

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2014

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter  31/01/2014 RM'000	Preceding year corresponding quarter  31/01/2013 RM'000	Twelve months  to 31/01/2014 RM'000	Twelve months  to 31/01/2013 RM'000
<b>1. Revenue</b>	<b>1,884,211</b>	<b>1,957,551</b>	<b>8,378,776</b>	<b>6,912,414</b>
Operating expenses	(1,481,612)	(1,747,683)	(6,546,496)	(5,858,585)
Other operating income	3,258	18,091	13,282	50,600
<b>Profit from operations</b>	<b>405,857</b>	<b>227,959</b>	<b>1,845,562</b>	<b>1,104,429</b>
Interest income	4,348	6,506	14,847	19,352
Interest expenses	(126,561)	(77,002)	(443,831)	(227,446)
Net fair value (loss)/gain on derivatives	(2,812)	875	(4,075)	1,312
Depreciation and amortisation	(182,776)	(46,465)	(638,022)	(232,858)
Net foreign exchange gain/(loss)	137,794	38,100	208,634.0	(11,089)
Net (allowance for)/reversal of impairment on receivables	(10,169)	1,483	(10,169)	(1,108)
Reserves arising from additional investment in a subsidiary	-	-	-	41,950
Share of results of associated and joint venture companies	48,493	56,391	234,811	135,208
<b>Profit before taxation</b>	<b>274,174</b>	<b>207,847</b>	<b>1,207,757</b>	<b>829,750</b>
Taxation	62,664	(18,063)	(84,060)	(165,969)
<b>Profit for the year</b>	<b>336,838</b>	<b>189,784</b>	<b>1,123,697</b>	<b>663,781</b>
Attributable to:				
Owners of the parent	337,234	123,893	1,086,914	524,596
Non-controlling interests	(396)	65,891	36,783	139,185
	<b>336,838</b>	<b>189,784</b>	<b>1,123,697</b>	<b>663,781</b>
<b>2. Earnings per share (sen)</b>				
Basic	<b>5.63</b>	<b>2.48</b>	<b>18.92</b>	<b>10.48</b>

The condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2014

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter  31/01/2014 RM'000	Preceding year corresponding quarter  31/01/2013 RM'000	Twelve months to 31/01/2014 RM'000	Twelve months to 31/01/2013 RM'000
Profit for the year	<b>336,838</b>	<b>189,784</b>	<b>1,123,697</b>	<b>663,781</b>
Other comprehensive income:				
Foreign currency translation differences	69,563	32,812	33,521	48,676
Share of other comprehensive income of joint venture companies	(1,976)	1,820	(3,258)	5,267
Total comprehensive income	<u>404,425</u>	<u>224,416</u>	<u>1,153,960</u>	<u>717,724</u>
Attributable to:				
Owners of the parent	406,152	148,013	1,151,925	547,883
Non-controlling interests	(1,727)	76,403	2,035	169,841
Total comprehensive income	<u>404,425</u>	<u>224,416</u>	<u>1,153,960</u>	<u>717,724</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2014

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>UNAUDITED</b> As at end of current financial year <b>31/01/2014</b> RM'000	<b>AUDITED</b> As at end of preceding financial year <b>31/01/2013</b> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12,518,547	4,222,486
Investment in associated and joint venture companies	1,028,573	594,718
Expenditures on oil and gas properties	769,672	780,063
Goodwill on consolidation	7,312,366	4,985,439
Other intangible assets	140,080	49,223
Deferred tax assets	114,497	43,802
Trade receivables	55,432	29,484
	<b>21,939,167</b>	<b>10,705,215</b>
<b>Current assets</b>		
Inventories	472,287	244,253
Trade and other receivables	2,816,376	3,221,451
Cash and bank balances	1,386,661	1,025,772
	<b>4,675,324</b>	<b>4,491,476</b>
<b>TOTAL ASSETS</b>	<b>26,614,491</b>	<b>15,196,691</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	5,992,155	5,004,366
Share premium	2,079,439	242,886
Other reserves	12,405	(19,190)
Retained profits	2,115,986	1,109,072
	<b>10,199,985</b>	<b>6,337,134</b>
<b>Non-controlling interests</b>	<b>6,301</b>	<b>405,775</b>
<b>Total equity</b>	<b>10,206,286</b>	<b>6,742,909</b>
<b>Non-current liabilities</b>		
Borrowings	11,326,260	3,805,776
Derivative financial liabilities	893	1,284
Other payables	625,422	-
Deferred tax liabilities	71,128	91,203
	<b>12,023,703</b>	<b>3,898,263</b>
<b>Current liabilities</b>		
Trade and other payables	3,245,246	2,325,111
Borrowings	1,034,363	2,135,196
Derivative financial liabilities	1,775	2,206
Taxation	103,118	93,006
	<b>4,384,502</b>	<b>4,555,519</b>
<b>TOTAL LIABILITIES</b>	<b>16,408,205</b>	<b>8,453,782</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>26,614,491</b>	<b>15,196,691</b>
<b>Net assets per share (RM)</b>	<b>1.70</b>	<b>1.27</b>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2014

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Twelve months to 31/01/2014 RM'000	Audited Twelve months to 31/01/2013 RM'000
<b>Profit before tax</b>	<b>1,207,757</b>	<b>829,750</b>
Adjustments	680,193	290,871
Operating profit before working capital changes	1,887,950	1,120,621
Changes in working capital	408,432	(208,647)
<b>Cash generated from operations</b>	<b>2,296,382</b>	<b>911,974</b>
Taxation paid	(185,526)	(180,489)
<b>Net cash generated from operating activities</b>	<b>2,110,856</b>	<b>731,485</b>
<b>Cash flows from investing activities</b>		
Arising from merger exercise	-	(875,066)
Purchase of property, plant and equipment	(2,062,719)	(808,056)
Investment in associates and joint venture companies	-	(73,885)
Net cash outflow on acquisition of subsidiaries	(5,697,673)	(283,191)
Net cash outflow on acquisition of non-controlling interests	(437,034)	-
Deposit paid on acquisition of Newfield Malaysia Holding Inc.	(300,335)	-
Expenditure on oil and gas properties	(173,234)	(396,817)
Net repayment from/(advances to) joint venture companies	297,600	(567,279)
Dividend from joint venture companies	-	26,688
Dividend to non-controlling interest of a subsidiary	(44,475)	(98,908)
Other items	7,448	34,419
<b>Net cash used in investing activities</b>	<b>(8,410,422)</b>	<b>(3,042,095)</b>
<b>Cash flows from financing activities</b>		
Issuance of shares, net	1,584,422	-
Interest paid	(388,209)	(190,126)
Redemption of Murabahah Commercial Paper (MCPs)	-	(95,000)
Issuance of Sukuk Mudharabah	-	194,680
Redemption of Istisna Bonds	(190,000)	(60,000)
Net drawdown of revolving credit	1,259,888	465,522
Net drawdown of term loans	4,396,328	2,495,399
Net repayment of Ijarah facility	-	(185,805)
Net repayment of hire purchase and lease financing	(5,679)	(13,169)
Net changes in other short term borrowings	-	(4,819)
<b>Net cash generated from financing activities</b>	<b>6,656,750</b>	<b>2,606,682</b>
<b>Net increase in cash and cash equivalents</b>	<b>357,184</b>	<b>296,072</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,025,772</b>	<b>704,913</b>
<b>Effect of exchange rate translation</b>	<b>3,705</b>	<b>24,787</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,386,661</b>	<b>1,025,772</b>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2014

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent				Total	Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Twelve months to 31 January 2014 (Unaudited)</b>							
At 1 February 2013	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
<b>Transaction with owners:</b>							
Issuance of ordinary shares, net	587,000	1,019,179	-	-	1,606,179	-	1,606,179
Shares issued pursuant to the acquisition of subsidiaries, net	400,789	817,374	-	-	1,218,163	-	1,218,163
Dividend to non-controlling interest of a subsidiary	-	-	-	-	-	(44,475)	(44,475)
Fair value adjustment arising from acquisition of non-controlling interests	-	-	-	(80,000)	(80,000)	80,000	-
Acquisition of non-controlling interests, net	-	-	(33,416)	-	(33,416)	(437,034)	(470,450)
<b>Total transaction with owners</b>	<u>987,789</u>	<u>1,836,553</u>	<u>(33,416)</u>	<u>(80,000)</u>	<u>2,710,926</u>	<u>(401,509)</u>	<u>2,309,417</u>
At 31 January 2014	<u>5,992,155</u>	<u>2,079,439</u>	<u>12,405</u>	<u>2,115,986</u>	<u>10,199,985</u>	<u>6,301</u>	<u>10,206,286</u>

V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

	Attributable to Owners of the Parent				Total	Non-	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained profits		Controlling Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Twelve months to 31 January 2013 (Audited)</b>							
At 1 February 2012	- *	-	708,748	584,476	1,293,224	332,120	1,625,344
<b>Total comprehensive income</b>	-	-	23,287	524,596	547,883	169,841	717,724
<b>Transaction with owners:</b>							
Arising from merger reserve	-	-	(760,681)	-	(760,681)	-	(760,681)
Shares issue pursuant to the acquisition of subsidiaries and merger exercise	5,004,366	242,886	9,456	-	5,256,708	-	5,256,708
Acquisition of non-controlling interests, net	-	-	-	-	-	2,722	2,722
Dividend to non-controlling interest of a subsidiary	-	-	-	-	-	(98,908)	(98,908)
<b>Total transaction with owners</b>	<u>5,004,366</u>	<u>242,886</u>	<u>(751,225)</u>	<u>-</u>	<u>4,496,027</u>	<u>(96,186)</u>	<u>4,399,841</u>
At 31 January 2013	<u>5,004,366</u>	<u>242,886</u>	<u>(19,190)</u>	<u>1,109,072</u>	<u>6,337,134</u>	<u>405,775</u>	<u>6,742,909</u>

\* Represent a balance of RM2.00

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the year ended 31 January 2014 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the year ended 31 January 2014 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2013.

The accounting policies and methods of computation adopted by SapuraKencana Petroleum Berhad ("SKPB") and its subsidiaries ("the Group") in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2013. The audited financial statements of the Group for the year ended 31 January 2013 were prepared in accordance with MFRS.

As of 1 February 2013, the Group has adopted revised MFRS and Amendments to MFRS that have been issued by the MASB as listed below:

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

**1. Basis of preparation (cont'd.)**

**Effective for  
annual periods  
beginning on or  
after**

Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities : Transition Guidance	1 January 2013

The adoption of the above revised MFRS and Amendments to MFRS does not have material impact on the financial statements of the Group.

**2. Seasonality and cyclicity of operations**

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions.

**3. Unusual items due to their nature, size and incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial year.

**4. Changes in estimates**

There were no changes in estimates that have material effect in the current financial year.

**5. Debts and equity securities**

The Company had on 30 April 2013, issued an additional 987,788,889 number of ordinary share capital of RM1 each as part of the consideration for the acquisition of the tender rig business of Seadrill Limited ("Seadrill"). With this new issuance, the Company's issued share capital increased to RM5,992,155,087 from RM5,004,366,198 as at 31 January 2013.



## 6. Subsequent events

- a) The RM700 million outstanding Sukuk Mudharabah has now been fully redeemed by the Company on 7 February 2014.
- b) 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 of up to USD5.5 billion equivalent comprising term facilities and revolving credit facilities (collectively “Credit Facilities”). The repayment period of the Credit Facilities is up to 7 years.

The Credit Facilities will be utilised, inter alia for refinancing of existing borrowings, funding of capital expenditures as well as working capital requirements of SapuraKencana Petroleum Berhad's group of companies ("Group")

The Credit Facilities were undertaken as part of the Group’s on-going capital management initiatives, which are intended to improve the Group’s funding position as it continues to pursue new growth opportunities. This will also align and optimise the terms of its borrowings to the current businesses of the Group, including the new businesses held under the recently acquired Newfield Malaysia Holding Inc.

## 7. Changes in the composition of the Group

On 30 April 2013, the Company, through its wholly-owned subsidiary, SapuraKencana Drilling Pte Ltd, completed the integration and combination of tender rig business via acquisition of the entire issued share capital of Seadrill Tender Rig Ltd, a wholly-owned subsidiary of Seadrill for a purchase consideration of RM7.7 billion (USD2.5 billion).

On 16 August 2013, the Company has adjusted its purchase consideration from RM7.7 billion to RM7.9 billion following revision of Closing Statement in accordance with the SPA.

After taking into consideration all adjustments to the SPA, purchase consideration has been revised to RM8.0 billion.

## 7. Changes in the composition of the Group (cont'd.)

The fair value of the identifiable assets and liabilities of Seadrill's business as at the date of acquisition was:

	<b>Fair value recognised on acquisition</b>
	RM'000
<b>Assets</b>	
Property, plant and equipment	5,057,484
Intangible assets	62,622
Deferred tax assets	1,136
Other investments	187
Inventories	115,158
Trade and other receivables	344,781
Cash and cash equivalents	95,513
	<u>5,676,881</u>
<b>Liabilities</b>	
Trade and other payables	(144,418)
Provision for tax	(36,311)
Deferred tax liabilities	(5,055)
Other long term payables	(5,479)
	<u>(191,263)</u>
Fair value of identifiable net assets	5,485,618
Goodwill arising on acquisition, net	2,114,379
Total cost of business combination	<u>7,599,997</u>
Acquisition of non-controlling interests	432,480
Total	<u>8,032,477</u>
<b>Purchase consideration consist of:</b>	
Issuance of new ordinary shares	1,239,920
Deferred consideration and contingent consideration	566,891
Cash	6,225,666
	<u>8,032,477</u>
<b>Analysis of cash flows on acquisition:</b>	
Total cash paid	6,225,666
Less: Cash and cash equivalents of subsidiaries acquired	(95,513)
Less: Acquisition of non-controlling interests	(432,480)
Net cash flow on acquisition	<u>5,697,673</u>

There was no other change in the composition of the Group during the current financial year, except as disclosed above.

## 8. Contingent liabilities

The Group has provided corporate guarantees to financial institutions for credit facilities granted to joint venture companies amounting to RM610.3 million (31 January 2013: RM423.3 million).

## 9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in the unaudited condensed consolidated interim financial statement as at 31 January 2014 are as follows:

### Approved and contracted for:

	<b>31/1/2014</b>
	RM'000
<b>Property, plant and equipment</b>	
Group	1,167,219
Share of capital commitment in joint venture companies*	2,042,749
Equity commitment in joint venture companies	<u>120,806</u>
Total	<u><u>3,330,774</u></u>

\* *These capital commitments will be self-funded by the joint venture companies without financial assistance from the Group*

## 10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>31/1/2014</b> RM'000	Preceding year corresponding quarter <b>31/1/2013</b> RM'000	Twelve months to <b>31/1/2014</b> RM'000	Twelve months to <b>31/1/2013</b> RM'000
Current taxation:				
Malaysian taxation	(3,601)	13,656	110,002	163,543
Foreign taxation	5,781	6,290	48,954	7,680
Deferred taxation	<u>(64,844)</u>	<u>(1,883)</u>	<u>(74,896)</u>	<u>(5,254)</u>
	<u><u>(62,664)</u></u>	<u><u>18,063</u></u>	<u><u>84,060</u></u>	<u><u>165,969</u></u>

## 11. (a) Status of corporate proposals announced

On 22 October 2013, the Company and Newfield International Holdings Inc. entered into a conditional Sale and Purchase Agreement ("SPA"), to acquire the entire issued and outstanding common shares of Newfield Malaysia Holding Inc. for a total purchase consideration of USD 898 million (RM 2.8 billion) to be satisfied entirely by cash.

The acquisition was completed on 11 February 2014 following the fulfilment of all conditions to the closing including payment of the remaining of the purchase consideration.

The initial purchase consideration of USD898 million (RM2.8 billion) was subject to adjustments as set out in the SPA. After incorporating the adjustments required in accordance with the SPA, the Adjusted Purchase Price was USD896 million (RM2.8 billion).

There were no other corporate proposals announced but not completed as at the date of this announcement.

## (b) Status of utilization of proceeds

### (i) Istisna' Bonds ("IB") Proceeds

On 25 August 2006, Bayu Padu Sdn Bhd, a wholly-owned subsidiary of the Company, issued RM250 million nominal value of IB being the second tranche of the total of RM500 million. The proposed and actual utilization are as follows:

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

The Company has fully redeemed the remaining IB balance totalling RM190,000,000 in the current financial year.

## 12. Borrowings

(a) The Group's borrowings as at 31 January 2014/2013 are as follows:

	<b>31/1/2014</b>	<b>31/1/2013</b>
	RM'000	RM'000
<b>Short term borrowings</b>		
Secured	741,710	1,543,720
Unsecured	292,653	591,476
	<u>1,034,363</u>	<u>2,135,196</u>
<b>Long term borrowings</b>		
Secured	<u>11,326,260</u>	<u>3,805,776</u>
	<u>12,360,623</u>	<u>5,940,972</u>

(b) Included in the borrowings are foreign borrowings as follows:

	<b>31/1/2014</b>
	RM'000
United States Dollar	<u>9,072,132</u>

## 13. Derivative financial instruments

Details of the Group's derivative financial instruments outstanding as at 31 January 2014 are as follows:

<b>Contract/Tenure</b>	<b>Notional Value</b>	<b>Liability Fair Value</b>
	RM mil	RM'000
<b><u>Cross Currency Interest Rate Swap (CCIRS)</u></b>	245	
- Less than 1 year		1,775
<b><u>Interest Rate Swap</u></b>	140	
- More than 1 year		893
	<u>385</u>	<u>2,668</u>

There is no change in respect of the following since the last financial year ended 31 January 2013:

- i. the credit risk, market risk and liquidity risk associated with the derivatives;
- ii. the cash requirements of the derivatives; and
- iii. the policy in place for mitigating or controlling the risks associated with these financial derivatives.

### 13. Derivative financial instruments (cont'd.)

The loss arising from fair value changes of financial liabilities is as follows:

	Current year quarter <b>31/1/2014</b> RM'000	Twelve months to <b>31/1/2014</b> RM'000
CCIRS	<u>(2,812)</u>	<u>(4,075)</u>

#### Basis of fair value measurement

The fair value is computed using a valuation technique which utilizes data from recognized financial information sources including rates from relevant yield curves.

#### Reasons for loss

The USD/MYR foreign exchange rate has moved since the last measurement date.

#### Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of the financial instruments carried at fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs that are based on observable market data, either directly or indirectly
- Level 3: Inputs that are not based on observable market data

As at the reporting date, the carrying amounts of CCIRS and interest rate swap were measured by using level 2 method in the hierarchy in determining their fair value.

#### 14. Realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

	<b>31/1/2014</b>
	RM'000
Total retained profits of the Company and subsidiaries	
- Realised	2,217,945
- Unrealised	<u>(136,277)</u>
	2,081,668
Joint ventures and associated companies	
- Realised	364,798
- Unrealised	<u>(21,151)</u>
	343,647
Total Group retained profits	2,425,315
Consolidation adjustments	<u>(309,329)</u>
Total Group retained profits as per consolidated accounts	<u>2,115,986</u>

#### 15. Material litigation

On 20 February 2006, Sarku Engineering Services Sdn Bhd ("SESSB"), a wholly-owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201.45 and USD123,819,632.10 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Further examination in chief took place on 21 and 22 January 2014 whereby revised list of documents were exchanged and has been taken on record. The next dates of hearings have been fixed for May and August 2014.

As advised by its solicitors, SESSB has a reasonable basis for its claims against ONGC.

There was no other material litigation that may, upon materialisation, have a material effect on the Group's financial results or position, except as disclosed above.

## 16. Segment information

The Group organised its business activities into four major reportable operating segments based on their products and services namely:

- (i) Offshore Construction & Subsea Services (“OCSS”);
- (ii) Fabrication, Hook Up & Commissioning (“FAB & HUC”);
- (iii) Drilling & Energy Services and;
- (iv) Corporate

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

- Provisions of drilling rigs and services;
- Oilfield development and production, leasing of floating, production, storage and offloading; and
- Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of-sale systems for petrol stations and asset management services for offshore installations.

	<b>12 months to 31/1/2014</b>	
	<b>Revenue</b>	<b>Profit before</b>
	<b>RM'000</b>	<b>taxation</b>
		<b>RM'000</b>
OCSS	3,487,728	385,221
FAB & HUC	2,051,889	251,945
Drilling & Energy Services	3,042,161	969,021
Corporate	856,157	397,188
	9,437,935	2,003,375
Others:		
Finance costs of debt securities	-	(45,199)
Management fees	(205,011)	-
Consolidation adjustment	(854,148)	(750,419)
<b>Group revenue / profit before taxation</b>	<b>8,378,776</b>	<b>1,207,757</b>

Corporate revenue and results are derived from dividend income and management fees charged to entities within operating segments by the holding company at normal commercial terms. The terms have been mutually agreed upon or take the form of apportioned fees which are based on an equitable basis of allocation.



## 17. Review of performance

### 17.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue		Profit before taxation	
	3 months to		3 months to	
	31/1/2014	31/1/2013	31/1/2014	31/1/2013
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>	<b>1,884,211</b>	<b>1,957,551</b>	<b>274,174</b>	<b>207,847</b>
<b>Business Segments:</b>				
OCSS	539,642	772,192	19,323	61,495
FAB & HUC	441,201	711,495	54,875	101,020
Drilling & Energy Services	916,977	473,864	435,702	93,017
Corporate	405,941	441,343	251,218	348,414
Less: Management fees	(51,702)	(102,633)	-	-
Less: Consolidation adjustment	(367,848)	(338,710)	(486,944)	(396,099)
	<b>1,884,211</b>	<b>1,957,551</b>	<b>274,174</b>	<b>207,847</b>

#### Group

Group revenue for the current quarter decreased by RM73.3 million or 3.7% compared to corresponding quarter of the preceding year ("Q4 FY2013"), primarily due to lower revenue from OCSS segment as the Domgas project reached its completion stage. This was offset by higher contribution from Drilling and Energy business segment following inclusion of revenue from tender rig business subsequent to the completion of its acquisition on 30 April 2013.

Profit before taxation for current quarter increased by RM66.3 million or 31.9% compared to Q4 FY2013, as the Drilling and Energy segment's results included the financial results of tender rig business subsequent to completion of acquisition on 30 April 2013.

#### Business Segments:

##### OCSS

The segment revenue for current quarter decreased by RM232.6 million or 30.1% compared to Q4 FY2013, mainly due to lower revenue recognised on Domgas project as it approached completion.

Profit before taxation recorded a decrease of RM42.2 million or 68.6% compared to Q4 FY2013, largely attributable from the reduction in Domgas contribution. This was partly cushioned by improved joint venture results.

## 17. Review of performance (cont'd.)

### 17.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

#### **FAB & HUC**

The segment revenue for current quarter was lower by RM270.3 million or 38.0% compared to Q4 FY2013 mainly due to lower contribution from a number of projects which are nearing completion stage.

The segment posted comparatively lower profit before tax for the quarter in line with lower revenue as outlined above.

#### **Drilling & Energy Services**

The segment revenue and profit before taxation for current quarter increased by RM443.1 million or 93.5% and RM342.7 million or 368.4% respectively compared to Q4 FY2013, mainly due to the inclusion of the tender rig business' financial results, subsequent to completion of the acquisition on 30 April 2013.

#### **Corporate**

Corporate revenue which consists of dividend income and management fees charged to entities within the operating segments decreased by RM35.4 million compared to Q4 FY2013, mainly due to lower management fees charged in the current quarter compared to Q4 FY2013, offset with higher dividend income received during the quarter.

Corporate profit before taxation for current quarter decreased by RM97.2 million or 27.9% as compared to Q4 FY2013, in line with the revenue decrease as outlined above.

## 17. Review of performance (cont'd.)

### 17.2 Current financial year compared to corresponding period of the preceding year

	Revenue		Profit before taxation	
	12 months to		12 months to	
	31/1/2014	31/1/2013	31/1/2014	31/1/2013
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>	<b>8,378,776</b>	<b>6,912,414</b>	<b>1,207,757</b>	<b>829,750</b>
<b>Business Segments:</b>				
OCSS	3,487,728	3,705,170	385,221	528,360
FAB & HUC	2,051,889	1,991,931	251,945	299,266
Drilling & Energy Services	3,042,161	1,215,312	969,021	275,067
Corporate	856,157	481,809	397,188	98,883
Less: Management fees	(205,011)	(154,425)	-	-
Less: Consolidation adjustment	(854,148)	(327,383)	(795,618)	(371,826)
	<b>8,378,776</b>	<b>6,912,414</b>	<b>1,207,757</b>	<b>829,750</b>

#### Group

Group revenue for the current financial year increased by RM1,466.4 million or 21.2% compared to corresponding quarter of the preceding year ("FYE 31 January 2013"), primarily due to the inclusion of 9 months of the tender rig business' financial results, subsequent to completion of the acquisition on 30 April 2013.

Profit before taxation for current financial year increased by RM378.0 million or 45.6% compared to FYE 31 January 2013, in line with the revenue increase as outlined above.

#### Business Segments:

##### OCSS

The segment revenue for the current financial year decreased by RM217.4 million or 5.9% compared to FYE 31 January 2013, mainly due to reduced revenue from Domgas project as it approached completion. However, increased higher scope of works for subsea services contracts has cushioned the impact of lower revenue from Domgas project.

Profit before taxation recorded a decrease of RM143.1 million or 27.1% as compared to FYE 31 January 2013, primarily attributable to reduction from Domgas contribution in the current financial year. This is contributed against the favorable variation order and one-off gain RM41.9 million gain arising from acquisition of a subsidiary recognised in FYE 31 January 2013. Improved joint venture results of RM91 million in the current year has helped to cushion the impact of the above.

## 17. Review of performance (cont'd.)

### 17.2 Current financial year compared to corresponding period of the preceding year (cont'd.)

#### Business Segments (cont'd.):

##### FAB & HUC

The segment revenue for current financial year increased by RM60.0 million or 3.0% compared to FYE 31 January 2013, mainly due to inclusion of revenue from Kencana businesses subsequent to merger.

The segment reported RM47.3 million or 15.8% reduction in profit before taxation compared to FYE 31 January 2013 primarily attributable to lower remaining progress claims for projects in hand.

##### Drilling & Energy Services

The segment revenue and profit before taxation for current financial year increased by RM1,826.8 million or 150.3% and RM694.0 million or 252.3% respectively compared to FYE 31 January 2013, mainly due to the inclusion of 9 months of the tender rig businesses' financial results, subsequent to completion of the acquisition on 30 April 2013.

##### Corporate

The segment revenue for current financial year increased by RM374.3 million compared to FYE 31 January 2013, mainly due to higher dividend income received and higher management fees charged to entities within the operating segments.

Corporate profit before taxation for current financial year increased by RM298.3 million or 301.7% compared to FYE 31 January 2013, in line with the revenue increase as outlined above.

## 18. Review of performance as compared to the immediate preceding quarter

Group revenue of RM1,884.2 million was RM497.5 million or 20.9% lower than RM2,381.7 million in the immediate preceding quarter ("Q3 FY14"). The decline in Group revenue was primarily attributable to lower contribution from OCSS business segment following completion of Pan Malaysia contracts during the quarter.

The Group recorded RM274.2 million profit before taxation, which was RM49.8 million or 15.4% lower than RM324.0 million in Q3 FY2014 mainly due to lower contribution from OCSS business segment in line with lower revenue as outline above.

**19. (a) Commentary on prospects**

The Group's earnings are expected to grow, as going forward it would reflect the full year contribution of the tender rigs business, additional earnings from the acquired assets of Newfield Malaysia, and revenue streams from both currently contracted assets as well as assets which will be deployed in new markets.

Given a healthy order book of RM25.4 billion and good earnings visibility, the Group remains well positioned to benefit from committed outlay in the upstream sector.

With the completion of the refinancing exercise, the Group also expects to have an improved funding position that will support its growth aspirations.

Accordingly, the Board is confident that the prospects of the Group are positive.

**(b) Revenue or profit estimate, forecast, projection or internal targets**

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

**20. Dividend**

The Board of Directors does not recommend any payment of interim dividend for the current quarter under review.

## 21. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31/1/2014	31/1/2013	31/1/2014	31/1/2013
<b>Basic</b>				
	<b>3 months to</b>		<b>12 months to</b>	
	<b>31/1/2014</b>	<b>31/1/2013</b>	<b>31/1/2014</b>	<b>31/1/2013</b>
Profit attributable to owners of the Parent (RM'000)	337,234	123,893	1,086,914	524,596
Weighted average number of ordinary shares in issue ('000)	5,992,155	5,004,366	5,745,208	5,004,366
Basic earnings per share (sen)	<u>5.63</u>	<u>2.48</u>	<u>18.92</u>	<u>10.48</u>

### By Order of the Board

Kuala Lumpur  
24 March 2014

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Company Secretaries