
| Borrowings   |   |  |  |                             |   | 12,360,623                     |
| Deferred tax liabilities                                 | 20,013  | 44,540   | 6,575  | -                           | -   | 71,128                         |
| Unallocated corporate liabilities                        |   |  |  |                             |   | 103,118                        |
| Consolidated total liabilities                           |   |  |  |                             |   | <u>16,413,389</u>              |
| <b>Other Information</b>                                 |   |  |  |                             |   |                                |
| Capital expenditure                                      | 1,330,988   | 256,554  | 1,613,111  | 10,901                      | -   | 3,211,554                      |
| Depreciation of property,<br>plant and equipment         | 119,051   | 75,165   | 298,442  | 11,471                      | -   | 504,129                        |
| Amortisation of intangible assets                        | 4,537   | -  | 8,936  | -                           | -   | 13,473                         |
| Amortisation of expenditure on<br>oil and gas properties | -   | -  | 120,472  | -                           | -   | 120,472                        |
| Provision for impairment on<br>receivables, net          | 10,169  | -  | -  | -                           | -   | 10,169                         |

<sup>^</sup> Intercompany transactions are eliminated on consolidation

**(b) Geographical information**

The Group operates in various geographical areas in the world. In Malaysia, its home country, the Group's areas of operation are 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. Malaysia is also the main country of operation for its newly acquired upstream business that involved in exploration, development and production of crude oil and natural gas. Other operations in Malaysia include oilfield development and production, investment holding and provision of management services.

The Group also operates in other countries/regions:

- (i) Asia (comprise of Singapore, Indonesia, Brunei, Thailand, India, Hong Kong and China) - Installation of pipelines and facilities, provision of engineering, procurement, construction and commissioning, provision for drilling rigs and services, provision of geotechnical and geophysical services to the oil and gas industry and vessel chartering.
- (ii) Australia and Russia - installation of pipelines and facilities and development of marine technology and marine chartering, specialising on remotely operated underwater vehicle ("ROV").
- (iii) Americas and United Kingdom - provision of technical consulting, advising to oil and gas companies and provision of offshore oil and gas drilling services.
- (iv) Africa - provision of offshore oil and gas drilling services.

**39. SEGMENT INFORMATION (CONT'D.)****(b) Geographical information (cont'd.)**

The following table provides an analysis of the Group's revenue by geographical areas:

|  | 2015<br>RM'000 | 2014<br>RM'000 |
|--|----------------|----------------|
| <b>Total revenue from external customers</b> |                |                |
| Malaysia                                     | 6,561,640      | 6,260,214      |
| Asia   | 1,753,965      | 858,687        |
| Australia and Russia                         | 518,735        | 774,540        |
| Americas and United Kingdom                  | 291,400        | 160,482        |
| Africa                                       | 817,279        | 324,853        |
| Consolidated                                 | 9,943,019      | 8,378,776      |

Majority of our segment assets are highly mobile and moves from one geographical area to another in order to maximise revenue generation opportunities. Consequently, segment assets by geographical area are not presented.

**40. SUBSIDIARIES AND ACTIVITIES**

Details of the subsidiaries are as follows:

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities  | Proportion of ownership interest |           |
|---|---|---|----------------------------------|-----------|
|   |   |   | 2015<br>%                        | 2014<br>% |
| <b>(a) Subsidiaries of SapuraKencana Petroleum Berhad</b>                           |   |   |                                  |           |
| Total Marine Technology (Malaysia) Sdn. Bhd. (formerly known as Aurabayu Sdn. Bhd.) | Malaysia  | Dormant   | 100                              | 100       |
| * SapuraCrest Deepwater Pte. Ltd.   | Bermuda   | Chartering and hiring out of barges   | 100                              | 100       |
| SapuraKencana GeoSciences Sdn. Bhd. (formerly known as TL GeoSciences Sdn. Bhd.)    | Malaysia  | Provision of offshore geotechnical and 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       |

\* Audited by firm other than Ernst & Young

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities                                    | Proportion of<br>ownership interest |           |
|---|---|---|-------------------------------------|-----------|
|   |   |   | 2015<br>%                           | 2014<br>% |
| <b>(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)</b>                                 |   |   |                                     |           |
| Petcon (Malaysia)<br>Sdn. Bhd.  | Malaysia  | License holder for<br>drilling of offshore<br>oil wells | 100                                 | 100       |
| SapuraCrest<br>Ventures<br>Sdn. Bhd.  | Malaysia  | Investment holding                                      | 100                                 | 100       |
| Crest Hidayat<br>(L) Ltd.   | Federal Territory<br>of Labuan,<br>Malaysia                 | Dormant   | 100                                 | 100       |
| Sasaran Perdana<br>Sdn. Bhd.  | Malaysia  | Dormant   | 100                                 | 100       |
| SapuraKencana<br>Dana SPV<br>Pte. Ltd.<br>(formerly known as<br>SapuraCrest Dana<br>SPV Pte. Ltd.)  | Federal Territory<br>of Labuan,<br>Malaysia                 | Chartering and hiring<br>out of barges                  | 100                                 | 100       |
| SapuraCrest<br>Petroleum<br>Berhad  | Malaysia  | Dormant   | 100                                 | 100       |
| Probadi Sdn. Bhd.   | Malaysia  | Investment holding                                      | 100                                 | 100       |
| SapuraKencana<br>Bayu Padu<br>Sdn. Bhd.<br>(formerly known as<br>Bayu Padu<br>Sdn. Bhd.)            | Malaysia  | Dormant   | 100                                 | 100       |
| SapuraKencana<br>Nautical Essence<br>Sdn. Bhd. (formerly<br>known as Nautical<br>Essence Sdn. Bhd.) | Malaysia  | Investment holding                                      | 100                                 | 100       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)</b>                               |  |   |                                  |           |
| SapuraKencana TL Offshore Sdn. Bhd. (formerly known as TL Offshore Sdn. Bhd.)                     | Malaysia   | Installation of offshore platforms and marine pipelines                                       | 100                              | 100       |
| SapuraKencana Marine Engineering Sdn. Bhd. (formerly known as Crest Marine Engineering Sdn. Bhd.) | Malaysia   | Rental of equipment and provision of engineering services                                     | 100                              | 100       |
| Geomark Sdn. Bhd.   | Malaysia   | Investment holding  | 100                              | 100       |
| Sapura Energy Ventures Sdn. Bhd.  | Malaysia   | Development and production of petroleum resources   | 100                              | 100       |
| Sapura Petroleum Sdn. Bhd.  | Malaysia   | Investment holding  | 100                              | 100       |
| Momentum Energy Sdn. Bhd.   | Malaysia   | Investment holding  | 100                              | 100       |
| SapuraKencana HL Sdn. Bhd. (formerly known as Kencana HL Sdn. Bhd.)                               | Malaysia   | Integrated engineering and fabrication of oil and gas production facilities and drilling rigs | 100                              | 100       |
| SapuraKencana Onshore Sdn. Bhd. (formerly known as Kencana Torsco Sdn. Bhd.)                      | Malaysia   | Engineering, fabrication and construction works   | 100                              | 100       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities  | Proportion of ownership interest |           |
|---|---|---|----------------------------------|-----------|
|   |   |   | 2015<br>%                        | 2014<br>% |
| <b>(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)</b>                                 |   |   |                                  |           |
| SapuraKencana Engineering Sdn. Bhd. (formerly known as Kencana Bestwide Sdn. Bhd.)                  | Malaysia  | Engineering, procurement construction (fabrication) and commissioning, design and engineering and project management  | 100                              | 100       |
| SapuraKencana Pinewell Sdn. Bhd. (formerly known as Kencana Pinewell Sdn. Bhd.)                     | Malaysia  | Offshore and onshore construction support services, hook-up, commissioning, maintenance and de-commissioning services | 100                              | 100       |
| SapuraKencana Petroleum Ventures Sdn. Bhd. (formerly known as Kencana Petroleum Ventures Sdn. Bhd.) | Malaysia  | Investment holding  | 100                              | 100       |
| Kencana Energy Sdn. Bhd.  | Malaysia  | Development and production of petroleum resources   | 100                              | 100       |
| SapuraKencana Allied Marine Sdn. Bhd. (formerly known as Allied Marine & Equipment Sdn. Bhd.)       | Malaysia  | Provision of subsea services  | 100                              | 100       |
| Kencana Petroleum Berhad  | Malaysia  | Dormant   | 100                              | 100       |
| SapuraKencana TMC Sdn. Bhd.   | Malaysia  | Provision of treasury management services   | 100                              | 100       |
| SapuraKencana Drilling Pte. Ltd. (Labuan)   | Federal Territory of Labuan, Malaysia                       | Investment holding  | 100                              | 100       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities           | Proportion of ownership interest |           |
|---|---|--------------------------------|----------------------------------|-----------|
|   |   |                                | 2015<br>%                        | 2014<br>% |
| <b>(a) Subsidiaries of SapuraKencana Petroleum Berhad (cont'd.)</b> |   |                                |                                  |           |
| SapuraKencana<br>900 Pte. Ltd.                                      | Federal Territory<br>of Labuan,<br>Malaysia                 | Vessel owner and<br>chartering | 100                              | 100       |
| SapuraKencana<br>1200 Pte. Ltd.                                     | Federal Territory<br>of Labuan,<br>Malaysia                 | Dormant                        | 100                              | 100       |
| SapuraKencana<br>3500 Pte. Ltd.                                     | Federal Territory<br>of Labuan,<br>Malaysia                 | Dormant                        | 100                              | 100       |
| SapuraKencana<br>FLB-1 Pte. Ltd.                                    | Federal Territory<br>of Labuan,<br>Malaysia                 | Dormant                        | 100                              | 100       |
| SapuraKencana<br>Energy Sdn. Bhd.                                   | Malaysia  | Investment holding             | 100                              | 100       |
| SapuraKencana<br>Energy (JV)<br>Sdn. Bhd.                           | Malaysia  | Investment holding             | 100                              | -         |
| SapuraKencana<br>Energy (RSC)<br>Sdn. Bhd.                          | Malaysia  | Investment holding             | 100                              | -         |
| * SapuraKencana<br>Fabrication & HUC<br>Sdn. Bhd.                   | Malaysia  | Investment holding             | 100                              | -         |
| SapuraKencana<br>HUC Sdn. Bhd.                                      | Malaysia  | Investment holding             | 100                              | -         |
| SapuraKencana<br>Fabricators<br>Sdn. Bhd.                           | Malaysia  | Investment holding             | 100                              | -         |

\* Audited by firm other than Ernst & Young

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries   | Country of Incorporation/<br>Principal place of business | Principal Activities   | Proportion of ownership interest |           |
|--|--|--|----------------------------------|-----------|
|  |  |  | 2015<br>%                        | 2014<br>% |
| <b>(b) Held through Probadi Sdn. Bhd. and SapuraKencana Drilling Asia Ltd.</b>                           |  |  |                                  |           |
| Tioman Drilling Company Sdn. Bhd.  | Malaysia   | Provision of oil drilling services   | 100                              | 100       |
| Varia Perdana Sdn. Bhd.  | Malaysia   | Investment holding and oil drilling management                               | 100                              | 100       |
| <b>(c) Held through SapuraKencana TL Offshore Sdn. Bhd. (formerly known as TL Offshore Sdn. Bhd.)</b>    |  |  |                                  |           |
| # Total Marine Technology Pty. Ltd.  | Australia  | Development of marine technology and marine chartering, specialising on ROVs | 94                               | 94        |
| SapuraKencana Talent Ltd.  | Bermuda  | In-house recruitment operations for crews/seafarers                          | 100                              | 100       |
| SapuraKencana 1200 Ltd.  | Bermuda  | Vessel owner and chartering  | 100                              | 100       |
| SapuraKencana 3500 Ltd.  | Bermuda  | Vessel owner and chartering  | 100                              | 100       |
| SapuraKencana FLB-1 Ltd.   | Bermuda  | Vessel owner and chartering  | 100                              | 100       |
| <b>(d) Held through SapuraKencana Geosciences Sdn. Bhd. (formerly known as TL GeoSciences Sdn. Bhd.)</b> |  |  |                                  |           |
| SapuraKencana GeoSurvey Sdn. Bhd. (formerly known as TL Geohydrographics Sdn. Bhd.)                      | Malaysia   | Hydrographic surveys and related services                                    | 100                              | 100       |
| # SapuraKencana GeoTechnics (S) Pte. Ltd. (formerly known as TL GeoTechnics (S) Pte. Ltd.)               | Singapore  | Soil investigation and geotechnical services                                 | 100                              | 100       |

# Audited by affiliates of Ernst &amp; Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries   | Country of Incorporation/<br>Principal place of business | Principal Activities                               | Proportion of ownership interest |           |
|--|--|--|----------------------------------|-----------|
|  |  |  | 2015<br>%                        | 2014<br>% |
| <b>(d) Held through SapuraKencana Geosciences Sdn. Bhd. (formerly known as TL GeoSciences Sdn. Bhd.) (cont'd.)</b> |  |  |                                  |           |
| SapuraKencana GeoTechnics Sdn. Bhd. (formerly known as TL GeoTechnics Sdn. Bhd.)                                   | Malaysia   | Soil investigation and geotechnical services       | 100                              | 100       |
| SapuraKencana Jaya Sdn. Bhd. (formerly known as TL Jaya Sdn. Bhd.)   | Malaysia   | Chartering of vessels                              | 100                              | 100       |
| # SapuraKencana GeoSurvey Pte. Ltd. (formerly known as TL Geohydrographics Pte. Ltd.)                              | Singapore  | Hydrographic surveys and related services          | 100                              | 100       |
| # TL Geohydrographics Pty. Ltd.  | Australia  | Hydrographic surveys and related services          | 100                              | 100       |
| SapuraKencana Oilserve Sdn. Bhd. (formerly known as TL Oilserve Sdn. Bhd.)   | Malaysia   | Provision of marine vessel transportation services | 100                              | 100       |
| SapuraKencana Oilserve Labuan Pte. Ltd. (formerly known as Oilserve (L) Berhad)                                    | Federal Territory of Labuan, Malaysia                    | Leasing of vessels/barges                          | 100                              | 100       |
| SapuraKencana Diving Services Sdn. Bhd. (formerly known as Sapura Diving Services Sdn. Bhd.)                       | Malaysia   | Dormant  | 100                              | 100       |

# Audited by affiliates of Ernst & Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries   | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|--|--|---|----------------------------------|-----------|
|  |  |   | 2015<br>%                        | 2014<br>% |
| <b>(e) Held through Sapura Energy Sdn. Bhd.</b>  |  |   |                                  |           |
| SapuraKencana Retail Solutions Sdn. Bhd. (formerly known as Sapura Retail Solutions Sdn. Bhd.)                       | Malaysia   | Retail automation systems and maintenance services  | 100                              | 100       |
| SapuraKencana Project Services Sdn. Bhd. (formerly known as SE Projects Sdn. Bhd.)                                   | Malaysia   | Systems integration, software development, general engineering, maintenance and related activities  | 100                              | 100       |
| SapuraKencana Power Services Sdn. Bhd. (formerly known as Sapura Power Services Sdn. Bhd.)                           | Malaysia   | Provision of maintenance services to the power utility and oil and gas industries                   | 94.4                             | 94.4      |
| SapuraKencana Petroleum Technologies Sdn. Bhd. (formerly known as Sapura Petroleum Technologies Sdn. Bhd.)           | Malaysia   | Dormant   | 99.7                             | 99.7      |
| SapuraKencana Maintenance Services Sdn. Bhd. (formerly known as Malaysian Advanced Refurbishment Services Sdn. Bhd.) | Malaysia   | Provision of maintenance services to the oil and gas industry                                       | 100                              | 100       |
| SapuraKencana Energy Unlimited Sdn. Bhd. (formerly known as 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       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries                                      | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(e) Held through Sapura Energy Sdn. Bhd. (cont'd.)</b> |  |   |                                  |           |
| Sarku Engineering Services Sdn. Bhd.                      | Malaysia   | Provision of offshore engineering and diving services and marine support and logistic assistance for the oil and gas industry | 100                              | 100       |
| Sarku Marine Sdn. Bhd.                                    | Malaysia   | Provision of crew, chartering and hiring out of a barge   | 100                              | 100       |
| Sarku Engineering Services (Offshore) Sdn. Bhd.           | Malaysia   | Chartering and hiring out of barges, vessels and operational equipment including provision of crew                            | 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 to facilitate financial facilities transactions   | 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 on bareboat basis  | 100                              | 100       |
| Prominent Energy Sdn. Bhd.                                | Malaysia   | Dormant   | 100                              | 100       |
| SapuraKencana Services Sdn. Bhd.                          | Malaysia   | Investment holding  | 100                              | 100       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities                                   | Proportion of ownership interest |           |
|---|--|--|----------------------------------|-----------|
|   |  |  | 2015<br>%                        | 2014<br>% |
| <b>(f) Held through Sapura Petroleum Sdn. Bhd.</b>                                      |  |  |                                  |           |
| # Nautical Bay Pte. Ltd.  | Singapore  | Provision of manpower and procurement services         | 100                              | 100       |
| * SapuraKencana Petroleum Inc.  | The State of Texas, United States of America             | Regional Office for business development and marketing | 100                              | 100       |
| * SapuraKencana Oil & Gas DMCC  | Dubai, United Arab Emirates                              | Regional Office for business development and marketing | 100                              | 100       |
| SapuraMex Pte. Ltd.   | Singapore  | Investment holding                                     | 100                              | -         |
| SapuraKencana 3500 Pte. Ltd.  | Singapore  | Chartering and hiring out of vessel                    | 100                              | -         |
| <b>(g) Held through Nautical Bay Pte. Ltd.</b>  |  |  |                                  |           |
| # SapuraKencana Nautical Power Pte. Ltd. (formerly known as Nautical Power Pte. Ltd.)   | Singapore  | Investment holding                                     | 100                              | 100       |
| <b>(h) Held through Momentum Energy Sdn. Bhd.</b>                                       |  |  |                                  |           |
| # Sapura Australia Pty. Ltd.  | Australia  | Investment holding                                     | 100                              | 100       |
| # SapuraKencana Australia Pty. Ltd. (formerly known as SapuraClough Offshore Pty. Ltd.) | Australia  | Investment holding                                     | 100                              | 100       |

\* Audited by firms other than Ernst &amp; Young

# Audited by affiliates of Ernst &amp; Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities   | Proportion of ownership interest |           |
|---|--|--|----------------------------------|-----------|
|   |  |  | 2015<br>%                        | 2014<br>% |
| <b>(i) Held through Sapura Australia Pty. Ltd.</b>  |  |  |                                  |           |
| # SapuraKencana USA Holdings Incorporated (formerly known as SapuraClough USA Holdings Inc.)                  | State of Delaware, United States of America              | Investment holding   | 100                              | 100       |
| # Sapura Petroleum (Australia) Pty. Ltd.  | Australia  | Investment holding   | 100                              | 100       |
| # SC Projects Pty. Ltd.   | Australia  | Investment holding   | 100                              | 100       |
| # Normand Sapura Pty. Ltd.  | Australia  | Sub-charter and provision of project delivery capabilities, technology and proprietary offshore assets | 100                              | 100       |
| # SC Projects Australia Pty. Ltd.   | Australia  | Investment holding   | 100                              | 100       |
| # SapuraClough Java Offshore Pte. Ltd.  | Singapore  | Vessel owner and chartering  | 100                              | 100       |
| # SapuraKencana Projects Singapore Pte. Ltd. (formerly known as SapuraClough Singapore Constructor Pte. Ltd.) | Singapore  | Vessel leasing and chartering  | 100                              | 100       |

# Audited by affiliates of Ernst & Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries   | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|--|--|---|----------------------------------|-----------|
|  |  |   | 2015<br>%                        | 2014<br>% |
| <b>(i) Held through Sapura Australia Pty. Ltd. (cont'd.)</b>   |  |   |                                  |           |
| # SapuraKencana Assets Pty. Ltd.<br>(formerly known as Sapura REM Clough Pty. Ltd.)                                | Australia  | Owner and operator of marine assets                                     | 100                              | 100       |
| <b>(j) Held through SapuraKencana USA Holdings Incorporated (formerly known as SapuraClough USA Holdings Inc.)</b> |  |   |                                  |           |
| * Ocean Flow International LLC   | The State of Texas, United States of America             | Provision of technical consulting and advising to oil and gas companies | 100                              | 100       |
| <b>(k) Held through Geomark Sdn. Bhd.</b>  |  |   |                                  |           |
| # Quippo Prakash Pte. Ltd.   | Singapore  | Dormant   | 100                              | 100       |
| <b>(l) Held through SapuraKencana HL Sdn. Bhd. (formerly known as Kencana HL Sdn. Bhd.)</b>                        |  |   |                                  |           |
| SapuraKencana Marine Sdn. Bhd.<br>(formerly known as Kencana Marine Sdn. Bhd.)                                     | Malaysia   | Operation and management of fabrication yard                            | 100                              | 100       |
| Kencana Infrastructure Sdn. Bhd.   | Malaysia   | Dormant   | 100                              | 100       |
| Kencana Metering Sdn. Bhd.   | Malaysia   | Dormant   | 100                              | 100       |
| Kencana Steelworks Sdn. Bhd.   | Malaysia   | Dormant   | 70                               | 70        |

\* Audited by firm other than Ernst &amp; Young

# Audited by affiliates of Ernst &amp; Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities   | Proportion of ownership interest |           |
|---|---|--|----------------------------------|-----------|
|   |   |  | 2015<br>%                        | 2014<br>% |
| <b>(m) Held through SapuraKencana Onshore Sdn. Bhd.<br/>(formerly known as Kencana Torsco Sdn. Bhd.)</b>                        |   |  |                                  |           |
| SapuraKencana Subsea Sdn. Bhd.<br>(formerly known as Kencana Torsco Overseas Sdn. Bhd.)   | Malaysia  | Provision of engineering, fabrication and construction works       | 100                              | 100       |
| SapuraKencana Assets Sdn. Bhd.<br>(formerly known as Kencana Torsco Assets Sdn. Bhd.)   | Malaysia  | Property investment  | 100                              | 100       |
| * Kencana Torsco (Hong Kong) Private Limited  | Hong Kong   | Engineering, fabrication and construction works                    | 100                              | 100       |
| * King Hang Engineering Company Limited   | Hong Kong   | Provision of engineering works                                     | 60                               | 60        |
| <b>(n) Held through King Hang Engineering Company Limited</b>   |   |  |                                  |           |
| * Dong Guan Hang Hoi Steel Structure Company Limited  | China   | Provision of engineering works                                     | 60                               | 60        |
| <b>(o) Held through SapuraKencana Petroleum Ventures Sdn. Bhd.<br/>(formerly known as Kencana Petroleum Ventures Sdn. Bhd.)</b> |   |  |                                  |           |
| Kencana Marine Drilling Sdn. Bhd.   | Malaysia  | Offshore drilling and related services in the oil and gas industry | 100                              | 100       |
| # Kencana Marine Rig 1 Pte. Ltd.  | Singapore   | Dormant  | 100                              | 100       |
| SapuraKencana Drilling T-19 Pte. Ltd.<br>(formerly known as Kencana Marine Rig 1 (Labuan) Pte. Ltd.)                            | Federal Territory of Labuan, Malaysia                       | Leasing of offshore oil and gas drilling rig                       | 100                              | 100       |
| SapuraKencana Drilling T-20 Pte. Ltd.<br>(formerly known as Kencana Marine Rig 2 (Labuan) Pte. Ltd.)                            | Federal Territory of Labuan, Malaysia                       | Leasing of offshore oil and gas drilling rig                       | 100                              | 100       |

\* Audited by firms other than Ernst &amp; Young

# Audited by affiliate of Ernst &amp; Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place<br>of business | Principal Activities  | Proportion of ownership interest |           |
|---|---|---|----------------------------------|-----------|
|   |   |   | 2015<br>%                        | 2014<br>% |
| <b>(o) Held through SapuraKencana Petroleum Ventures Sdn. Bhd.<br/>(formerly known as Kencana Petroleum Ventures Sdn. Bhd.) (cont'd.)</b> |   |   |                                  |           |
| SapuraKencana Drilling Kinabalu Pte. Ltd.<br>(formerly known as Kencana Marine Rig 3 (Labuan) Pte. Ltd.)                                  | Federal Territory of Labuan, Malaysia                       | Leasing of offshore oil and gas drilling rig                      | 100                              | 100       |
| SapuraKencana Nautilus Sdn. Bhd.<br>(formerly known as Kencana Nautilus Sdn. Bhd.)  | Malaysia  | Service provider for offshore support vessels                     | 100                              | 100       |
| <b>(p) Held through SapuraKencana Nautilus Sdn. Bhd.<br/>(formerly known as Kencana Nautilus Sdn. Bhd.)</b>                               |   |   |                                  |           |
| SapuraKencana Gemia (Labuan) Pte. Ltd.<br>(formerly known as Gemia (Labuan) Pte. Ltd.)  | Federal Territory of Labuan, Malaysia                       | Provision of offshore support vessel for the oil and gas industry | 100                              | 100       |
| Teras-Kencana Ventures Sdn. Bhd.  | Malaysia  | Provision of offshore support vessel for the oil and gas industry | 67                               | 67        |
| SapuraKencana Redang (Labuan) Pte. Ltd.<br>(formerly known as Redang (Labuan) Pte. Ltd.)  | Federal Territory of Labuan, Malaysia                       | Provision of offshore support vessel for the oil and gas industry | 100                              | 100       |
| Dhow Offshore Sdn. Bhd.   | Malaysia  | Provision of ship management services                             | 100                              | 100       |
| SapuraKencana Marine Assets (Labuan) Pte. Ltd.<br>(formerly known as Kencana Marine Assets (Labuan) Pte. Ltd.)                            | Federal Territory of Labuan, Malaysia                       | Dormant   | 100                              | 100       |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(q) Held through SapuraKencana Allied Marine Sdn. Bhd.<br/>(formerly known as Allied Marine &amp; Equipment Sdn. Bhd.)</b>   |  |   |                                  |           |
| SapuraKencana Marine Services Sdn. Bhd.<br>(formerly known as AME Marine Services Sdn. Bhd.)                                    | Malaysia   | Provision of vessel related management services                                   | 100                              | 100       |
| SapuraKencana Allied Corporation<br>(formerly known as Allied Support Corporation)  | Federal Territory of Labuan, Malaysia                    | Vessels owner and letting of dynamic positioning vessels and related equipment    | 100                              | 100       |
| Maju Hydro Sdn. Bhd.  | Malaysia   | Dormant   | 100                              | 100       |
| SapuraKencana AME Corporation<br>(formerly known as AME Corporation)  | Federal Territory of Labuan, Malaysia                    | Provision of subsea services  | 100                              | 100       |
| SapuraKencana Allied Robotics Corporation<br>(formerly known as AME Robotics Corporation)                                       | Federal Territory of Labuan, Malaysia                    | Provision of ROVs for rental  | 100                              | 100       |
| # SapuraKencana Allied Marine & Equipment (Thailand) Ltd.<br>(formerly known as Allied Marine & Equipment (Thailand) Pte. Ltd.) | Thailand   | Provision of offshore diving and related services and diving equipment for rental | 100                              | 100       |

# Audited by affiliate of Ernst & Young, Malaysia

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(r) Held through SapuraKencana Drilling Pte. Ltd. (Labuan)</b> |  |   |                                  |           |
| # SapuraKencana Drilling Pte. Ltd.                                | Singapore  | Leasing of offshore oil and gas drilling rigs and providing management services | 100                              | 100       |
| SapuraKencana Drilling (Bermuda) Ltd.                             | Bermuda  | Investment holding  | 100                              | 100       |
| # PT Nordrill Indonesia   | Indonesia  | Offshore oil and gas construction and drilling services                         | 95                               | 95        |
| SapuraKencana Drilling Resources Ltd.                             | Bermuda  | Provision of crew services  | 100                              | 100       |
| SapuraKencana Drilling Labuan Leasing Ltd.                        | Federal Territory of Labuan, Malaysia                    | Hire and charter of the oil drilling rigs                                       | 100                              | -         |
| <b>(s) Held through SapuraKencana Drilling (Bermuda) Ltd.</b>     |  |   |                                  |           |
| SapuraKencana Drilling T-4 Ltd.                                   | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling T-7 Ltd.                                   | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling T-11 Ltd.                                  | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling T-12 Ltd.                                  | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling T-17 Ltd.                                  | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling T-18 Ltd.                                  | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling Menang Ltd.                                | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |
| SapuraKencana Drilling Berani Ltd.                                | Bermuda  | Leasing of offshore oil and gas drilling rig                                    | 100                              | 100       |

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**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(s) Held through SapuraKencana Drilling (Bermuda) Ltd. (cont'd.)</b> |  |   |                                  |           |
| SapuraKencana Drilling Alliance Ltd.                                    | Bermuda  | Leasing of offshore oil and gas drilling rig  | 100                              | 100       |
| SapuraKencana Drilling Pelaut Ltd.                                      | Bermuda  | Leasing of offshore oil and gas drilling rig  | 100                              | 100       |
| Seadrill Setia Ltd.   | Bermuda  | Leasing of drilling rig and providing drilling service to offshore oil and gas industry | 100                              | 100       |
| Seadrill Esperanza Ltd.   | Bermuda  | Leasing of offshore oil and gas drilling rig  | 100                              | 100       |
| SapuraKencana Drilling Jaya Ltd. (formerly known as Seadrill Jaya Ltd.) | Bermuda  | Leasing of offshore oil and gas drilling rig  | 100                              | 100       |
| SapuraKencana Drilling B374 Ltd.  | Bermuda  | Leasing of offshore oil and gas drilling rig  | 100                              | -         |
| # SapuraKencana Drilling Asia Ltd.                                      | Hong Kong/<br>Thailand                                   | Provision of oil drilling services  | 100                              | 100       |
| SapuraKencana Drilling Services Sdn. Bhd.                               | Malaysia   | Provision of oil drilling services  | 100                              | 100       |
| SapuraKencana Drilling Holdings (Panama) Inc.                           | Panama   | Investment holding  | 100                              | 100       |
| # SapuraKencana Drilling Holdings Ltd.                                  | Hong Kong/<br>Ivory Coast                                | Provision of oil drilling services  | 100                              | 100       |
| # SapuraKencana Drilling Sdn. Bhd.                                      | Brunei   | Offshore drilling, workover and development of oil and gas wells                        | 100                              | 100       |
| SapuraKencana Drilling Labuan Leasing Ltd.                              | Federal Territory of Labuan,<br>Malaysia                 | Hire and charter of the oil drilling rigs   | -                                | 100       |

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**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities   | Proportion of ownership interest |           |
|---|--|--|----------------------------------|-----------|
|   |  |  | 2015<br>%                        | 2014<br>% |
| <b>(t) Held through SapuraKencana Energy Sdn. Bhd.</b>  |  |  |                                  |           |
| SapuraKencana Energy Inc.   | Bahamas  | Investment holding   | 100                              | 100       |
| SapuraKencana Energy Resources Ltd.   | Bermuda  | Employment of manpowers  | 100                              | 100       |
| SapuraKencana Energy Malaysia Inc. (formerly known as Newfield Malaysia Holdings Inc.)            | Bahamas  | Investment holding   | 100                              | -         |
| SapuraKencana Energy Vietnam Inc.   | Bahamas  | Investment holding   | 100                              | -         |
| SapuraKencana Energy Peninsula Malaysia Inc. (formerly known as Newfield Peninsula Malaysia Inc.) | Bahamas  | Exploration, development and production of crude oil and natural gas | 100                              | -         |
| SapuraKencana Energy Sabah Inc. (formerly known as Newfield Sabah Malaysia Inc.)                  | Bahamas  | Exploration, development and production of crude oil and natural gas | 100                              | -         |
| SapuraKencana Energy Sarawak Inc. (formerly known as Newfield Sarawak Malaysia Inc.)              | Bahamas  | Exploration, development and production of crude oil and natural gas | 100                              | -         |
| SapuraKencana Energy Vietnam (Malay Tho Chu) Inc.   | Bahamas  | Dormant  | 100                              | -         |
| SapuraKencana Energy Vietnam (Cuu Long) Inc.  | Bahamas  | Dormant  | 100                              | -         |
| SapuraKencana Energy Vietnam (Nam Con Son) Inc.   | Bahamas  | Dormant  | 100                              | -         |

**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

| Name of Subsidiaries  | Country of Incorporation/<br>Principal place of business | Principal Activities  | Proportion of ownership interest |           |
|---|--|---|----------------------------------|-----------|
|   |  |   | 2015<br>%                        | 2014<br>% |
| <b>(u) Held through SapuraKencana HL Sdn. Bhd. (formerly known as Kencana HL Sdn. Bhd.) and SapuraKencana Petroleum Ventures Sdn. Bhd. (formerly known as Kencana Petroleum Ventures Sdn. Bhd.)</b> |  |   |                                  |           |
| SapuraKencana (B) Sdn. Bhd.   | Brunei   | Investment holding  | 100                              | 100       |
| <b>(v) Held through Total Marine Technology Pty. Ltd.</b>   |  |   |                                  |           |
| # SapuraKencana Excersize (formerly known as Excersize Pty. Ltd.)   | Australia  | Owner and operator of ROVs for the offshore oil and gas industries          | 94                               | 94        |
| # SapuraKencana Babalon Pty. Ltd. (formerly known as Babalon Pty. Ltd.)   | Australia  | Owner and operator of ROVs for the offshore oil and gas industries          | 94                               | 94        |
| <b>(w) Held through SapuraKencana TL Offshore Sdn. Bhd. (formerly known as TL Offshore Sdn. Bhd.) and Sapura Petroleum Sdn. Bhd.</b>  |  |   |                                  |           |
| SapuraKencana Mexicana S.A.P.I. deCV  | Mexico   | Project management and the installation of offshore pipelines and structure | 100                              | -         |
| <b>(x) Held through Varia Perdana Sdn. Bhd.</b>   |  |   |                                  |           |
| Crest Tender Rigs Pte. Ltd.   | Federal Territory of Labuan, Malaysia                    | Leasing and chartering of offshore oil and gas rigs                         | 100                              | -         |
| <b>(y) Held through SapuraKencana Drilling Asia Ltd. and SapuraKencana Drilling Holdings Ltd.</b>   |  |   |                                  |           |
| SapuraKencana Drilling Angola. LDA  | Republic of Angola                                       | Dormant   | 100                              | -         |

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**40. SUBSIDIARIES AND ACTIVITIES (CONT'D.)**

Details of the subsidiaries are as follows (cont'd.):

**(z) Acquisition during the year**

On 11 February 2014, the Company, through its wholly-owned subsidiary, SapuraKencana Energy Sdn. Bhd. completed the acquisition of the entire issued share capital of SapuraKencana Energy Inc. ("SKEI") (formerly known as Newfield Malaysia Holding Inc.), a wholly-owned subsidiary of Newfield International Holding Inc. for a purchase consideration of USD896 million (RM3.0 billion).

The fair value of the identifiable assets and liabilities of SKEI as at the date of acquisition was:

|  | <b>Fair value<br/>recognised on<br/>acquisition<br/>RM'000</b> |
|--|--|
| <b>Assets</b>  |  |
| Expenditure on oil and gas properties                      | 4,539,867  |
| Property, plant and equipment                              | 7,089  |
| Deferred tax assets  | 163,802  |
| Inventories  | 279,571  |
| Trade and other receivables                                | 206,810  |
| Tax recoverable  | 50,673   |
| Cash and cash equivalents                                  | 310,561  |
|  | 5,558,373  |
| <b>Liabilities</b>   |  |
| Trade and other payables                                   | (623,706)  |
| Borrowings   | (22,918)   |
| Provisions for asset retirement obligation                 | (304,665)  |
| Other provision  | (52,199)   |
| Income tax payable   | (82,384)   |
| Deferred tax liabilities                                   | (1,271,909)  |
|  | (2,357,781)  |
| Fair value of identifiable net assets                      | 3,200,592  |
| Gain arising from acquisition of subsidiaries              | (214,758)  |
| Total cost of business combination                         | 2,985,834  |
| <b>Purchase consideration consist of:</b>                  |  |
| Cash   | 2,985,834  |
| <b>Analysis of cash flows on acquisition:</b>              |  |
| Total cash paid  | 2,985,834  |
| Less: Cash and cash equivalents of subsidiaries acquired   | (310,561)  |
| Less: Deposit paid in financial year ended 31 January 2014 | (300,335)  |
| Net cash flow on acquisition                               | 2,374,938  |

From the date of acquisition, the acquired group has contributed RM1.6 billion of revenue and RM397.2 million to the Group's profit net of tax.

**41. OTHER SIGNIFICANT EVENTS**

In addition to the significant events disclosed in Note 28 and 40, the other significant events are as follows:

(a) On 1 April 2014, the Company's wholly-owned subsidiaries:

- (i) SapuraKencana Drilling Pte. Ltd. was awarded a contract by Total E&P Congo, Republic of Congo ("Total Congo") for the provision of offshore drilling services via its semi-tender assist drilling rig i.e. SKD Berani. Total Congo utilises SKD Berani for its workover and development drilling campaign in offshore Republic of Congo.

The duration of the contract is from April 2014 until March 2015 with an option for an extension of one year and is valued at approximately USD108 million (RM361 million).

- (ii) SapuraKencana Drilling Sdn. Bhd. has accepted an extension to its contract with Brunei Shell Petroleum Company Sdn. Bhd. for the provision of offshore drilling services via its semi-tender assist drilling rig i.e. SKD Pelaut.

The contract extension is for a period of 2 years commencing April 2015 until March 2017 and is valued at approximately USD92 million (RM308 million).

- (iii) SapuraKencana Drilling Asia Limited, ("SKD Asia"), has accepted an extension to its contract with Cabinda Gulf Oil Company Limited ("CABGOC") for the provision of offshore drilling services via its tender assist drilling rig i.e. SKD Setia. CABGOC will continue to utilise SKD Setia for its development drilling campaign offshore in Cabinda, Republic of Angola.

The contract extension is for a period of 2 years commencing August 2014 until July 2016 and is valued at approximately USD164 million (RM549 million).

- (iv) SKD Asia has also accepted an extension to its contract with Chevron Thailand Exploration and Production Limited ("Chevron Thailand") for the provision of offshore drilling services via its tender assist drilling rig i.e. SKD T-12. Chevron Thailand will continue to utilise SKD T-12 for its development drilling campaign in the Gulf of Thailand.

The contract extension is for a period of 2 years commenced March 2014 until end of March 2016 and is valued at approximately USD90 million (RM301 million).

(b) On 15 May 2014, the Company's wholly-owned subsidiaries and a joint venture company were awarded contracts worth approximately USD312 million (RM1,130 million) as follows:

- (i) SapuraKencana Holdings Limited was awarded a contract by CNR International (Côte d'Ivoire) S.A.R.L. ("CNRI") for provision of offshore drilling services via its tender assist drilling rig i.e. SKD T-20. CNRI will utilise SKD T-20 for its drilling programme in the Espoir Field in Block CI-26 offshore Côte d'Ivoire.

The contract is for a primary term of ten firm wells to be completed in not less than 365 days commencing 7 October 2014, followed by four single well options to be exercised at CNRI's sole discretion.

- (ii) Exxon Neftegas Ltd. ("Exxon") has awarded a contract to HMC for the transportation and installation of the Arkutun-Dagi topsides in Sakhalin, Rusia. HMC has in turn awarded SapuraKencana TL Offshore Sdn. Bhd. ("TLO") with transportation of Exxon's Temporary Living Quarters via a command installation vessel i.e. SK1200. The charter period is 55 days commencing May 2014 with an option of 15 days extension.

- (iii) TLO was awarded a subcontract for the provision of transportation and installation works in connection with the British Gas Exploration & Production India Limited Mukta B Platform and Pipeline Project by Larsen & Toubro Ltd ("L&T") ("LTS Subcontract") through L&T Sapura Offshore Private Limited, an Indian joint venture company between L&T and Nautical Power Pte. Ltd., a wholly-owned subsidiary of SapuraKencana.

The LTS Subcontract comprises the provision of transportation and installation of jacket, topside and pipelines, including tie-ins, transportation and installation engineering, procurement and provision of riser clamps for risers at existing platforms, pre-commissioning and project management. The contract period is approximately 151 days commencing 1 December 2014.

- (iv) SapuraAcergy Sdn. Bhd. has been awarded a contract for the provision of subsea services for the Maharaja Lela South Project by TOTAL E&P Borneo B.V. ("MLS Contract"). The contract is commencing January 2014.

The MLS Contract comprises engineering, procurement, supply, construction, pre-commissioning, transportation and installation related to offshore platform and pipeline works together with associated assistance to start-up for a duration of approximately twenty months.

- (v) SapuraKencana HL Sdn. Bhd. ("KHL") was awarded a contract for the provision of detailed engineering, procurement, construction, and commissioning for the Layang Development (Facilities) Project by JX Nippon Oil & Gas Exploration (Malaysia) Limited for a period of two years commencing April 2014 and is expected to be completed by the second quarter of 2016.

**41. OTHER SIGNIFICANT EVENTS (CONT'D.)**

- (c) On 9 June 2014, SapuraKencana Energy Sarawak Inc. ("SKE"), the Company's wholly-owned subsidiary, had made 4 significant discoveries of non-associated natural gas in the SK408 Production Sharing Contract ("PSC") area, offshore Sarawak, Malaysia.

The four-well discovery, from the first four exploration wells, was within the primary target of the Late Miocene Carbonate reservoirs. The first well, Teja-1, located 8 km southeast Cili Padi gas field encountered 219 metres of gross column whilst the Gorek-1 discovery, located 15 km southeast F23 gas field encountered a gross gas column of 235 metres. The third well, Legundi-1, located 18 km south F23 gas field which was drilled in a down-flank location encountered a 139 metres gross gas column and the fourth well, Larak-1, located 12 km south of F6 gas field, also drilled in a down-flank location encountered a gross gas column of 333 metres. SK408 Block is located in shallow waters approximately 120 kilometres offshore Sarawak covering an area of approximately 4,480 sq. km in the prolific Central Luconia Gas Province. These are the first four wells of a 10-well commitment in the SK408 PSC.

On 29 August 2014, the Company had made another significant gas discovery from Bakong-1, the fifth and final well in its 2014 calendar year drilling campaign within the SK408 PSC area, offshore Malaysia. Bakong-1 is a significant discovery with a gross gas column in excess of 600 metres in the primary target reservoir within the Late Miocene Carbonates.

SKE is the operator with a 40% working interest with partners PETRONAS Carigali Sdn. Bhd. (30%) and Sarawak Shell Bhd. (30%).

- (d) On 16 June 2014, the Company's wholly-owned subsidiaries were awarded contracts worth approximately USD700 million (RM2.3 billion) as follows:

- (i) Petcon (Malaysia) Sdn. Bhd., was awarded two contracts by Petronas Carigali Sdn Bhd ("PCSB") for the provision of offshore drilling services via its tender assist drilling rigs i.e. SKD T-9 and SKD T-10 for its development drilling campaign offshore Malaysia.

The contract for SKD T-9 is for a period of five years with an option to extend for a further two years. This contract is effective from July 2014 to June 2019.

The contract for SKD T-10 is for a period of three years with an option to extend for a further two years. This contract is effective from August 2014 to July 2017.

- (ii) SapuraKencana Drilling Asia Limited was awarded a contract by Chevron Thailand for the provision of offshore drilling services via its tender assist drilling rig i.e. SKD T-18 for its offshore development drilling campaign in Thailand.

The contract for SKD T-18 is for a period of five years and is effective from June 2014 to May 2019.

- (iii) SapuraKencana Drilling Jaya Ltd. ("SKD Jaya") has accepted an extension to its contract with BP Trinidad & Tobago LLC ("BP T&T") for the provision of offshore drilling services via its semi-tender assist drilling rig i.e. SKD Jaya for its offshore drilling campaign in Trinidad & Tobago.

The extension of the contract for SKD Jaya is for a period of one year and is effective from August 2014 to July 2015.

- (e) On 19 June 2014, KHL, the Company's wholly-owned subsidiary was awarded with engineering, procurement, construction, installation and commissioning ("EPCIC") contracts worth approximately USD415 million (RM1.3 billion) as follows:

- (i) An EPCIC contract for 3 remote wellhead platforms in the North Malay Basin by Hess Exploration and Production B.V.. This EPCIC contract is for the period of 25 months and the work commenced in the second quarter of 2014. It is expected to be completed by the third quarter of 2016.

- (ii) An EPCIC contract for 4 wellhead platforms and associated subsea pipelines for JDA Block B-17 and B17-01 Field Phase 3 Development Project by Carigali-PTTEPI Operating Company Sdn. Bhd.. The EPCIC contract is for a period of 3 years commencing June 2014 and is expected to complete in September 2017.

- (f) On 29 August 2014, TLO has been awarded a contract for the provision of offshore pipeline construction for Nam Con Son 2 Gas Pipeline Project - Phase 1. The contract comprises transportation and installation of 151 km offshore pipeline in Nam Con Son field and 19 km in Dai Hung field located at South West of Nam Con Son Basin, Vietnam, 260 km from Vung Tau. Work will be performed over 2 campaigns in the third quarter of 2014 and second quarter of 2015 and valued at approximately USD89 million (RM267 million).

**41. OTHER SIGNIFICANT EVENTS (CONT'D.)**

(g) On 20 November 2014, the Company, through its wholly-owned subsidiaries:

- (i) SapuraKencana Energy Vietnam (Cuu Long) Inc, SapuraKencana Energy Vietnam (Nam Con Son) Inc, SapuraKencana Energy Vietnam (Cai Nuoc) Inc, Petronas Carigali Vietnam Limited and Petronas Carigali Overseas Sdn Bhd have entered into three conditional sale and purchase agreements in relation to the proposed acquisition of interest in oil and gas assets in Vietnam.

The Company shall acquire from Petronas Carigali Overseas Sdn. Bhd. and PC Vietnam Limited interests in the following assets in Vietnam:

- 50% interest in the Petroleum Contract for Blocks 01/97 and 02/97 Cuu Long Basin;
  - 40% interest in the Production Sharing Contract for Blocks 10 & 11.1, Nam Con Son Basin; and
  - 36.845966% in the Production Sharing Contract for Block 46-Cai Nuoc, Malay-Tho Chu Basin.
- (ii) SapuraKencana Energy Sabah Inc. ("SKESI"), entered into two PSCs for a period of 27 years for Blocks SB 331 and SB 332, respectively with Petroliam Nasional Berhad, the national oil company of Malaysia, effective 20 November 2014.

Under the term of both PSCs, SKESI will operate the blocks with 70% participating interest. The partners in the PSCs are PETRONAS Carigali Sdn Bhd and M3nergy Berhad.

(h) On 5 December 2014, the Company's wholly-owned subsidiaries and a joint ventures company:

- (i) KHL has been awarded with:

- An EPCIC contract for BNJT-K (Baronia) and TTJT-A (Tukau) WHP by PETRONAS Carigali Sdn. Bhd. ("PCSB"). The contract comprises engineering, procurement, construction and commissioning of two wellhead platforms. The contract that worth approximately RM480 million is for a duration of 48 months and is expected to be completed by the fourth quarter of 2018.
- A procurement, construction and commissioning ("PCC") contract for the Angsi compression module by PCSB. The contract is expected to be completed by the fourth quarter of 2015. The contract value is approximately RM140 million.

- (ii) SapuraAcergy Sdn. Bhd., was awarded with a contract from Total E&P Myanmar for the engineering, procurement, construction and installation of the Wellhead Platform 4 and Lower Compression Platform, Pipelines and Cable ("EPCI2"). Contract works for the EPCI2, which is located in Yadana Field, Offshore Myanmar, are expected to be completed by the fourth quarter of 2016. The contract is valued between USD120 million (RM360 million) and USD130 million (RM448.5 million).

- (iii) SapuraKencana Drilling Holdings Ltd., has been awarded a contract by Foxtrot International LDC, a company incorporated in Cayman Islands, whose main place of business activities is in Abidjan, Ivory Coast ("Foxtrot") for the provision of offshore drilling services via its semi-tender assist drilling rig i.e. SKD Alliance. Foxtrot intends to utilise SKD Alliance for its development drilling campaign offshore Ivory Coast. The contract is for a period of approximately 400 days commencing February 2015.

- (iv) Seadrill Esperanza Limited, has accepted a three month extension to its contract with Hess Equatorial Guinea Inc. ("Hess Equatorial Guinea") for the provision of its semi-tender assist drilling rig i.e. West Esperanza. Hess Equatorial Guinea will continue to use West Esperanza for its development drilling campaign offshore Equatorial Guinea. The extension is for a period of 3 months commencing around September 2015.

**42. SUPPLEMENTARY INFORMATION**

The following analysis of realised and unrealised retained profits of the Group and the Company is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements as issued by the Malaysian Institute of Accountants and presented in accordance with the directive issued by Bursa Malaysia.

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2015<br>RM'000 | 2014<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
| Total retained profits of SapuraKencana and its subsidiaries                |                |                |                |                |
| - Realised  | 3,990,221      | 2,217,945      | 528,518        | 434,490        |
| - Unrealised  |                |                |                |                |
| - in respect of deferred tax  | (1,072,048)    | 43,369         | 39,464         | 39,464         |
| - in respect of other items of income statement                             | 52,328         | (179,646)      | 72,308         | -              |
|   | 2,970,501      | 2,081,668      | 640,290        | 473,954        |
| Total share of retained profits from joint venture and associates companies |                |                |                |                |
| - Realised  | 377,598        | 364,798        | -              | -              |
| - Unrealised  |                |                |                |                |
| - in respect of other items of income statement                             | 42,999         | (21,151)       | -              | -              |
|   | 420,597        | 343,647        | -              | -              |
| Total retained profits  | 3,391,098      | 2,425,315      | 640,290        | 473,954        |
| Less: Consolidation adjustments   | (120,315)      | (309,329)      | -              | -              |
| Retained profits  | 3,270,783      | 2,115,986      | 640,290        | 473,954        |

The disclosure of realised and unrealised retained profits above is solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

## ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2015

|                                  |  |
|----------------------------------|--|
| Authorised Share Capital         | : RM10,000,000,000.00  |
| Issued and Paid-Up Share Capital | : RM5,992,155,087.00 comprising of 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<br>One vote per Ordinary Share on poll |
| No. of Shareholders              | : 38,259 shareholders  |

## DISTRIBUTION BY SIZE OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

| Size of Holdings                         | No. of Holders | % of Holders  | No. of Shares        | % of Shares   |
|--|----------------|---------------|----------------------|---------------|
| Less than 100                            | 1,824          | 4.77          | 72,416               | 0.00          |
| 100 - 1,000                              | 6,034          | 15.77         | 4,673,814            | 0.08          |
| 1,001 - 10,000                           | 22,432         | 58.63         | 99,222,419           | 1.65          |
| 10,001 - 100,000                         | 6,782          | 17.73         | 195,104,945          | 3.26          |
| 100,001 to less than 5% of issued shares | 1,182          | 3.09          | 2,842,741,928        | 47.44         |
| 5% and above of issued shares            | 5              | 0.01          | 2,850,339,565        | 47.57         |
| <b>Total</b>                             | <b>38,259</b>  | <b>100.00</b> | <b>5,992,155,087</b> | <b>100.00</b> |

## TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS

| Shareholders  | No. of Shares | % of Shares |
|---|---------------|-------------|
| 1 SAPURA TECHNOLOGY SDN BHD   | 824,061,617   | 13.75       |
| 2 CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD   | 742,189,144   | 12.39       |
| 3 HSBC NOMINEES (ASING) SDN BHD<br>PLEDGED SECURITIES ACCOUNT MITSUBISHI UFJ SECURITIES<br>INTERNATIONAL PLC FOR SEADRILL LIMITED | 490,329,691   | 8.18        |
| 4 KHASERA BARU SDN BHD  | 413,739,313   | 6.90        |
| 5 AMANAHRAYA TRUSTEES BERHAD<br>SKIM AMANAH SAHAM BUMIPUTERA  | 380,019,800   | 6.34        |
| 6 KUMPULAN WANG PERSARAAN (DIPERBADANKAN)   | 123,505,224   | 2.06        |
| 7 AMANAHRAYA TRUSTEES BERHAD<br>AMANAH SAHAM WAWASAN 2020   | 99,635,665    | 1.66        |
| 8 BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD<br>PLEDGED SECURITIES ACCOUNT FOR SAPURA TECHNOLOGY SDN BHD                      | 95,000,000    | 1.59        |
| 9 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)                         | 93,241,300    | 1.56        |
| 10 HSBC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR AA NOMS SG FOR KHASERA BARU SDN BHD                         | 91,761,000    | 1.53        |
| 11 CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>KHASERA BARU SDN BHD (PB)  | 90,000,000    | 1.50        |
| 12 CARTABAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)                           | 80,012,365    | 1.34        |

ANALYSIS OF SHAREHOLDINGS (CONT'D.)  
AS AT 30 APRIL 2015

**TOP 30 SHAREHOLDERS BASED ON RECORD OF DEPOSITORS (CONT'D.)**

|    | <b>Shareholders</b>   | <b>No. of Shares</b> | <b>% of Shares</b> |
|----|---|----------------------|--------------------|
| 13 | AMANAHRAYA TRUSTEES BERHAD<br>AMANA SAHAM MALAYSIA  | 80,000,000           | 1.34               |
| 14 | HSBC NOMINEES (ASING) SDN BHD<br>BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND                       | 71,184,762           | 1.19               |
| 15 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)                                     | 64,093,600           | 1.07               |
| 16 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD                                     | 60,540,435           | 1.01               |
| 17 | AMANAHRAYA TRUSTEES BERHAD<br>AMANA SAHAM DIDIK   | 55,816,540           | 0.93               |
| 18 | AMANAHRAYA TRUSTEES BERHAD<br>AS 1MALAYSIA  | 49,828,200           | 0.83               |
| 19 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR SAPURA CAPITAL SDN BHD (PB)  | 46,387,227           | 0.77               |
| 20 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR AIA BHD  | 43,106,970           | 0.72               |
| 21 | HSBC NOMINEES (ASING) SDN BHD<br>BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)                                   | 37,323,400           | 0.62               |
| 22 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>KUWAIT FINANCE HOUSE (MALAYSIA) BERHAD FOR<br>SAPURA TECHNOLOGY SDN BHD (279838) | 33,942,857           | 0.57               |
| 23 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR MAYBANK TRUSTEES BERHAD (SKPB SHAREBONUS)               | 33,328,000           | 0.56               |
| 24 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (USA)                          | 32,496,985           | 0.54               |
| 25 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)                        | 29,334,200           | 0.49               |
| 26 | LEMBAGA TABUNG ANGKATAN TENTERA   | 27,375,700           | 0.46               |
| 27 | CITIGROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)                                  | 26,194,300           | 0.44               |
| 28 | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK JULIUS BAER & CO LTD (SINGAPORE BCH)                                | 25,836,477           | 0.43               |
| 29 | PERMODALAN NASIONAL BERHAD  | 25,600,900           | 0.43               |
| 30 | CITIGROUP NOMINEES (ASING) SDN BHD<br>CBNY FOR UNITED NATIONS JOINT STAFF PENSION FUND                                  | 25,000,000           | 0.42               |
|    | <b>Total</b>  | <b>4,290,885,672</b> | <b>71.61</b>       |

ANALYSIS OF SHAREHOLDINGS (CONT'D.)  
AS AT 30 APRIL 2015

## SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

| Substantial Shareholders                                     | Direct Interest    |       | Indirect Interest            |       |
|--|--------------------|-------|------------------------------|-------|
|  | No. of Shares Held | %     | No. of Shares Held           | %     |
| Sapura Technology Sdn Bhd                                    | 953,004,474        | 15.90 | 6,522,000 <sup>(1)</sup>     | 0.11  |
| Sapura Holdings Sdn Bhd                                      | -                  | -     | 1,007,544,718 <sup>(2)</sup> | 16.81 |
| Brothers Capital Sdn Bhd                                     | -                  | -     | 1,007,544,718 <sup>(3)</sup> | 16.81 |
| Tan Sri Dato' Seri Shahril Shamsuddin                        | 7,876,092          | 0.13  | 1,007,544,718 <sup>(3)</sup> | 16.81 |
| Dato' Shahrman Shamsuddin                                    | 506,385            | 0.01  | 1,007,544,718 <sup>(3)</sup> | 16.81 |
| Khasera Baru Sdn Bhd   | 605,000,313        | 10.10 | -                            | -     |
| Tan Sri Mokhzani Mahathir                                    | 9,494,121          | 0.16  | 610,000,313 <sup>(4)</sup>   | 10.18 |
| Seadrill Limited   | 490,329,691        | 8.18  | -                            | -     |
| Employee Provident Fund Board                                | 877,783,694        | 14.65 | -                            | -     |
| AmanahRaya Trustees Berhad<br>- Skim Amanah Saham Bumiputera | 380,019,800        | 6.34  | -                            | -     |

Notes:

- (1) Deemed interested by virtue of its shareholding in Jurudata Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 ("Act").
- (2) Deemed interested by virtue of being a substantial shareholder of Sapura Technology Sdn Bhd, Sapura Resources Berhad, Sapura Capital Sdn Bhd, Indera Permai Sdn Bhd and Jurudata Sdn Bhd pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn Bhd pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his shareholding in Khasera Baru Sdn Bhd and Kencana Capital Sdn Bhd pursuant to Section 6A of the Act.

## DIRECTORS' SHAREHOLDINGS BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

| Directors  | Direct Interest    |        | Indirect Interest            |        |
|--|--------------------|--------|------------------------------|--------|
|  | No. of Shares Held | %      | No. of Shares Held           | %      |
| Dato' Hamzah Bakar                                       | 5,000,249          | 0.08   | 1,000,000 <sup>(1)</sup>     | 0.02   |
| Tan Sri Dato' Seri Shahril Shamsuddin                    | 7,876,092          | 0.13   | 1,007,544,718 <sup>(2)</sup> | 16.81  |
| Tan Sri Datuk Amar (Dr) Hamid Bugo                       | 256,405            | 0.00 * | -                            | -      |
| Dato' Shahrman Shamsuddin                                | 506,385            | 0.01   | 1,007,544,718 <sup>(2)</sup> | 16.81  |
| Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin               | -                  | -      | -                            | -      |
| Mohamed Rashdi Mohamed Ghazalli                          | 97,864             | 0.00 * | 48,932 <sup>(3)</sup>        | 0.00 * |
| Gee Siew Yoong   | -                  | -      | -                            | -      |
| Ramlan Abdul Malek                                       | -                  | -      | -                            | -      |
| Eduardo Navarro Antonello                                | -                  | -      | -                            | -      |
| Datuk Muhamad Noor Hamid                                 | -                  | -      | -                            | -      |
| John Fredriksen (Alternate to Eduardo Navarro Antonello) | -                  | -      | -                            | -      |

\* Negligible

Notes:

- (1) Deemed interested by virtue of his spouse and son's interests in Adviable Ventures Sdn Bhd pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of being a substantial shareholder of Sapura Holdings Sdn Bhd ("Sapura Holdings") pursuant to Section 6A of the Act. Sapura Holdings is a substantial shareholder of Sapura Technology Sdn Bhd, Sapura Resources Berhad, Sapura Capital Sdn Bhd, Indera Permai Sdn Bhd and Jurudata Sdn Bhd.
- (3) Deemed interested by virtue of the shareholding held by his spouse pursuant to Section 134 of the Act.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT THE FOURTH ANNUAL GENERAL MEETING (“AGM”) OF SAPURAKENCANA PETROLEUM BERHAD (“COMPANY”) WILL BE HELD AT MULTI-PURPOSE HALL, GROUND FLOOR, SAPURA@MINES, NO. 7, JALAN TASIK, THE MINES RESORT CITY, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN, MALAYSIA ON TUESDAY, 16 JUNE 2015 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:**

### AGENDA

1. To receive the Audited Financial Statements together with the Directors and Auditors’ Reports for the financial year ended 31 January 2015.
2. To approve the Directors’ fees for the financial year ended 31 January 2015. **Resolution 1**
3. To re-elect the following Directors who retire by rotation pursuant to Article 87 of the Articles of Association of the Company and being eligible, offer themselves for re-election:
  - (i) Tan Sri Datuk Amar (Dr) Hamid Bugo **Resolution 2**
  - (ii) Mohamed Rashdi Mohamed Ghazalli **Resolution 3**
4. To re-elect the following Directors who retire pursuant to Article 93 of the Articles of Association of the Company and being eligible, offer themselves for re-election:
  - (i) Eduardo Navarro Antonello **Resolution 4**
  - (ii) Datuk Muhamad Noor Hamid **Resolution 5**
5. To reappoint Messrs. Ernst & Young as Auditors of the Company until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965:

#### REAPPOINTMENT OF DIRECTOR PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

“That Dato’ Hamzah Bakar, a Director whose office shall become vacant at the conclusion of the AGM, be and is hereby reappointed as a Director of the Company to hold office until the conclusion of the next annual general meeting of the Company.”

**Resolution 7**

7. To consider and if thought fit, to pass the following Ordinary Resolution:

#### AUTHORITY FOR DIRECTORS TO ISSUE SHARES UNDER SECTION 132D OF THE COMPANIES ACT, 1965

“That subject to the provisions of the Company’s Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance and that the Directors be and are also hereby empowered to obtain all necessary approvals from the relevant authorities for the issuance and the listing of and quotation for the additional shares so issued on Bursa Malaysia and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company.”

**Resolution 8**

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

8. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

**MOHAMAD AFFENDI YUSOFF (MACS 01596)**

Company Secretary

Kuala Lumpur

25 May 2015

**NOTES:**

**1. Audited Financial Statements for the financial year ended 31 January 2015**

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 2015 amounting to RM5,750,000.00.

**3. Proxy Form**

A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint up to two proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may, but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.

The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof.

**4. Corporate Representative**

As an alternative to the appointment of a proxy, a corporate member may appoint its corporate representative to attend the 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 the AGM.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D.)

**5. Members Entitled to Attend**

For the purpose of determining a member who shall be entitled to attend the AGM in accordance with Article 63(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 9 June 2015. Only a depositor whose name appears on the Record of Depositors as at 9 June 2015 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

**EXPLANATORY NOTES ON SPECIAL BUSINESS****1. Reappointment of Director pursuant to Section 129(6) of the Companies Act, 1965**

The proposed Resolution 7 in relation to the reappointment of Dato' Hamzah Bakar who is over the age of 70 years, if passed, would enable him to continue in office as Director of the Company until the conclusion of the next Annual General Meeting of the Company.

**2. Authority for Directors to Issue Shares under Section 132D of the Companies Act, 1965**

Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed Resolution 8 is for the purpose of granting a renewed mandate and if passed, would enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid-up share capital of the Company as at the date of such issuance ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Renewed Mandate will enable Directors to take swift action in case of a need for corporate exercises or fund raising activities or in the event business opportunities arise which involve issuance of new shares and to avoid delay and cost in convening general meetings to approve such issuance of shares. Proceeds raised from the corporate exercises or fund raising activities will be utilised for funding future investment projects, working capital and/or acquisitions.

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 June 2014 which will lapse at the conclusion of the 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) Individuals who are standing for election as Directors at the Fourth Annual General Meeting (“AGM”) of the Company

There is no individual standing for election as Director (excluding directors standing for re-election).

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

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

- Tan Sri Datuk Amar (Dr) Hamid Bugo
- Mohamed Rashdi Mohamed Ghazalli

Tunku Dato’ Mahmood Fawzy Tunku Muhiyiddin who is also retiring by rotation pursuant to Article 87 of the Company’s Articles, has expressed his intention not to seek re-election. Hence, he will retain office until the close of the Fourth AGM.

(b) The following Directors are retiring and standing for re-election pursuant to Article 93 of the Company’s Articles:

- Eduardo Navarro Antonello
- Datuk Muhamad Noor Hamid

(c) Dato’ Hamzah Bakar, a Director whose office shall become vacant at the conclusion of the Fourth AGM, is standing for reappointment pursuant to Section 129(6) of the Companies Act, 1965 (“Act”).

John Fredriksen, a Director whose office shall become vacant at the conclusion of the Fourth AGM pursuant to Section 129(6) of the Act, has expressed his intention not to seek reappointment. Hence, he will retain office until the close of the Fourth AGM.

Details of the above Directors who are standing for re-election and reappointment are provided in the “Profiles of Board of Directors” on pages 18 to 30 of this Annual Report. Details of their interests in the securities of the Company are set out in the “Analysis of Shareholdings” on page 195 of this Annual Report.

### (III) Ordinary Resolution on Authority for Directors to Issue Shares

Details on the authority for Directors to issue shares in the Company pursuant to Section 132D of the Act provided under the explanatory notes on special business in the Notice of Annual General Meeting as set out on page 196 of this Annual Report.

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# PROXY FORM

|  |         |         |
|--|---------|---------|
| CDS Account No.  |         |         |
| Total number of ordinary shares held                   |         |         |
| No. of ordinary shares to be represented by each proxy | Proxy 1 | Proxy 2 |
|  |         |         |



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 Fourth Annual General Meeting of the Company to be held at Multi-Purpose Hall, Ground Floor, Sapura@Mines, No. 7, Jalan Tasik, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 16 June 2015 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 |
|------------------------------|--|-----|---------|
| <b>ORDINARY RESOLUTION 1</b> | Payment of Directors' fees   |     |         |
| <b>ORDINARY RESOLUTION 2</b> | Re-election of Tan Sri Datuk Amar (Dr) Hamid Bugo as Director of the Company                       |     |         |
| <b>ORDINARY RESOLUTION 3</b> | Re-election of Mohamed Rashdi Mohamed Ghazalli as Director of the Company                          |     |         |
| <b>ORDINARY RESOLUTION 4</b> | Re-election of Eduardo Navarro Antonello as Director of the Company                                |     |         |
| <b>ORDINARY RESOLUTION 5</b> | Re-election of Datuk Muhamad Noor Hamid as Director of the Company                                 |     |         |
| <b>ORDINARY RESOLUTION 6</b> | Reappointment of Messrs. Ernst & Young as Auditors of the Company                                  |     |         |
| <b>ORDINARY RESOLUTION 7</b> | Reappointment of Dato' Hamzah Bakar as Director of the Company                                     |     |         |
| <b>ORDINARY RESOLUTION 8</b> | 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 \_\_\_\_\_ 2015

## NOTES:

1. A member of the Company who is entitled to attend and vote at this Meeting is entitled to appoint up to two proxies to attend and vote on a show of hands or on a poll in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
3. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. An instrument appointing a proxy shall be in writing and in the case of an individual shall be signed by the appointor or by his attorney; and in the case of a corporate member, shall be either under its common seal or signed by its attorney or an officer on behalf of the corporation.
5. The instrument appointing a proxy must be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

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Stamp

**Share Registrar of SapuraKencana Petroleum Berhad**

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46, 47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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[www.sapurakencana.com](http://www.sapurakencana.com)

SapuraKencana Petroleum Berhad (950894-T)  
Level 6, Menara SapuraKencana Petroleum, Solaris Dutamas  
1 Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia  
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