annual report 2013

Staying the Course,
Driving Value

45th

Annual General Meeting (AGM) of MISC Berhad to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Tuesday, 20 May 2014 at 11.00 a.m.

Staying the Course,
Driving Value

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Group Financial Review

Revenue from Continuing Operations

Group revenue of RM 8,971.8 million for FY2013 was 0.9% lower than RM 9,050.3 million in FY2012. Lower revenue in Heavy Engineering from projects that are nearing completion and smaller fleet of operating vessels in Petroleum business were the main causes of the decline in Group revenue.

Operating Profit from Continuing Operations

Group operating profit of RM 1,552.6 million was 2.3% higher than RM 1,517.4 million in FY2012. Higher LNG business revenue from full year income recognition of FSU Lekas and lower operating cost in Chemical and Petroleum businesses were the main contributors to the increase in operating profit.

Profit Before Tax from Continuing Operations

Group profit before tax of RM 2,227.7 million was 46.9% higher than RM 1,516.7 million in FY2012. The increase in profit was mainly due to higher share of profit from joint ventures, especially Gumusut-Kakap Semi Floating Production System (L) Limited ("GKL"), from recognition of a once-off gain on disposal of Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS") through finance lease in the current year. The Group also recognised lower impairment provisions of RM 97.9 million in the year under review compared to RM 295.6 million in FY2012.

Earnings Per Share (Sen)

Profit attributable to the equity holders of the Corporation of RM 2,085.4 million was more than 100% or RM 1,315.2 million higher than RM 770.2 million profit in FY2012. This translates to an improved earnings per share of 46.7 sen in FY2013 from 17.3 sen in FY2012.

Dividends

No interim dividend was declared to the shareholders in the year under review. The Board is proposing a final tax exempt dividend of 5.0 sen per share totalling RM 223.2 million for FY2013. In comparison, no tax exempt dividend was declared for FY2012. The proposed final tax exempt dividend is made after careful consideration of future funding requirements of the Group.

Total Assets

Group total assets as at 31 December 2013 of RM 40,232.2 million was 10.3% higher than total assets as at 31 December 2012 of RM 36,479.6 million.

Increase in carrying value of investment in joint ventures, ships, offshore floating assets, other property, plant and equipment ("PPE") contributed to the increase in Group total assets.

The Group's cash, deposits and bank balances as at 31 December 2013 of RM 4,747.7 million was 19.5% higher than RM 3,972.7 million as at 31 December 2012.

Group Financial Review

Total Liabilities

Group total liabilities as at 31 December 2013 of RM 14,474.9 million was 1.4% higher than RM 14,275.6 million as at 31 December 2012. Drawdown of a new term loan of RM 3,154.7 million and repayment of loans totalling RM 2,603.3 million were the main causes of the increase in Group total liabilities.

Shareholders' Equity

Shareholders' equity as at 31 December 2013 of RM 24,712.9 million was 17.0% higher than RM 21,124.0 million as at 31 December 2012. The increase in shareholders' equity were mainly due to profit attributable to equity holders for FY2013 of RM 2,085.4 million and translational gain of RM 1,478.9 million from the appreciation of United States Dollar currency against Ringgit Malaysia in the current financial year.

Net Debt/Equity Ratio

The Group's net debt equity ratio of 0.22 as at 31 December 2013 was favourable compared to 0.24 as at 31 December 2012 due to higher Shareholders' Equity following higher profit recorded in the year under review.

Five Year Group Financial Statistics

	Audited[6][7][8] 1.1.2013 to 31.12.2013 RM Million	Restated[6][7][8] 1.1.2012 to 31.12.2012 RM Million	Unaudited[1][6][7] 1.1.2011 to 31.12.2011 RM Million	Restated[6][7] 1.4.2011 to 31.12.2011 RM Million	Restated[2] 1.4.2010 to 31.3.2011 RM Million	Restated[3] 1.4.2009 to 31.3.2010 RM Million
Continuing Operations[8]:						
Revenue	**8,971.8**	9,050.3	9,798.3	7,226.7	12,325.6	13,775.1
Operating profit	**1,552.6**	1,517.4	1,613.5	1,225.3	1,509.0	1,316.2
Profit before taxation	**2,227.7**	1,516.7	845.1	852.1	2,244.3	911.9
Profit after taxation	**2,229.5**	921.4	(1,521.0)	(1,304.0)	2,227.4	822.2
Continuing Operations	**2,225.2**	1,544.3	773.9	760.3	–	–
Discontinued Operations	**4.3**	(622.9)	(2,294.9)	(2,064.3)	–	–
Profit/(Loss) for the year attributable to equity holders of the Corporation						
Continuing Operations	**2,081.1**	1,393.1	505.6	589.8	1,870.8	682.0
Discontinued Operations	**4.3**	(622.9)	(2,295.6)	(2,065.0)	–	–
	2,085.4	770.2	(1,790.0)	(1,475.2)	1,870.8	682.0
Dividends	**–**	–	421.9	438.4	1,543.2	1,296.8
Earnings/(Loss) per share (sen)[4]	**46.7**	17.3	(40.1)	(33.1)	41.9	17.7
Continuing Operations	**46.6**	31.2	11.3	13.2	–	–
Discontinued Operations	**0.1**	(13.9)	(51.4)	(46.3)	–	–
Total assets	**40,232.2**	36,479.6	41,217.1	41,217.1	38,597.1	41,060.2
Total liabilities	**14,474.9**	14,275.6	19,131.3	19,131.3	15,250.5	17,024.0
Shareholders' equity	**24,712.9**	21,124.0	20,797.1	20,797.1	22,191.6	23,662.0
Total borrowings	**10,218.8**	8,962.7	14,192.2	14,192.2	11,255.4	12,771.7
Net tangible assets per share (sen)	**556.8**	478.0	475.6	475.6	504.0	516.9
Gross debt/equity ratio	**0.41**	0.42	0.68	0.68	0.51	0.54
Net debt/equity ratio	**0.22**	0.24	0.48	0.48	0.36	0.21
Interest cover ratio[5]	**6.7**	5.0	5.1	5.0	4.8	3.7

Notes:

[1] The unaudited results for the twelve months financial period ended 31 December 2011 is disclosed for comparative purposes.

[2] The FY2010/11 audited summary data has taken into account a prior year adjustment to the Group's share of gain from foreign currency translation reserve of a jointly controlled entity.

[3] The FY2009/10 audited summary data has taken into account the impact from adoption of FRS 117.

[4] EPS has been calculated using the weighted average number of ordinary shares in issue in the respective financial years.

[5] Excluding gain on dilution of interest in MHB, realisation of intercompany profit from disposal of a subsidiary, gain on disposal of assets through finance lease and net (loss)/gain on disposal of ships.

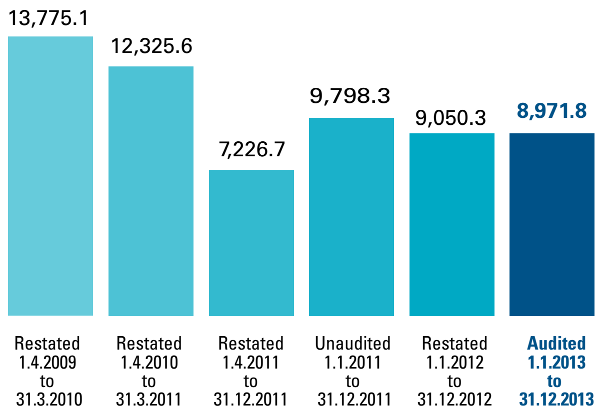
[6] Segregation of information between continuing and discontinued operations (Liner related business operations) effective FY2012. The comparative figures have been reclassified accordingly.

[7] The FY2012 audited summary data has taken into account the impact from first time adoption of Malaysian Financial Reporting Standards ("MFRS"). The comparative figures, i.e FPE 2011 financials, have been adjusted accordingly.

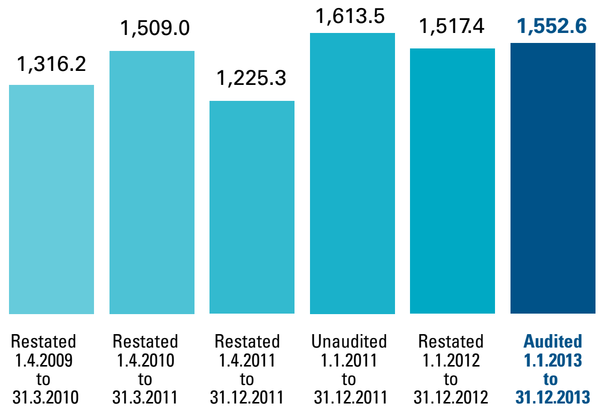
[8] The FY2013 audited summary data has taken into account the impact from adoption of MFRS 10 & 11. Accordingly, the comparative figures, i.e FY2012, have been adjusted to reflect the adoption of MFRS 10 & 11.

Five Year Group Financial Statistics

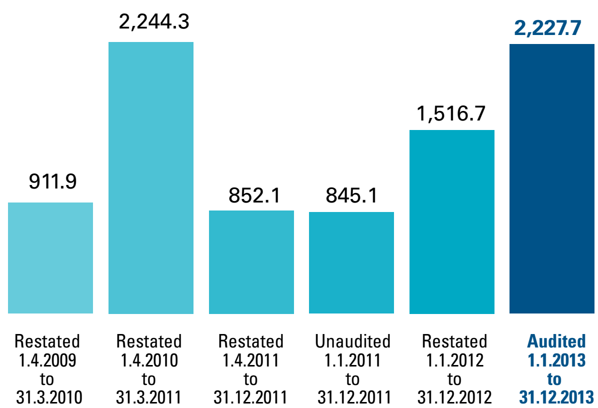
Revenue *
(RM Million)



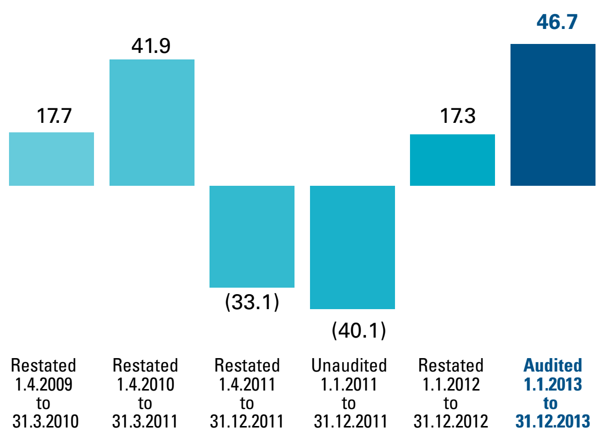
Operating Profit *
(RM Million)



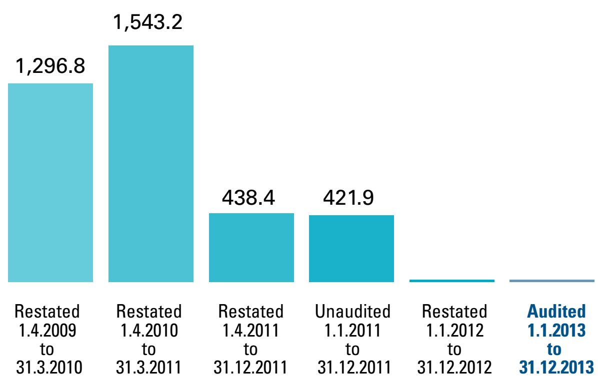
Profit Before Taxation *
(RM Million)



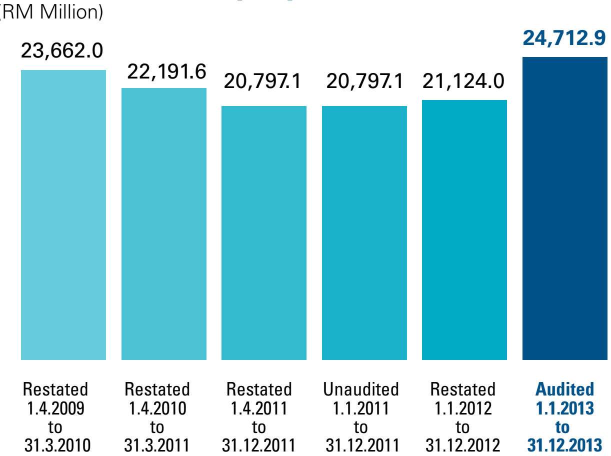
Earnings/(Loss) Per Share
(Sen)



Dividends
(RM Million)



Shareholders' Equity
(RM Million)



* Denotes results from continuing operations

Financial Calendar

Financial Period 1 Jan 2013 – 31 Dec 2013

Announcement of Results & Dividends

Results

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Announced 23 May 2013	Announced 16 Aug 2013	Announced 7 Nov 2013	Announced 13 Feb 2014

Dividends

Dividend of 5 sen has been proposed for this financial year.

/ Corporate Information

as at 31 March 2014

Board of Directors

Chairman, Non-Independent Non-Executive Director

Datuk Manharlal Ratilal

Independent Non-Executive Directors

Harry K. Menon

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

Non-Independent Non-Executive Director

Mohd. Farid bin Mohd. Adnan

President/Chief Executive Officer Non-Independent Executive Director

Datuk Nasarudin Md Idris

Audit Committee

Chairman

Harry K. Menon

Members

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

Nomination and Remuneration Committee

Chairman

Dato' Halipah binti Esa

Members

Dato' Kalsom binti Abd. Rahman

Mohd. Farid bin Mohd. Adnan

Company Secretaries

Fadzillah binti Kamaruddin
(LS 0008989)

Zawardi bin Salleh @ Mohamed Salleh
(MAICSA 7026210)

Registered Office

Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur

Tel : +603 2264 0888
Fax : +603 2273 6602
Homepage : www.misc.com.my
Email : miscweb@miscbhd.com

Auditors

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Tel : +603 7495 8000
Fax : +603 2095 5332

Share Registrar

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +603 7841 8000
Fax : +603 7841 8151/7841 8152

Form of Legal Entity

Incorporated on 6 November 1968 as a public company limited by shares under the Companies Act, 1965

Place of Incorporation and Domicile

Malaysia

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

/ Vision, Mission and Shared Values

VISION

To be the preferred provider of world class maritime transportation & logistics services.

MISSION

We are a logistics service provider, maritime transportation is our core business and we support the nation's aspiration to become a leading maritime nation.

SHARED VALUES

- **LOYALTY**
  Loyalty to nation and corporation

- **INTEGRITY**
  Honest and upright

- **PROFESSIONALISM**
  Committed, innovative, proactive and always striving for excellence

- **COHESIVENESS**
  United in purpose and fellowship

/ About Us

The MISC Group is one of the world's leading international shipping and maritime conglomerates. Operating a modern and well-diversified fleet of more than 120 vessels and backed by an exceptional workforce made up of approximately 10,000 employees from all corners of the globe, we are committed to creating value for our stakeholders and contributing to the sustainability of the industry. With businesses ranging from Shipping, Offshore, Logistics to Marine and Heavy Engineering and Maritime Education & Training, we continue to impart quality that has been synonymous to the MISC name.

We deliver almost 10% of the world's liquefied natural gas ("LNG") across the seas. Our excellent track record of LNG shipping operations of over three decades is a testament to our commitment towards reliability, safety, on-time cargo deliveries and enduring partnerships.

Our LNG carriers which consist of a wide range of sizes, from 18,800 cbm to 157,000 cbm, are compatible with more than 80 terminals worldwide. Periodic vessels inspection, audit and vetting ensures that they perform to the highest safety standards. We also offer end-to-end solutions for LNG Shipping including ship management, highly trained seagoing professionals and a first class marine repair centre. As part of our aspiration to be a leading maritime solutions provider in the LNG value chain, we have successfully converted two of our older LNG vessels into Floating Storage Units ("FSU") for Malaysia's first LNG import facility, the PETRONAS LNG Regasification Terminal at Sungai Udang, Melaka.

About Us

Our petroleum arm, AET Tanker Holdings Sdn. Bhd. ("AET"), is the partner of choice for safe, high quality maritime logistics solutions for the international petroleum sector. AET's fleet of 75 petroleum tankers ply worldwide, serving national and international oil companies, refiners and traders. AET is also the market leader in lightering operations for U.S. Gulf ship-to-ship transfers and has successfully entered specialist sectors such as dynamic positioning shuttle tankers and marine well containment logistics in the last two years, a testament of its expanding footprint into new geographies. These expansions mean that AET boasts a truly global business and operating presence, including in North and South America, Europe, West Africa, the Middle East, Asia and most recently, the North Sea.

With over three decades of experience, our chemical shipping business transports a wide range of cargoes from chemicals to vegetable oils across major trading regions in the world including South East Asia, the Far East, Middle East, Europe, the Indian Subcontinent and the Americas. We pride ourselves in operating a quality fleet, comprising mainly of double-hulled IMO II vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargo.

From design to operations, our offshore business offers a comprehensive suite of offshore floating terminal services tailored to meet the dynamic offshore business landscape. Our priority is to deliver safe, reliable and optimised offshore solutions. Certified with ISO 9001:2008 for Offshore Engineering and Asset Management, we adopt business processes of International Standards and Practices. Being one of the largest FPSO/FSO owner-operator in the world, we have the reach across Malaysia, Vietnam, Brazil, and other strategic locations to meet the global demands of the oil and gas industry today. Going forward, we will continue to build on our offshore strengths and extend our thought leadership to similar deepwater and small field developments.

As part of MISC's strategy to expand its shipping business by providing customers with integrated supply value chain services, MISC entered into the tank terminal business in 2009 via our project in Tanjung Langsat, Johor, Malaysia. In partnership with energy traders, Vitol Holding B.V., we have since expanded our presence and logistics assets all around the world through a joint venture company, VTTI B.V. ("VTTI"). VTTI is one of the world's fastest-growing energy storage businesses. Today, our total tank terminal capacity stands at 8.3 million cbm and we have a worldwide presence with terminals in Johor (Malaysia), ARA Region (Antwerp, Rotterdam, Amsterdam), Europe, the Americas, Africa and the Middle East, with plans to expand into Cyprus. We are currently the seventh largest independent tank terminal operator globally.

Our logistics arm, MISC Integrated Logistics Sdn. Bhd. ("MILS"), is a one-stop service provider that offers integrated logistics services, which include Project Logistics, Freight Management, Forwarding, Transportation, Warehousing and Supply Chain Management. In addition, MILS also provides efficient and cost effective logistics solutions that can be tailor-made to meet customers' demands. MILS is a registered vendor of PETRONAS and a government approved Multimodal Transport Operator ("MTO").

Our public listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") is a leading marine and heavy engineering services provider in Malaysia, focused primarily on the oil and gas sector. MHB offers a wide spectrum of offshore construction, offshore conversion and marine repair services at two yards in Pasir Gudang, Johor, Malaysia. With a total yard size of 197.4 hectares in Pasir Gudang, MHB has one of the largest marine and heavy engineering facilities in the region with an annual fabrication capacity of 129,700 MT and dry docks accommodating vessels up to 450,000 dwt.

MISC's diverse operation is supported by a strong backbone of dynamic, capable and progressive staff. As part of MISC's commitment to the growth and sustainability of the maritime industry, MISC continues to develop capable sea-going professionals via its in-house maritime academy, Malaysia Maritime Academy Sdn. Bhd. ("ALAM").

/ MISC GROUP STRUCTURE

as at 31 March 2014 **excluding dormant companies*

LNG

- MISC Tankers Sdn. Bhd. — 100% *(Investment Holding and Provision of Management Services)*
  - Puteri Delima Sdn. Bhd. — 100% *(Shipping)*
  - Puteri Firus Sdn. Bhd. — 100% *(Shipping)*
  - Puteri Intan Sdn. Bhd. — 100% *(Shipping)*
  - Puteri Nilam Sdn. Bhd. — 100% *(Shipping)*
  - Puteri Zamrud Sdn. Bhd. — 100% *(Shipping)*
- Puteri Delima Satu (L) Pte. Ltd. — 100% *(Shipping)*
- Puteri Firus Satu (L) Pte. Ltd. — 100% *(Shipping)*
- Puteri Nilam Satu (L) Pte. Ltd. — 100% *(Shipping)*
- Puteri Intan Satu (L) Pte. Ltd. — 100% *(Shipping)*
- Puteri Mutiara Satu (L) Pte. Ltd. — 100% *(Shipping)*
- Puteri Zamrud Satu (L) Pte. Ltd. — 100% *(Shipping)*
- MISC PNG Shipping Limited — 100% *(Investment Holding)*
  - Western Pacific Shipping Limited — 60% *(Providing Shipping Solutions to meet LNG Project Requirements and also Supports Other General Shipping Requirements of Papua New Guinea)*
- Gas Asia Terminal (L) Pte. Ltd. — 100% *(Development and Ownership of LNG Floating Storage Units)*
- Asia LNG Transport Sdn. Bhd. — 51% *(Shipowning and Ship Management)*
- Asia LNG Transport Dua Sdn. Bhd. — 51% *(Shipowning and Ship Management)*
- Nikorma Transport Limited — 30% *(LNG Transportation)*

PETROLEUM

- MISC Tanker Holdings Sdn. Bhd. — 100% *(Investment Holding)*
  - MISC Tanker Holdings (Bermuda) Ltd. — 100% *(Investment Holding)*
    - AET Tanker Holdings Sdn. Bhd. — 100% *(Investment Holding)*
      - AET Petroleum Tanker (M) Sdn. Bhd. — 100% *(Shipowning)*
        - AET Shuttle Tankers Sdn. Bhd. — 100% *(Shipowning and Operations)*
        - AET MCV Delta Sdn. Bhd. — 100% *(Investment Holding)*
          - AET MCV Alpha L.L.C. — 100% *(Shipowning)*
          - AET MCV Beta L.L.C. — 100% *(Shipowning)*
        - AET Brasil Servicos Maritimos Ltda. — 100% *(Manning, Crewing Agent and Technical Office)*
        - AET Brasil Servicos STS Ltda. — 100% *(Lightering Support Services)*
      - AET Shipmanagement (Malaysia) Sdn. Bhd. — 100% *(Ship Management)*
        - AET Shipmanagement (India) Private Limited — 100% *(Ship Management and Manning Activities)*
        - Eagle Star Crew Management Corporation — 24% *(Recruitment and Provision of Manpower for Maritime Vessels)*
    - AET Shipmanagement (Singapore) Pte. Ltd. — 100% *(Ship Management, Manning and Technical Activities)*
    - AET Shipmanagement (USA) L.L.C. — 100% *(Ship Management)*
    - AET Tankers Pte. Ltd. — 100% *(Commercial Operation and Chartering)*
      - AET Tanker India Private Limited — 100% *(Shipowning)*
    - AET UK Limited — 100% *(Commercial Operation and Chartering)*
      - AET Sea Shuttle AS — 97.5% *(Owning and Operating DP Shuttle Tankers)*
    - AET Holdings (L) Pte. Ltd. — 100% *(Investment Holding)*
      - AET Inc. Limited — 100% *(Shipowning and Operations)*
        - AET Tankers (Suezmax) Pte. Ltd. — 100% *(Shipowning and Operations)*
        - AET MCV Gamma L.L.C. — 100% *(Chartering and Operations)*
        - AET Agencies Inc. — 100% *(Property Owning)*
        - AET Offshore Services Inc. — 100% *(Lightering)*
        - AET Lightering Services L.L.C. — 100% *(Lightering)*
        - Paramount Tankers Corp — 50% *(Shipowning and Operations)*
        - ELS Lightering Services S.A. — 50% *(Lightering Activity)*
        - Akudel S.A. — 49% *(Owning and Operating Workboats for Lightering Activity)*

CHEMICAL

- Centralised Terminals Sdn. Bhd. — 45% *(Own, Manage, Operate and Maintain Centralised Tankage Facility)*
  - Langsat Terminal (One) Sdn. Bhd. — 36% *(Provision of Tank Terminal Activities)*
  - Langsat Terminal (Two) Sdn. Bhd. — 36% *(Provision of Multi User Petrochemical Terminal Facilities)*
- MTTI Sdn. Bhd. — 100% *(Investment Holding)*
  - VTTI B.V. — 50% *(Owning (in whole or in part), Operating and Managing a Network of Oil Product Storage Terminals and Refineries)*

OFFSHORE

- MISC Offshore Holdings (Brazil) Sdn. Bhd. — 100% *(Investment Holding)*
  - SBM Systems Inc. — 49% *(FPSO Owner)*
  - FPSO Brasil Venture S.A. — 49% *(Investment and Offshore Activities)*
    - SBM Operacoes Ltda. — 49% *(Operating and Maintaining FPSO Terminals)*
  - Brazilian Deepwater Floating Terminals Limited — 49% *(Construction of FPSO)*
  - Brazilian Deepwater Production Limited — 49% *(Chartering of FPSO)*
  - Brazilian Deepwater Production Contractors Limited — 49% *(Operation and Maintenance of FPSO)*
    - Operacoes Maritimas em Mar Profundo Brasileiro Ltda. — 49% *(Operation and Maintenance of FPSO)*
- MISC Offshore Floating Terminals (L) Limited — 100% *(Offshore Floating Terminals Ownership)*
- MISC Offshore Floating Terminals Dua (L) Limited — 100% *(Offshore Floating Terminals Ownership)*
- GK O&M (L) Limited — 100% *(Operating and Maintaining Gumusut-Kakap Semi-Submersible Floating Production System)*
- Malaysia Offshore Mobile Production (Labuan) Ltd. — 100% *(Mobile Offshore Production Unit Owner)*
- Malaysia Vietnam Offshore Terminal (L) Limited — 51% *(FSO Owner)*
- Malaysia Deepwater Floating Terminal (Kikeh) Limited — 51% *(FPSO Owner)*
- Malaysia Deepwater Production Contractors Sdn. Bhd. — 51% *(Operating and Maintaining FPSO Terminals)*
- FPSO Ventures Sdn. Bhd. — 51% *(Operating and Maintaining FPSO Terminals)*
- Gumusut-Kakap Semi-Floating Production System (L) Limited — 50% *(Asset Ownership and Leasing of Semi-Submersible Floating Production System)*
- Vietnam Offshore Floating Terminal (Ruby) Ltd. — 40% *(FPSO Owner)*

MISC BERHAD

MARINE & HEAVY ENGINEERING

Malaysia Marine and Heavy Engineering Holdings Berhad — 66.5%
(Investment Holding)

- Malaysia Marine and Heavy Engineering Sdn. Bhd. — 66.5%
  (Provision of Oil and Gas Engineering and Construction Works and Marine Conversion and Repair Services)
  - MMHE-SHI LNG Sdn. Bhd. — 46.6%
    (Provision of Repair Services and Dry Docking of Liquefied Natural Gas Carriers)
  - MMHE-TPGM Sdn. Bhd. — 40%
    (Provision of Engineering, Procurement, Construction, Installation and Commissioning)
  - MMHE-ATB Sdn. Bhd. — 27%
    (Manufacturing of Pressure Vessels and Tube Heat Exchangers)
- Techno Indah Sdn. Bhd. — 66.5%
  (Sludge Disposal Management)
- Technip MHB Hull Engineering Sdn. Bhd. — 33.3%
  (Build and Develop Hull Engineering and Engineering Project Management Capacities)

INTEGRATED LOGISTICS

MISC Integrated Logistics Sdn. Bhd. — 100%
(Integrated Logistics Services)

- Misan Logistics B.V. — 100%
  (Haulage, Brokerage, Liner Merchant and Carrier Haulage)
- MILS Cold Chain Logistics Sdn. Bhd. — 100%
  (formerly known as MILS-Seafrigo Sdn. Bhd.)
  (Owner of a Cold Storage Logistics Hub)
- BLG MILS Logistics Sdn. Bhd. — 60%
  (Automotive Solutions and Related Integrated Logistics Services)
- Rais-Mils Logistics FZCO — 50%
  (In Liquidation)

MARITIME EDUCATION

Malaysian Maritime Academy Sdn. Bhd. — 100%
(Education and Training for Seamen and Maritime Personnel)

OTHERS

MISC Capital (L) Ltd. — 100%
(Special Purpose Vehicle for Financing Arrangement)

MISC International (L) Ltd. — 100%
(Investment Holding)

- SL-MISC International Line Co. Ltd. — 49%
  (In Liquidation)

MISC Enterprises Holdings Sdn. Bhd. — 100%
(In Liquidation)

- Trans-ware Logistics (Pvt.) Ltd. — 25%
  (Inland Container Depot)

MISC Agencies Sdn. Bhd. — 100%
(Holding Company)

- MISC Agencies (Netherlands) B.V. — 100%
  (Property Owning)
- MISC Agencies (Japan) Ltd. — 100%
  (In Liquidation)
- MISC Agencies India (Private) Limited — 60%
  (Shipping Agent)
- MISC Agencies Lanka (Private) Limited — 40%
  (In Liquidation)


L N G

OPTIMISING RESOURCES

MISC's LNG Carrier, **Seri Bijaksana**, delivered the commissioning cargo for the PETRONAS LNG Regasification Terminal at Sungai Udang ("RGTSU"), Melaka.

For 2013, MISC delivered **443 LNG cargoes**, amounting to **23.3 million tonnes**, representing **9.7%** of total **world LNG trade**.

AET successfully completed its **10,000th fully serviced lightering operation** in the US Gulf.

Business Overview and Fleet Strength
as at 31 December 2013

Liquefied Natural Gas Shipping

Class	Number of Vessels
Aman Class	3
Tenaga Class	3
Puteri Class	5
Puteri Satu Class	6
Seri A Class	5
Seri B Class	5
Total	**27**

MISC has three decades of proven experience in Liquefied Natural Gas ("LNG") transportation and we have earned a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries from our charterers.

- Full in-house capabilities in shipowning and ship management including maritime education and ship repair.
- Vessels' compatibility with more than 80 terminals worldwide.
- Periodic vessels' inspection, audit and vetting to ensure highest safety standards.
- With 27 vessels operating globally, MISC LNG fleet represents 7.7% of the total world LNG fleet.

Major Developments from 1 January 2013 – 31 December 2013

- For 2013, MISC delivered 443 LNG cargoes, amounting to 23.3 million tonnes, representing 9.7% of total world LNG trade.
- Seri Bijaksana delivered the commissioning cargo for the PETRONAS LNG Regasification Terminal at Sungai Udang ("RGTSU"), Melaka. The cargo originated from Bonny Island, Nigeria and its delivery marked the commencement of commissioning activities for RGTSU.
- Appointed as Project Manager and Technical Consultant for procurement of PETRONAS newbuild LNG ships.
- Commencement of charter for Seri Bakti with Koch Shipping Inc., expanding MISC's third-party business portfolio.
- Seri Bakti became the first vessel to perform cool-down operation at Singapore LNG ("SLNG") terminal. A Master LNG Vessel Cool-Down Services Agreement was also developed between MISC and SLNG for future requirement of LNG vessel cool-down, inerting, gassing-up and heel top-up services.

Business Overview and Fleet Strength
as at 31 December 2013

Petroleum Shipping

Type	Number of Vessels
VLCC	13
Aframax	50
Suezmax	4
Panamax	1
DP Shuttle Tankers	2
Medium-range Product Tankers	5
Total	**75**

AET is our global provider of ocean transport solutions to the international petroleum industry, and the partner of choice for safe, high quality petroleum logistics solutions. Through AET, we move crude oil and refined products for the world's oil majors and trading houses. AET's global coverage and growth plans combined with its superior service and excellent customer support will allow us to continuously enhance our position in the crude and product tanker markets.

- Market leader in ship-to-ship transfers (lightering) in the US Gulf.
- A modern, young fleet of vessels including vessels with super niche, customised technology such as dynamic positioning shuttle tankers and world's first modular capture vessels ("MCVs").

Major Developments from 1 January 2013 – 31 December 2013

- AET successfully completed the conversion of the world's first modular capture vessel, Eagle Texas.
- AET achieved its 10,000th US Gulf lightering, an industry first.
- AET completed its eco-design VLCC newbuilding project, in addition to its eco-design Suezmax series in 2012.
- AET's new 320,000 dwt VLCC Eagle Vancouver is one of the world's first newbuilds to comply with the Ballast Water Management ("BWM") Convention. Once ratified, the International Maritime Organization ("IMO") Convention will require vessels to manage their ballast water on every voyage. Pre-empting the ratification, the new AET vessel is fitted with a BWM system that disinfects ballast water using electrolysis technology.
- AET successfully operationalised its DP shuttle tanker business in Brazil.

Business Overview and Fleet Strength
as at 31 December 2013

Chemical Shipping

Class	*Number of Vessels*
A Class	7
B Class	4
Kantan Class	3
L Class	6
Others	2
Total	**22**

MISC's three decades of experience in chemical shipping, transporting a wide range of cargoes from chemicals to vegetable oils, has earned us an undeniable reputation for reliability and safety. Our service integrity is a testament of our operational expertise – working within stringent safety rules and regulations to deliver cargoes efficiently.

- Proven track record in transporting chemicals and vegetable oils for major producers/traders.
- Quality fleet, comprising mainly double-hulled IMO II vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargo.

Major Developments from 1 January 2013 – 31 December 2013

- Maintained business relationships with oil majors, world's leading chemical manufacturers and major palm oil producers such as PETRONAS, Shell, ExxonMobil, Wilmar, Sime Darby and Felda, despite the challenging operating environment.
- Secured multiple Contract of Affreightments/Contract of Requirements from oil majors, world's leading chemical manufacturers and major palm oil producers in 2013.

Business Overview and Fleet Strength
as at 31 December 2013

Tank Terminal Business

Assets	*Capacity (cbm)*
Langsat Terminals	647,000
VTTI Terminals	7,596,000
Total	**8,243,000**

MISC's foray into the tank terminal business was via our project in Tanjung Langsat, Johor, Malaysia. Langsat Terminals with a total capacity of 647,000 cbm commenced its first phase of 476,000 cbm capacity in September 2009. In partnership with energy trader, Vitol Holding B.V., we have expanded our presence and logistics assets all around the world through a joint venture company, VTTI B.V. ("VTTI"). VTTI is one of the world's fastest-growing energy storage businesses. Our worldwide presence in most continents and strong capabilities in the storage of energy, coupled with a pool of experienced personnel, allow us to offer dynamic services to customers. We comply with all local legislations and are also committed to meet the highest international standards of our industry.

- Terminals strategically located at key hub and spoke locations, i.e. Amsterdam, Rotterdam, Antwerp ("ARA"), Florida and Johor, Southern Malaysia.
- The total capacity of our terminals is approximately 8.3 million cbm.

Major Developments from 1 January 2013 – 31 December 2013

- VTTI B.V. launched its first oil storage terminal in South East Asia, operated by ATT Tanjung Bin Sdn. Bhd. ("ATB") with a total capacity of 890,000 cbm.
- Completion of Antwerp Terminal and Processing Company ("ATPC") project at Antwerp, Belgium in July 2013 consisting of Liquid Petroleum Gas ("LPG") storage tanks and rail tank car ("RTC") facilities.
- Completion of Vitco SA ("VITCO") Phase 3 expansion project at Argentina in October 2013 consisting of additional three gasoil tanks with additional total capacity of 33,000 cbm.
- VTTI B.V. has embarked on ATB Phase 2 Project to build additional tanks of 250,000 cbm including one additional Aframax berth. The expansion project is scheduled to be completed in Q2 2015.

Business Overview and Fleet Strength
as at 31 December 2013

Offshore Business

Class	*Number of Facility*
Floating Production Storage and Offloading ("FPSO")	5 *
Floating Storage and Offloading ("FSO")	5 **
Mobile Offshore Production Unit ("MOPU")	2
Semi Submersible Floating Production System ("Semi-Sub FPS")	1
Total	**13**

* Includes four jointly owned FPSO
** Includes one jointly owned FSO

MISC has delivered safe and well executed projects through well-built relationships with customers and partners. These partnerships have enabled us to further enhance our capabilities in Offshore Engineering and Asset Management with business processes that is in accordance with international standards and best practices and is certified ISO 9001:2008.

- Proven technology to provide the best solutions for our customers' offshore development needs.
- Solid foundation in the offshore industry to offer comprehensive solutions for deepwater and small field developments.
- Pursuing technical alliances and strategic partnerships to achieve supremacy in the domestic market and competitiveness in selected international markets especially in FPSO/FSO and other potential new businesses.

Major Developments from 1 January 2013 – 31 December 2013

- Assets' production uptime continuously perform above contractual obligations with a total operating downtime of less than 1% leading to entitlement of Performance Bonus from clients for some assets.
- FSO Puteri Dulang underwent Repair and Life Extension programme that was intended to prolong and upgrade the existing facility which will allow the facility to continue operating at optimum level.
- The Gumusut-Kakap Semi-Sub FPS was successfully loaded out in May 2013 and granted Conditional Completion Certificate in June 2013 by Sabah Shell Petroleum Company Limited, enabling MISC to recognise 75% revenue accrual for 6 months until Commencement of Commercial Production is achieved.
- Commencement of 90% daily charter rate for Siakap North-Petai project with Murphy Sabah Oil Ltd. in November 2013.
- Awarded contract for the provision of Marine Tanker Modification Assessment services for PETRONAS Carigali Sdn. Bhd.'s Under Balanced Drilling Project.

Business Overview and Fleet Strength
as at 31 December 2013

Marine & Heavy Engineering Business

West Yard

Capacities	Ability to construct large marine structures with a total tonnage of 69,700 MT per year
Total Area	150.6 hectare (372 acres) complex with 1.8 kilometres seafront
Fabrication Area	6 fabrication and assembly areas totaling 341,680 m^2
Workshops	38 fully equipped service and production workshops covering an area of 106,100 m^2
Skid Tracks	Skidding facilities that are able to cater up to 55,000 MT
Docking Facilities	• 2 dry docks accommodating vessels up to 450,000 dwt • Has one of the world's largest shiplift systems that is able to cater up to 50,000 dwt
	Others LNG Carrier Repair Facilities • 3 Global Test Control Room • 1 Cryogenic Workshop (750 m^2) • Invar Welding Training Centre • In-house Invar Welders/Fitters
Landberths	**Land Berth 1** Length : 345 m Capacity : 142 tonnes/m **Land Berth 2** Length : 345 m Capacity : 125 tonnes/m

Business Overview and Fleet Strength
as at 31 December 2013

Marine & Heavy Engineering Business (cont'd)

East Yard	
Capacities	Ability to construct large marine structures with a total tonnage of 60,000 MT per year
Total Area	46.8 hectare (116 acres) complex with 500 metres seafront
Fabrication Area	3 fabrication and assembly areas totaling 200,700 m^2
Workshops	9 fully equipped service and production workshops covering an area of 19,590 m^2
Skid Tracks	Skidding facilities that are able to cater up to 25,000 MT

Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") provides a wide spectrum of oil and gas production facilities and services in offshore construction, offshore conversion and marine repair.

- With the two yards in Pasir Gudang, namely MMHE East and MMHE West, MHB has the largest offshore and marine heavy industry facilities in the region with a total area of 197.4 hectares.

Major Developments from 1 January 2013 – 31 December 2013

- Awarded the Tension Leg Platform ("TLP") Malikai Deepwater Project by Sabah Shell Petroleum Company Ltd.
- Successfully delivered the Gumusut-Kakap Semi-Sub FPS to clients Sabah Shell Petroleum Company Ltd., PETRONAS Carigali Sdn. Bhd., ConocoPhilips Sabah Ltd. and Murphy Sabah Oil Co. Ltd.
- Awarded a substantial engineering, procurement, construction, installation and commissioning ("EPCIC") contract for the development of two gas fields in Block SK316 via a Technip-MMHE joint venture.
- Successfully completed the refurbishment and conversion of Mobile Offshore Drilling Unit ("MODU") to Mobile Offshore Production Unit ("MOPU") and equipment installation of the Rig Energy Producer 5 for Coastal Energy.

Business Overview and Fleet Strength
as at 31 December 2013

Integrated Logistics Business

Assets	*No.*
Prime movers	181 units
NGV tankers	54 units
Total covered storage facility	830,363 sq.ft.

As a one-stop service provider, MISC Integrated Logistics Sdn. Bhd. ("MILS") offers integrated logistics services, which include Project Logistics, Freight Management, Forwarding, Transportation, Warehousing and Supply Chain Management. In addition, MILS also provides efficient and cost effective logistics solutions that can be tailor-made to meet customers' demand.

MILS is a registered vendor of PETRONAS and a government approved Multimodal Transport Operator ("MTO").

- In Project Logistics, our track record, expertise and close collaboration with industry players enable us to plan and execute the best possible solutions to handle cargo safely and cost effectively. We have successfully shipped high value, over dimensional cargo worldwide for multiple oil and gas and infrastructure projects.
- Our solutions for Supply Chain Management effectively combine multi range of logistics services for our contract clients, supported primarily by MILS' own strategic assets, branches and partners.
- MILS is recognised and entrusted by established market leaders such as PETRONAS NGV and a leading bulk industrial gas supplier in the provision of specialised transportation for compressed natural gas, industrial gases and liquefied gases.
- MILS Logistics Hub ("MLH"), a certified Halal Logistics Centre in Port Klang's Free Commercial Zone is equipped with a state-of-the-art dry and cold storage facility, ready to serve the global supply chain needs inclusive of regional consolidation and distribution. Our Cold Hub is certified with ISO 22000:2005 Food Safety Management System ("FSMS"), making MILS Cold Chain Logistics Sdn. Bhd. the first cold chain logistics company in Malaysia to be certified with such standard.

Business Overview and Fleet Strength
as at 31 December 2013

Integrated Logistics Business (cont'd)

Major Developments from 1 January 2013 – 31 December 2013

SCM Energy

- The provision of bulk haulage transportation services for a leading bulk industrial gas supplier.
- Supply of isotainer, transportation and related services for PETRONAS Chemicals Group's operating subsidiaries.
- The provision of transportation services, warehousing and distribution of lubricants product in Peninsular Malaysia for Melaka Lube Blending Plant ("MLBP") of PETRONAS Lubricants International Sdn. Bhd.

Project Logistics

- Provision of freight forwarding activities in respect of Turkmenistan Oil and Gas Project Phase 2.
- Provision of freight forwarding, customs brokerage, shipping and general logistics services for an international EPCI company.
- Awarded contract to provide international freight forwarding services for Bukit Tua FPSO Project.

Business Overview and Fleet Strength
as at 31 December 2013

Maritime Education & Training ("MET")

Resources

- Highly qualified and experienced faculty members
- State-of-the-art Simulation Centre
- Maritime Library & Resource Centre with comprehensive maritime and shipping based materials
- In-campus accommodation and facilities for more than 1,000 students
- Well equipped workshops and laboratories

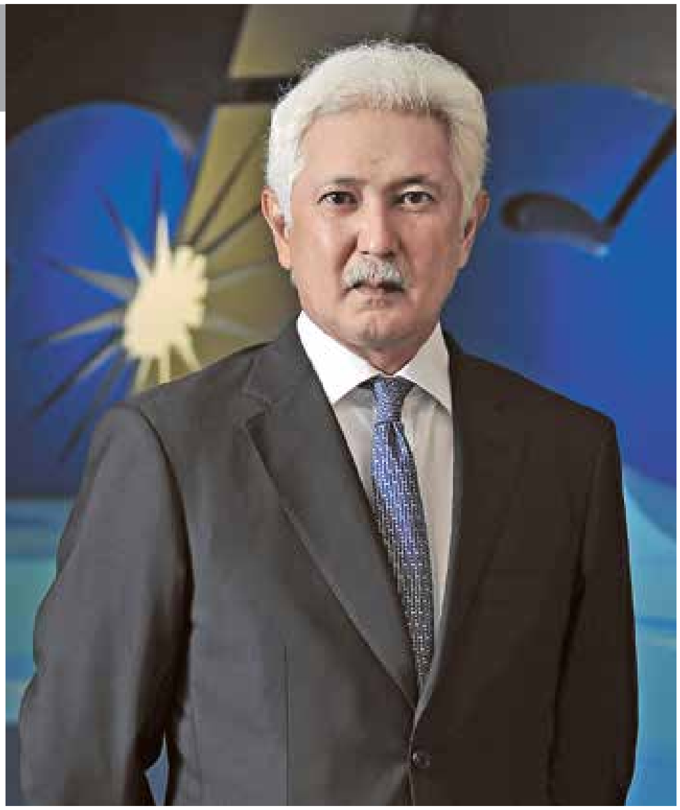
Malaysian Maritime Academy Sdn. Bhd. ("ALAM") is the premier training centre for the development of seafaring professionals. For over 30 years, ALAM has trained more than 10,000 seafarers, through a structured training and education system unique to the Academy. Working in collaboration with companies and institutions in the maritime industry locally and regionally, ALAM prepares students to face the demanding career challenges of the maritime profession.

- A balance of professional regimentation with a challenging college environment, ALAM's system is a structured blend of classroom instructions, practical training and professional development skills.
- Consistently rated highly by DNV under their internationally well-known benchmarking rating system for MET Institutions, placing ALAM amongst the world's leading maritime education and training providers.
- The choice MET institution in this region with student diversity which includes foreign students from the Philippines, India, China, Yemen, Iran, Indonesia, Bangladesh, Brunei and Ukraine.

Major Developments from 1 January 2013 – 31 December 2013

- Lloyd's Register certified ALAM's training to be in compliance with INTERTANKO Tanker Officer Training Standards ("TOTS") and Standards of the Society of International Gas Tanker and Terminal Operators ("SIGTTO").
- ALAM successfully launched Chem-eL in collaboration with American Bureau of Shipping ("ABS"). This online e-learning tool was developed in accordance with the requirements stated in the International Maritime Organization's ("IMO") International Convention on Standards of Training, Certification and Watchkeeping for Seafarers and the relevant IMO Model Courses.
- ALAM was acknowledged at the IMO for its contribution in developing IMO Model Courses:-
  - o Officer in Charge of a Navigational Watch
  - o Leadership and Teamwork
  - o Electro Technical Officer.
- ALAM successfully completed 15 research and consultancy projects in FY2013, wherein 11 were projects for PETRONAS and MISC Group of Companies.
- ALAM was rated as a 5-Star college by the Ministry of Education Malaysia ("MOE") based on the MyQuest Rating for 2012/2013. MyQuest was developed by MOE to evaluate the performance of private colleges in Malaysia based on the college's overall performance, training programmes conducted and its management of international students.

Profiles of Directors



Datuk Manharlal Ratilal
(Datuk George Ratilal)
Chairman, Non-Independent Non-Executive Director

Datuk George Ratilal, a Malaysian aged 54, was appointed as Chairman and Non-Independent Non-Executive Director of MISC Berhad on 1 August 2011.

He holds a Bachelor of Arts (Honours) degree in Accountancy from City of Birmingham Polytechnic, United Kingdom and Masters in Business Administration from University of Aston in Birmingham, United Kingdom.

Prior to joining PETRONAS in 2003, he was attached with a local investment bank for 18 years, concentrating on corporate finance where he was involved in advisory work in mergers and acquisitions, equity and debt capital markets. From 1997 to 2002, he served as the Managing Director of the investment bank. Datuk George is the Executive Vice President, Finance of PETRONAS and a member of the Board of Directors of PETRONAS, its Executive Committee and Management Committee.

He also sits on the boards of Cagamas Holdings Berhad, KLCC Property Holdings Berhad and other subsidiaries of the PETRONAS Group.

He attended eight out of ten Board meetings held during the financial year under review.

Profiles of Directors

Datuk Nasarudin Md Idris
President/Chief Executive Officer,
Non-Independent Executive Director

Datuk Nasarudin Md Idris, a Malaysian aged 58, was appointed as President/Chief Executive Officer of MISC Berhad on 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before assuming his current position.

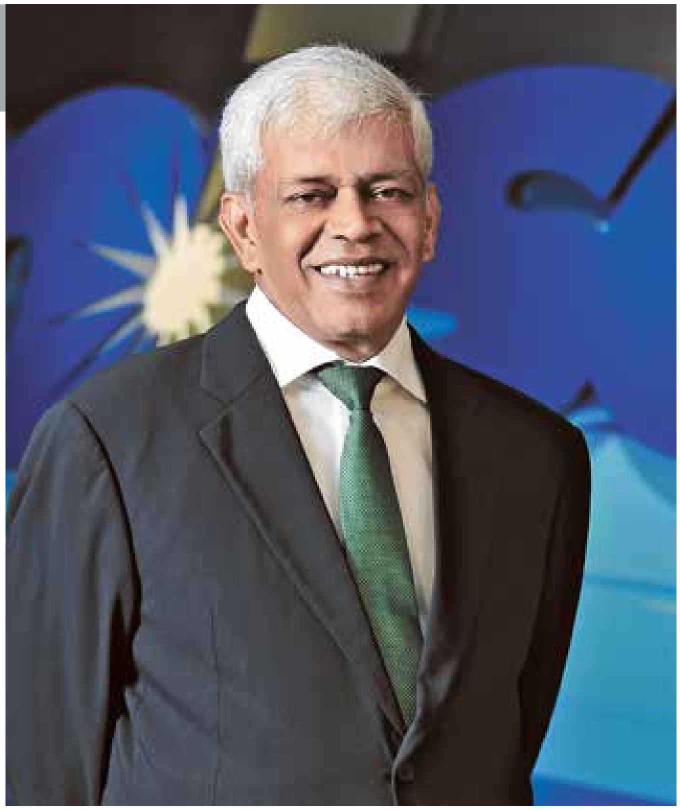
He graduated from University of Malaya with a Bachelor of Arts (Honours) degree, and holds a Masters degree in Business Administration from Henley – The Management College (Brunel University), United Kingdom. He also attended the Stanford Executive Programme at Stanford University, United States of America.

Datuk Nasarudin joined PETRONAS in 1978 and had held various positions within PETRONAS Group including as Vice President, Corporate Planning and Development; Group Chief Executive Officer of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Marketing of PETRONAS Dagangan Berhad; General Manager, Corporate Development; and General Manager, Group Strategic Planning.

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd. He is also a member of the Management Committee of PETRONAS and a Director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

He attended all ten Board meetings held during the financial year under review.

Profiles of Directors



Harry K. Menon
Independent
Non-Executive Director

Harry K. Menon, a Malaysian aged 64, was appointed as Independent Non-Executive Director of MISC Berhad on 30 August 2001. He is also the Chairman of the MISC Board Audit Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He spent 13 years in public practice with Hanafiah Raslan & Mohamad, seven years of which he served as a partner of the firm. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President of the bank. He was the Chief Operating Officer at Putrajaya Holdings Sdn. Bhd. from 1997 to 2000.

Harry K. Menon is the Chairman of SCICOM (MSC) Berhad, KLCC Property Holdings Berhad, KLCC (Holdings) Sdn. Bhd. and Econpile Holdings Berhad. He is also a Non-Executive Director of PETRONAS.

He attended eight out of ten Board meetings held during the financial year under review.

Profiles of Directors

Dato' Halipah binti Esa
Independent
Non-Executive Director

Dato' Halipah binti Esa, a Malaysian aged 64, was appointed as Independent Non-Executive Director of MISC Berhad on 26 April 2004. She is also a member of the Board Audit Committee and chairs the Nomination and Remuneration Committee of MISC Berhad.

Dato' Halipah received her Bachelor of Arts (Honours) degree in Economics and a Master of Economics from the University of Malaya. She also holds Certificates in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

She started her career in 1973 with the Administrative and Diplomatic Services in the Economic Planning Unit ("EPU") of the Prime Minister's Department. During her tenure in EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, housing, telecommunications, urban services, human resource development, macro economy, international economy, environment, regional development and distribution. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served the Ministry of Finance as the Deputy Secretary General.

Currently, she serves on the boards of Malaysia Marine and Heavy Engineering Holdings Berhad, KLCC Property Holdings Berhad, NCB Holdings Berhad, Cagamas Berhad, Malaysia Deposit Insurance Corporation and Securities Industry Dispute Resolution Centre.

She was previously the Chairman of Pengurusan Aset Air Berhad and had also served on the Boards of PETRONAS, Employees Provident Fund, Inland Revenue Board, Bank Pertanian, Federal Land Development Authority and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme in advising the Royal Kingdom of Saudi Arabia on economic planning, and had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

She attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Dato' Kalsom binti Abd. Rahman
Independent
Non-Executive Director

Dato' Kalsom binti Abd. Rahman, a Malaysian aged 65, was appointed as Independent Non-Executive Director of MISC Berhad on 27 October 2004.

She is also a member of the Board Audit Committee and the Nomination and Remuneration Committee of MISC Berhad.

She holds a Bachelor of Economics (Honours) degree from University of Malaya and Masters in Business Administration (Finance) from University of Eugene, Oregon, United States of America ("USA"). During her tenure in the public sector, she attended management courses organised by Harvard Business School and Stanford University in USA. Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry ("MITI") both at the Headquarters and Overseas offices, the last post being the Deputy Secretary General (Industry).

She currently sits on the boards of several public companies, namely Malaysian Industrial Development Finance Berhad ("MIDF"), MIDF Amanah Asset Management Berhad, MIDF Property Berhad, MIDF Amanah Investment Bank Berhad and Lion Forest Industries Berhad.

She attended eight out of ten Board meetings held during the financial year under review.

Profiles of Directors

Mohd. Farid bin Mohd. Adnan
Non-Independent
Non-Executive Director

Mohd. Farid bin Mohd. Adnan, a Malaysian aged 51, was appointed as Non-Independent Non-Executive Director of MISC Berhad on 1 December 2011. He is also a member of the Nomination and Remuneration Committee of MISC Berhad.

He holds a Master of International Business Studies from University of South Carolina, United States of America ("USA") and Bachelor of Science Degree (BSc.) in Chemical Engineering from University of Tennessee at Knoxville, USA.

Mohd. Farid has been with PETRONAS for more than 25 years. He has spent most of his professional experience in marketing and trading functions, in various positions across the business including Marketing and Trading (Oil, Petrochemical and LNG), Corporate Planning as well as Retail Business. He had also spent four years in Engen Limited and was formerly the Managing Director of PETRONAS Trading Corporation Sdn. Bhd. ("PETCO").

Mohd. Farid is currently the Vice President of Oil Business, Downstream of PETRONAS and a Director of PETRONAS Dagangan Berhad. He also holds directorships in other subsidiaries within the PETRONAS Group, including PETCO, PETRONAS Penapisan (Terengganu) Sdn. Bhd., PETRONAS Penapisan (Melaka) Sdn. Bhd., Malaysia Refining Company Sdn. Bhd., PETRONAS Energy Trading Ltd. and Engen Limited.

He attended six out of ten Board meetings held during the financial year under review.

Profiles of Directors

Lim Beng Choon
Independent
Non-Executive Director

Lim Beng Choon, a Malaysian aged 54, was appointed as Independent Non-Executive Director of MISC Berhad on 16 August 2012. He is also a member of the MISC Board Audit Committee.

He holds a Bachelor of Science (Honours) in Mathematics and Computer Science from Australian National University, Canberra, ACT, Australia.

He was the Country Managing Director in Accenture, the global consulting, technology and outsourcing giant, before retiring in 2009. He held various positions during his 28 years tenure in Accenture, including Managing Partner for Accenture's Resources Industry Group (Oil and Gas, Chemicals, Utilities, Natural Resources) in South-East Asia. He has attended numerous Accenture Management Training Programmes around the globe including the IMD Leadership Program in Switzerland. He also had oversight of the Management Consulting practice across industries in ASEAN.

His experience in management consulting spans strategy formulation, operational consulting and merger integrations. He has led complex projects to deliver transformational change for Malaysian and foreign multinational companies. Prior to moving into management consulting, he was in technology consulting covering technology strategy formulation and system integration work.

Currently, he serves as a Trustee of the ECM Libra Foundation, actively advising on their welfare initiatives. He is an Independent Non-Executive Director on the boards of Hong Leong Bank Berhad, PETRONAS Gas Berhad and PETRONAS Dagangan Berhad.

He attended all ten Board meetings held during the financial year under review.

None of the Directors has:
- Family relationship with other directors and/or major shareholders of the Company.
- Conflict of interest with the Company.
- Conviction of offences within the past 10 years.

/ Profiles of Management Committee

Datuk Nasarudin Md Idris
President/Chief Executive Officer

Yee Yang Chien
Chief Operating Officer
Vice President, Corporate Planning and Development

Hor Weng Yew
President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Profiles of Management Committee

Mohamed Khalzani bin Mohamed Saffian
Vice President, Chemical Business

Abu Fitri bin Abdul Jalil
Vice President, Offshore Business

Faizul bin Ismail
Vice President, LNG Business

Nordin bin Mat Yusoff
Vice President, Group Technical Services

Profiles of Management Committee

Captain Rajalingam Subramaniam
Vice President, Fleet Management Services

Rozainah binti Awang
Vice President, Finance

Iwan Azlan bin Mokhtar
Vice President, Human Resource Management

Fadzillah binti Kamaruddin
Vice President, Legal & Corporate Secretarial Affairs

Profiles of Management Committee

Datuk Nasarudin Md Idris

President/Chief Executive Officer

Datuk Nasarudin Md Idris, aged 58, was appointed as President/Chief Executive Officer of MISC Berhad on 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before assuming his current position.

He graduated from University of Malaya with a Bachelor of Arts (Honours) degree, and holds a Masters degree in Business Administration from Henley – The Management College (Brunel University), United Kingdom. He also attended the Stanford Executive Programme at Stanford University, United States of America.

Datuk Nasarudin joined PETRONAS in 1978 and had held various positions within PETRONAS Group including as Vice President, Corporate Planning and Development; Group Chief Executive Officer of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Marketing of PETRONAS Dagangan Berhad; General Manager, Corporate Development; and General Manager, Group Strategic Planning.

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd. He is also a member of the Management Committee of PETRONAS and a Director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

Yee Yang Chien

Chief Operating Officer
Vice President, Corporate Planning and Development

Yee Yang Chien, aged 46, was appointed as Chief Operating Officer of MISC Berhad on 1 July 2013. He is also the Vice President, Corporate Planning and Development, a position he assumed since 1 April 2008.

He holds a double-degree in Financial Accounting/ Management and Economics from University of Sheffield, United Kingdom.

He was an auditor prior to progressing into equity research and investment banking with various local and international financial institutions such as HLG Capital Berhad and Merrill Lynch (Malaysia) over a span of ten years. He had since focused mainly on corporate planning work, specialising in strategic planning, mergers and acquisitions and risk management. He had also served MISC Berhad for two years from 2001 to 2003 where he was involved in the acquisition of MISC's subsidiary, AET Group ("AET"). Thereafter, he served as Group Vice President of Corporate Planning, AET from June 2005 prior to re-joining MISC Berhad.

Yee Yang Chien sits as a board member of several subsidiaries including Malaysia Marine and Heavy Engineering Holdings Berhad and joint venture companies within MISC Group.

Hor Weng Yew

President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Hor Weng Yew, aged 47, was appointed as President/ Chief Executive Officer, AET Tanker Holdings Sdn. Bhd. on 1 January 2009.

He holds a Bachelor of Arts (Economics) Degree from National University of Singapore and obtained his MSc in Shipping, Trade and Finance (Distinction) from City University Business School, London.

He began his career with Neptune Orient Lines Limited ("NOL") in 1989 and was involved in the commercial operations and chartering, project management, strategy and business planning initiatives for NOL and American Eagle Tanker Inc. Ltd. ("AET"), a subsidiary of NOL, since its inception in 1994.

He joined MISC Berhad in July 2003, following the acquisition of AET by MISC. He was later seconded to London to set up the MISC Regional Office and was appointed Regional Business Director (Europe,

Profiles of Management Committee

Americas, Africa and FSU) of MISC in June 2005. Prior to his current position, he was Vice President, Chemical Business after serving the same division in the capacity of Senior General Manager, a position he held since 1 September 2006.

Hor Weng Yew sits as a board member of several subsidiaries and joint venture companies within MISC Group.

Mohamed Khalzani bin Mohamed Saffian

Vice President, Chemical Business

Mohamed Khalzani bin Mohamed Saffian, aged 47, was appointed as Vice President, Chemical Business on 1 February 2009.

He graduated with a Bachelor of Arts Degree in Business Administration majoring in Marketing and Management Information System from Eastern Washington University, United States of America.

Prior to joining MISC, he served the Shell Group of Companies for 17 years in various fields including Logistics and Customer Service, Supply Chain Strategy, New Market Entry, Supply Chain Management, Business Development and Oil Trading.

Mohamed Khalzani also sits as a board member of several subsidiaries and joint venture companies within MISC Group.

Abu Fitri bin Abdul Jalil

Vice President, Offshore Business

Abu Fitri bin Abdul Jalil, aged 49, was appointed as Vice President, Offshore Business on 16 March 2013.

Abu Fitri graduated with a Bachelor of Science Degree in Chemical Engineering from California State University, United States of America in 1987.

Prior to joining MISC, he was the Senior General Manager, Petroleum Operations Management in the Petroleum Management Unit of PETRONAS. Since joining PETRONAS Group in 1991, he had held various positions within PETRONAS both in Malaysia and overseas.

Abu Fitri also sits as a board member of several subsidiaries and joint venture companies within MISC Group.

Faizul bin Ismail

Vice President, LNG Business

Faizul bin Ismail, aged 53, was appointed the Vice President of LNG Business, effective 1 August 2011. Prior to his current position, he was the Senior General Manager, LNG Business since 1 April 2010.

He is a qualified Marine Engineer specialising in Steam Plant from South Tyne Side Marine College, United Kingdom in 1990 and Australian Maritime College, Lanceston Australia in 1987.

He joined MISC Berhad in 1980 and until 1990 served as an Engineer serving the MISC LNG Fleet. In the following year, he joined PETRONAS as a Marine Engineer Superintendent and was involved in the LNG shipbuilding project in France until 1994. He held various positions in PETRONAS including as Safety Manager, Senior Superintendent and Operations relating to the LNG shipping industry; General Manager of PETRONAS Tankers; Chief Executive Officer of Malaysian International Trading Corporation (Japan) Sdn. Bhd. and PETRONAS Country Manager for Japan.

Faizul returned to MISC Berhad in 2005 as General Manager of Technical Services Department of Fleet Management Services. In 2006, he held the position of General Manager of Commercial Operations LNG Business and in 2008, he was appointed as General Manager of Business Development LNG Business.

Faizul is a Board Director of Society of International Gas Tanker and Technical Operators Ltd. (“SIGTTO”) based in London and an Executive Committee Member of Malaysia Shipowners’ Association (“MASA”).

He also sits as a board member of several subsidiaries and joint venture companies within MISC Group.

Profiles of Management Committee

Nordin bin Mat Yusoff

Vice President, Group Technical Services

Nordin bin Mat Yusoff, aged 54, was appointed as Vice President, Group Technical Services on 1 August 2008. Prior to holding the current position, he was Vice President, Fleet Management Services since 1 April 2005.

He graduated from University of Glasgow, Scotland with a Degree in Naval Architecture and Ocean Engineering and is a registered Professional Engineer with the Board of Engineers, Malaysia, Member of Royal Institution of Naval Architects, United Kingdom and Fellow of the Institute of Marine Engineers Science and Technology, United Kingdom.

He joined PETRONAS in 1989 and had served in various capacities in PETRONAS Carigali Sdn. Bhd. and PETRONAS Tankers Sdn. Bhd. before joining MISC Berhad as Senior General Manager of Fleet Management Services on 1 April 2001. Prior to joining PETRONAS, he served Malaysia Marine and Heavy Engineering Sdn. Bhd. and was involved in project management of various shipbuilding and offshore structures fabrication works.

He currently sits as a Committee Member of various Classification Societies and International Shipping Organisations and a Director of Britannia Steamship Insurance Association Limited, as well as a Director of various subsidiaries and joint venture companies within MISC Group. He is also the Chairman of the Malaysia Shipowners' Association ("MASA") and the Chairman of Federation of ASEAN Shipowners' Association.

Captain Rajalingam Subramaniam

Vice President, Fleet Management Services

Captain Rajalingam Subramaniam, aged 48, was appointed as Vice President, Fleet Management Services on 1 September 2008.

He holds a Post Graduate Masters in Business Administration from Universiti Utara Malaysia and a Master Certificate of Competency – Foreign Going from Akademi Laut Malaysia ("ALAM"), a wholly-owned subsidiary of MISC Berhad.

Captain Rajalingam graduated from ALAM in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer before joining shore services in 1996 as a Marine Superintendent. Since then, he has held various positions in MISC Berhad. Between 2005 to 2008, he served in AET as General Manager Shipmanagement and subsequently as Group Vice President of AET Shipmanagement.

He was appointed as Honorary Commander of the Royal Malaysian Navy in November 2009, in recognition of MISC's support to the Naval Reservist Programme and his role as Patron of MISC's Naval Reservist.

Captain Rajalingam was elected as the Vice Chairman of the International Tankers Owners' Association ("INTERTANKO") in 2012 and appointed as a Director of The London P&I Club in 2010.

He also sits as a board member in several subsidiaries including Malaysia Marine and Heavy Engineering Holdings Berhad and joint venture companies within MISC Group.

Profiles of Management Committee

Rozainah binti Awang
Vice President, Finance

Rozainah binti Awang, aged 45, was appointed as Vice President, Finance on 1 April 2013.

She obtained a Chartered Institute of Management Accountant ("CIMA") qualification from A.T College, London in the United Kingdom in 1991 and became an Associate Member of CIMA ("ACMA") in 1996 and a member of Malaysian Institute of Accountants.

She joined the MISC Group in 2002 and prior to her current position, she was the General Manager, Finance and Project Services for Offshore Business, MISC Berhad. Rozainah held various positions within MISC Berhad including General Manager, Strategic Planning within the Corporate Planning and Development Division. In addition to her roles within the MISC Group, Rozainah was involved in the Economic Transformation Plan ("ETP") by PEMANDU.

Rozainah has accumulated 20 years of professional experience in Management Accounting, Strategic Planning as well as Cost Control. Her external working exposure includes working with multinationals ALCOM (M) Bhd. and Colgate Palmolive.

Rozainah also holds directorships in various subsidiaries and joint venture companies within MISC Group.

Iwan Azlan bin Mokhtar
Vice President, Human Resource Management

Iwan Azlan bin Mokhtar, aged 46, was appointed as Vice President, Human Resource Management on 1 April 2009.

He holds a Degree in Law from University of Nottingham, United Kingdom.

He was with the Shell Group of Companies for almost 17 years in various positions including as Regional Human Resource Policy Manager for Shell Downstream based in Kuala Lumpur and Human Resource Advisor for Shell Services International based in Melbourne, Australia.

Prior to joining MISC Berhad, he was the Country Human Resource Manager, Shell Global Solutions (M) Sdn. Bhd., a technical consulting subsidiary of the Royal Dutch Shell Group.

Iwan Azlan also sits as a board member of a subsidiary within MISC Group.

Fadzillah binti Kamaruddin
Vice President, Legal & Corporate Secretarial Affairs

Fadzillah binti Kamaruddin, aged 48, was appointed as Vice President, Legal & Corporate Secretarial Affairs ("LCSA") on 1 August 2010 and Company Secretary of MISC Berhad on 1 November 2007. Prior to her current position, she was the Senior General Manager, LCSA, since 1 January 2008.

She obtained an LLB (Honours) Degree from University of Nottingham, United Kingdom and was further conferred Barrister-at-Law (Lincoln's Inn). She began her legal career with the Advisory and International Division, Attorney-General's Chambers and in 1999, she joined the Ministry of International Trade and Industry ("MITI") as its Legal Adviser until 2003.

She then served PETRONAS Carigali Sdn. Bhd., a subsidiary of PETRONAS, as Senior Legal Counsel, Domestic Operations, before joining MISC Berhad as General Manager, LCSA on 1 July 2005.

Fadzillah is also the Company Secretary of several subsidiaries and joint venture companies within MISC Group.

Chairman's Statement

Year Under Review

Since 2008, the global economy has been grappling with the fallout of the global financial crisis. However today, there are nascent signs of a recovery with promising early indicators especially in the developed nations. The United States, with its new found growth engine in the shale oil and gas sectors, appears to be on a path to sustainable economic growth. In Japan, there is hope that the new economic policy under the stewardship of a new government can finally kick-start a stagnating economy.

Unfortunately, the economic signs are not as clear in the European Union. Whilst there are no signs of further deterioration, there is no clear indication of recovery and sustainable growth. Meanwhile, geopolitical instability in the Middle East and Eastern Europe continues to create insecurity and uncertainty in the market.

The shipping industry had suffered a long phase of weak demand and crippling overcapacity. To many in the industry, 2013 has been the turning point in the market as the year was not any worse than 2012, and there seems to be a new found strength in some segments of the industry. Whilst delivery of new vessels continued, the rate of supply growth is one of the weakest we have seen in the past 5 years.

As this optimism on the long term recovery grows, the sector is also witnessing the entrance of many new investors and financiers who are expecting imminent recovery in the sector, leading to fresh new orders being placed with shipyards for new vessels. Whether this optimism is a sign of positive things to come or a premature display of misplaced exuberance, remains to be seen.

Chairman's Statement

In the broader oil and gas sector, global exploration and production spending has climbed further to USD 682 billion in 2013 as the size and complexity of capital projects grow. Despite the increase in spending, the total number of offshore floating production projects awarded has not risen at the same rate, as the growing value of capital expenditure is reflective of projects which are becoming larger and increasingly more complex in nature. Shortage of skilled manpower remained a major drag on activity growth and is perhaps the most important resource challenge for the sector.

During the year, PETRONAS made the decision to procure its future LNG vessel requirements directly from the shipyard, and thus assuming the responsibility of funding the new vessels with the potential capital expenditure of up to USD 1.8 billion. While this may appear disappointing at first glance, this decision by PETRONAS will have the positive effect of enabling us to preserve the new found strength and stability of our balance sheet.

Given that the new vessels are not due for immediate delivery until late 2016 or early 2017, we should remain hopeful that the Group may still be able to engage PETRONAS in eventually consolidating the new vessels under the commercial and technical management of MISC. In addition, the decision by PETRONAS to procure directly its vessel requirement last year does not preclude MISC's participation in PETRONAS' future shipping projects. With PETRONAS making major strides in its exploration and production activities, especially in development of its gas reserves in Malaysia and abroad, the potential for MISC to partake in future businesses remain very promising. Meanwhile, we will intensify our bidding for third party projects.

Four years ago, MISC laid out a strategy road map that was aimed at stabilising the financial performance of the Group and rebuilding the strength of our balance sheet. The global financial crisis and prolonged downturn in the shipping sector has forced us to re-examine our past objectives and strategies. We were also forced to re-think the meaning of business resilience. This gave birth to our business portfolio and asset rebalancing strategy.

Beginning with the decision of exiting the liner business in 2011 and the subsequent monetisation of the assets in our balance sheet, I am happy to report that we have made tremendous strides with our rebalancing strategy. Fine tuning work remains in the coming year but this is to be expected. As part of this ongoing effort, the Group will also be divesting its equity stake in its logistics arm, MISC Integrated Logistics Sdn. Bhd. ("MILS"), in the coming year.

Chairman's Statement

Financial performance

I am very pleased to announce that for the financial year ended 31 December 2013, MISC Group posted a profit before tax from continuing operations of RM 2.2 billion, an increase of 44% from the previous year with a revenue of RM 9 billion. This is the highest profit we have attained for the Group since the downturn in the shipping sector which began five years ago.

Excluding the one-off gain recorded during the year for the disposal of the Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS") through finance lease, the reduced operating losses from the Petroleum and Chemical segments also contributed to the overall improvement in the profit. The long term contracts of the LNG shipping and offshore businesses continue to provide the stability in income stream that will help shield MISC's performance from the volatility of the other shipping segments.

Our shareholders will be happy to note that the Group's balance sheet has been rejuvenated through the various corporate exercises that MISC has undertaken the past three years. Cash balances stood at a healthy RM 4.7 billion while our net debt to equity ratio has improved to 0.22 times.

Dividend

Whilst the Group recorded higher profit this year, and hence, our intention to resume the payment of dividend to our shareholders, we are mindful of the still challenging shipping environment. Although there are nascent signs of improvement in operating conditions of the shipping sectors, oversupply still persists.

Chairman's Statement

In addition, having spent the past four years rebalancing the business and asset portfolio of MISC, I believe the Group should also prepare itself for investing in new growth opportunities. Therefore, we will need to balance our desire to reward shareholders with dividend payment with a prudent approach in conserving sufficient internal funds to capture any attractively valued business opportunities that could emerge.

Taking this balance into account, the Board of Directors is recommending a final dividend of 5 sen per share for this financial year.

Corporate Development

During the year under review, the Gumusut-Kakap Semi-Sub FPS, being the largest project undertaken by the Group to date and also Asia's first semi-submersible floating production system was successfully delivered to our client. To further build on our track record in the construction of large scale offshore production facility, MMHE, in partnership with Technip Geoproduction (M) Sdn. Bhd., was also awarded the engineering, procurement and construction contract for the Tension Leg Platform ("TLP") Malikai Deepwater Project by Sabah Shell Petroleum Company Ltd. The structure, upon completion, would be hooked up and commissioned approximately 110 kilometres off the shore of Sabah in the South China Sea.

Meanwhile, our petroleum shipping arm, AET, saw the delivery of four eco-design VLCCs from Daewoo Shipbuilding and Marine Engineering ("DSME"), with enhancements that include rudder bulb and propeller boss cap fins as well as ballast water treatment system to comply with International Maritime Organization's ("IMO") ballast water regulations. Despite the challenges of a volatile tanker market, AET successfully time chartered out all four VLCCs to notable oil majors. Moving forward, in our pursuit of building a more commercially sustainable business that is also socially responsible, the two Dynamic Positioning ("DP") shuttle tankers, currently being built in South Korea to be time chartered to Statoil, will also be fitted with a brand new scrubber technology and a system to control volatile organic compounds.

At our tank terminal business, the management at VTTI B.V. ("VTTI") continued to explore new geographical locations and capacity enhancements to existing facilities. VTT Vasiliko Ltd., a unit of VTTI, commenced construction of an oil storage terminal at Vasiliko last year, with an investment of EUR 220.0 million that will turn Cyprus into an energy storage hub in the Mediterranean. We are looking forward to this terminal being commissioned in 2014 with an initial capacity of 357,000 cbm. Elsewhere, the Vitco terminal in Argentina completed its Phase 3 expansion with the addition of three new tanks, each with a capacity of 11,000 cbm for gasoil.

Outlook

As we move into 2014, we look forward to a more robust global economic growth, which is projected to grow by 3.75%, a much welcomed backdrop for global trade and demand for energy.

Today, with the development of unconventional energy sources, we see structural changes to the shipping scene globally. In light of the improving economic environment in selected countries, demand growth for shipping continues to expand and we expect the pressure on freight rates to ease. The immediate short term outlook is set to improve further with shrinkage of new vessel tonnage delivery in 2014.

Chairman's Statement

However, we are also observing the emergence of a new breed of shipowners and investors in the shipping sphere especially private equity investors. Their optimism in a potential turnaround in the sector has led to a resurgence of new vessel contracting. With an industry that has been plagued by overcapacity in the past years, this may pose a risk to any potential recovery in the freight market. It is also worth noting that most of these financial investors entering the market have limited operating experience in the industry.

In general, we are cautiously optimistic that gradual improvement in the freight market will materialise, but we are mindful that any rebound in new vessel orders based on premature optimism in the market may potentially derail the long term recovery of the sector. A substantial and sustainable recovery in rates will have to be driven by strong demand growth and a more aggressive contraction in new vessel delivery rates.

Regardless of the operating conditions that we will face in 2014, our focus on reining in operational and structural cost remains pivotal for the Group in order for us to remain competitive. With the large exploration and production activities worldwide as well as intensifying competition from new entrants in the shipping segments, further emphasis will be placed on attracting and retaining our talents.

With our revitalised balance sheet and a rebalanced business and asset portfolio, I believe we have a new found capacity to grow and further build on the strengths of our present businesses. While there remains work to be done as part of our rebalancing exercise, as the upcycle in the industry nears, I am confident that we can maximise value creation for our shareholders through the prudent management of our financial resources and via a much more effective capital allocation of our resources. Business resilience will continue to be our mantra as we focus on developing new annuity income contribution from long term projects.

Chairman's Statement

Appreciation

MISC Group has come a long way since the Global Financial Crisis in 2008 and I would like to express my sincere gratitude to my fellow Board members for their wise counsel and guidance which have helped the Group to navigate through some very challenging years. I would also like to extend the Board's appreciation to our Management and employees for their commitment, hard work and dedication in delivering a truly excellent performance for the year 2013, and for their perseverance despite the trying times.

I would also like to thank all our stakeholders, in particular our customers, suppliers, business partners, and financiers for their loyal support, trust and confidence in us, and cooperation throughout the years.

In addition, I would like to record a special thank you to the Royal Malaysian Navy for their untiring support and cooperation which had enabled us to ply our trade safely from the threats of piracy.

Last but not least, my sincere appreciation to all our shareholders for believing in us and with your continued loyalty and confidence, we will strive to steer MISC to even greater heights.

Datuk Manharlal Ratilal
Chairman

12 February 2014


EAGLE TEXAS
EAGLE

TOTAL SOLUTIONS

AET's Eagle Texas is the **world's 1st modular capture vessel ("MCV")**, a converted oil tanker designed to **capture liquid contaminants** in the event of a major oil spill as part of an **integrated deepwater incident mitigation measure**.

MISC's joint venture company, **VTTI B.V.**, launched its **first oil storage terminal** in **South East Asia** with a total capacity of **890,000 cbm**.

MHB successfully constructed and delivered **Asia's largest offshore operating facility**, the **Gumusut-Kakap Semi-Sub FPS**.

President/CEO's Report

2013 saw a breath of relief for the global economy as it gained strength towards the second half of the year, and early signs are pointing towards further improvement in 2014, led by developed nations such as the United States of America.

The shale oil and gas boom has assisted the revival of the US economy with the creation of new jobs and ancillary support services and we believe this momentum will be carried through into the new year. Meanwhile, in the European Union, there are some signs of recovery during the year with progress made on its financial reforms, and the economy is expected to continue to grow modestly. Closer to home, the long stagnating Japanese economy is slowly but surely coming out of deflation under Prime Minister Shinzo Abe's aggressive loose monetary policy and high fiscal spending.

Against this backdrop of a recovering global economy, the shipping industry, in particular the tanker shipping segments, closed the year on a high note with a refreshing upward swing in freight rates. Rates climbed higher towards the end of the year following a seasonal surge in demand and a slowdown in fleet growth. Nevertheless, we stay cautiously optimistic on the pace of recovery in the shipping market, given that market fundamentals is improving albeit modestly.

The year under review saw a number of our strategic investments and capital outlay over the past few years coming to fruition. As we take delivery of some of these assets, we begin to see positive income generation from these investments, and more importantly, cash flow creation for the Group.

President/CEO's Report

During the year, we celebrated the successful completion and sail away of our biggest asset to date, the Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS"). The Gumusut-Kakap Semi-Sub FPS, which is Asia's first deepwater semi-submersible floating production and storage system in the region, was constructed at our subsidiary Malaysia Marine and Heavy Engineering Holdings Berhad's ("MHB") yard.

The project also marked the largest structure, in terms of both magnitude and scale, in which MHB has successfully undertaken and delivered from its fabrication yard. The expertise, experience and technical competency that we have gained from undertaking sizable projects such as FPSO Kikeh and Gumusut-Kakap Semi-Sub FPS is yielding positive results for the Group, with similar large and complex projects being secured for the year, namely the Tension-Leg Platform for Malikai Deepwater Project as well as the Central Processing Platform for SK-316 project.

We took delivery of all four of our eco-design VLCC newbuildings from Daewoo Shipbuilding and Marine Engineering during the year. With the addition of larger vessels such as the VLCC and Suezmax into our fleet, we are poised to take advantage of the gradual shift in refinery capacity growth from the West to the East. This capacity growth in the East will increase the average voyage lengths, and in turn will benefit the larger vessels as tonne-mile demand increases in future years.

Under the difficult operating environment where our top-line revenue growth was capped by poor freight rates, we had to dig deep to maximise our current resources and improve on structural cost within the Group. These included initiatives such as tighter control of our overall overhead cost, fleet rationalisation programme as well as improved procurement practices.

President/CEO's Report

We needed to optimise our fleet in an over supplied shipping market, and as part of our fleet rationalisation programme, we sold three of our older VLCCs and one Aframax, as well as redelivered four in-chartered Aframaxes in our petroleum tanker division. Meanwhile, in our chemical tanker division, we sold seven Melati class vessels, of which five were delivered to their respective owners during the year and the remaining two vessels, in the first quarter of 2014. This has helped us achieve significant cost savings in operating a more optimum and energy-efficient fleet, and the positive results can be seen clearly in the improvement of our financial performance.

Overall, overhead cost continued to trend lower as reorganisation and optimisation of manpower yielded significant cost advantage for the Group as a whole. In addition to reconfiguring our fleet size, we also consciously undertook various initiatives and measures to drive down operating costs throughout the year, resulting in higher savings across the board through improved bunker procurement practices and slow steaming.

The past four years have been about building financial resilience and bolstering our balance sheet strength to withstand a protracted shipping downcycle. As we enter into a new phase of the shipping cycle amidst a recovering world economy, we are now poised to rebuild our asset portfolio and reinvest in value-building business opportunities as we take advantage of an improving outlook of the global economy as well as the shipping industry.

LNG Shipping

The market for LNG carriers was one of the few bright spots in an otherwise depressed shipping sector in recent years. In 2012, the demand for LNG carriers increased substantially that spot charter rates peaked at USD 150,000 per day. However, the market has come back sharply in 2013, with rates now trending at about USD 90,000. The expectation is that rates will stabilise around the USD 80,000 level over the next few years in view of big orders being placed in recent years.

President/CEO's Report
Business Segment Review

We expect one third of the vessels scheduled for deliveries until 2017 to be trading in the spot market, without being assigned to a specific LNG project. Much will depend on the discipline among owners and operators in ordering newbuildings. In the short term, we expect spot rates to be affected, but this may have only a slight impact on MISC going forward as most of our vessels are currently chartered out on a long term basis. However, the decline in rates in the near future will hamper new contract negotiations as well as renewal of rates.

LNG production is set to increase further with new global liquefaction capacity coming onstream. With regard to shale gas developments in the US and Canada, three projects managed to obtain Final Investment Decisions ("FID") on top of the two FLNG projects. This bodes well for shipowners like us as it avail us the opportunity to participate in new shipping requirement and expand our third party contracts. Most of these shale gas exports will head towards the energy demand regions such as the Far East.

In 2013, MISC delivered a total of 443 cargoes amounting to 23.4 million tonnes of LNG, which represents 9.8% of the total world LNG traded. Internally, a historical moment was recorded in April 2013 whereby Seri Bijaksana delivered the commissioning cargo for PETRONAS LNG Regasification Terminal at Sungai Udang, Melaka and marked the commencement of activities at the terminal.

Petroleum Shipping

Global oil demand is expected to increase further in the coming years with the recovery in the global economy. Global oil demand stood at an average of 91.2 million barrels per day in 2013 with a 1.1% growth. Tonnage demand in the tanker market improved slightly during the year whilst the tanker fleet grew significantly slower in 2013 than in 2012, releasing some pressure brought about by the longstanding overcapacity in the industry.

Tanker demand grew more than supply during the year but this was muted to a certain degree by sluggish growth in demand. Tanker demand is estimated to have increased to 341 million dwt in 2013 from 332 million dwt in the previous year. A decline in US oil imports with the emergence of shale oil, some slowdown in oil demand growth in Asia and lower OPEC production contained tonnage demand growth in the crude tanker market. The geopolitical situation in the Middle East has also had a part in the lower output.

Despite a weak market, our petroleum shipping arm, AET, managed to secure rates over and above the market rates as a result of its focus on the lightering business and because a significant portion of the fleet is on higher rate term contracts. Despite some significant improvements in the fourth quarter of the year, average freight rates during the year could not surpass the levels of 2012.

In 2013, AET etched another significant milestone by successfully undertaking its 10,000th full serviced lightering operation in the US Gulf. During the year, AET also successfully defended and strengthened its contract portfolio by renewing 21 and extending 11 of its voyage or lightering contract of affreightments (“COAs”) and time charter contracts with its key customers. This is part of AET’s focus as

President/CEO's Report
Business Segment Review

it continues to develop its long term recurring income business portfolio such as Dynamic Positioning ("DP") shuttle tankers and Modular Capture Vessels ("MCVs"), to withstand the volatile market. In addition to renewing contracts with key customers, AET managed to secure new lightering, time charter and bareboat contracts with new and existing customers.

During the year, four new eco-design VLCCs joined the petroleum fleet as part of our fleet renewal programme and to provide our customers with enhanced fuel-efficiency. With more emphasis being placed in participating in the niche market, the first of the two MCVs to service the contract with the Marine Well Containment Company ("MWCC") was delivered in 2013 and is currently undergoing trials in the US Gulf. The second vessel will be delivered in early 2014. The two DP shuttle tankers on order for Statoil, to ply the Barents Sea will come on stream in late 2014 and early 2015.

Under the current low market rate environment, improving the average cost of operating our vessels is crucial for survival in the business. Various measures and initiatives were taken to drive down operating costs. This included optimising and operating a more cost efficient fleet whereby we successfully sold three older VLCCs and one Aframax in addition to the redelivery of four expensive in-chartered Aframaxes. Apart from optimising the fleet, significant savings have been achieved through improved procurement practices and slow steaming. To increase the yields of the vessels further, our commercial team has worked harder to improve on the utilisation of the fleet while relying less on in-chartered vessels.

In the immediate term, the tanker supply-demand dynamics are expected to improve further in 2014, continuing the momentum seen in the later part of 2013 on the back of a more robust oil demand growth. Apart from the slower pace of new vessel supply coming into the market, the lifting of US crude export ban, suspension of Iran sanction, lower crude prices and the better than projected growth in developed economies will provide further upside to the demand for shipping.

Chemical Shipping

Amidst a backdrop of a mending global economy, the year 2013 has offered the chemical shipping sector some glimmer of optimism. Freight rates in the chemical tanker segment enjoyed an upward climb on most trade routes throughout the year, with the highest levels reached in the fourth quarter of the year, where busy year-end activities were seen on the transpacific westbound and transpacific eastbound trade lanes. Tonnage addition during the year did not have a detrimental effect on freight rates, much to the relief of the industry. Bunker prices remained high during the year, but were lower compared to the previous year. This had contributed positively to our margins.

President/CEO's Report
Business Segment Review

During the year, we disposed our older chemical vessels under our fleet optimisation programme. The older fleet had constantly posed a challenge to our operational reliability and a high maintenance cost. The streamlining of our fleet will help drive down operating costs and maintain a more energy-efficient fleet. We concluded the sale of seven Melati class vessels during the year and managed to chalk up a positive gain from the disposal.

As part of our cost optimisation initiative we adopted the Reliability-Centred Maintenance ("RCM") approach. This approach requires us to establish operational, maintenance, and capital improvement policies that will help preserve important mechanical and engineering functions on our ships. This has led to higher efficiency in our fleet, less downtime and lower indirect costs.

Throughout the year, our chemical business continued its efforts to enhance key business relationships with oil majors and major palm oil producers. These top oil majors and palm oil producers contribute more than 60% of the overall earnings in our chemical segment and help reduce our exposure to the vagaries of the spot market.

Global demand is expected to increase from 2014 onwards as more Middle East and US petrochemicals are likely to join the market due to availability of competitive feedstocks and large plant expansions. 10.2 million tonnes of new ethylene capacity are planned in the US for commencement between 2014 and 2020, whilst the aromatics production capacity in the Middle East is expected to triple over the same period. The combination of these two new export centres will lead to an increase in global tonne-mile demand and cargo availability.

Meanwhile in the vegetable oil sector, demand worldwide is expected to continue on its growth path with rising population and demand for edible oil. Biofuel mandates in major consuming countries including the European Union, will also stimulate demand for feedstock oils.

Despite the improvements in chemical shipping freight rates, the high bunker cost amidst an oversupplied market will continue to pose a stiff challenge to the chemical business in the short term. Thus, we will continue to focus on a review of the structural cost, and improving utilisation and yield on the existing fleet.

Tank Terminal Business

MISC's tank terminal unit, through our investment in VTTI and CTSB has been on a growth mode. VTTI has grown by expanding its terminal capacity both within the existing projects and greenfield sites in key locations around the world. The tank terminal business provides us with a source of recurring and steady flow of income to offset the cyclicality of our more volatile divisions. MISC through VTTI is currently amongst the top 10 Independent Tank Terminal player, with a total capacity of 7.6 million cubic metres ("cbm").

President/CEO's Report
Business Segment Review

VTTI started the year with the launch of its first oil storage terminal in South East Asia, ATT Tanjung Bin ("ATB"). This is VTTI's first terminal in South East Asia and it aims to expand its service offerings to customers in the petrochemical and petroleum businesses within this region from its current capacity of 890,000 cbm. VTTI Kenya had also successfully commissioned their new terminal in Mombasa by discharging 9,600 cbm of automotive gas oil. During the year, VTTI commissioned Phase 3 of VITCO terminal in Argentina and this has added capacity of 33,000 cbm for gasoil.

With the growth in demand for tank terminals globally in the past few years, VTTI has embarked on ATB Phase 2 project in Johor, developing 20 hectares of land to create an additional 250,000 cbm including one additional Aframax berth. The expansion project is scheduled to be completed in 2015.

Another exciting project for us is the new terminal in Cyprus. This has been strategically chosen to connect the vibrant areas of South East Europe, Asia and North Africa. Phase 1 of the project is well under way with the construction of 20 tanks and an initial capacity of 357,000 cbm. This is scheduled for completion in the second half of 2014.

We remain optimistic about the coming years as the dislocation between oil and chemicals production and the final consumption destination presents vast opportunities for the tank terminal business especially in the established trading hubs. Developing economies where consumption of oil and chemical products are on the rise are also potentially new areas for tank terminal growth that we can tap into.

Offshore Business

The global floating production industry remained buoyant with 27 orders inked last year, including 12 floating production, storage and offloading ("FPSO") units – the dominant floating production system. As more offshore petroleum projects moved into deeper waters, the economic viability of such developments comes into focus. The floating production industry will need to continue innovating in order to economically produce offshore hydrocarbons.

Our offshore business unit achieved a major milestone during the year with the successful completion and delivery of Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS") to our client, Sabah Shell Petroleum Company. The Gumusut-Kakap Semi-Sub FPS was loaded out to site, offshore Sabah, Malaysia in May 2013. It is the largest FPS to be delivered in the region weighing 37,500 metric tonnes, with a production capacity of 150,000 barrels of crude oil per day and 300 million cubic feet of gas per day for injection. It is the first deepwater semi-submersible floating production system in Asian waters, and is expected to receive first oil in the second half of 2014. This will mark MISC's second FPS in Malaysian deepwater. The successful delivery of Gumusut-Kakap Semi-Sub FPS is a testament to MISC's versatility in providing innovative solutions to our clients, and adds diversity into MISC's stable of floating production assets. The Gumusut-Kakap Semi-Sub FPS will be the single largest contributor to the earnings of our offshore segment.

President/CEO's Report
Business Segment Review

Our asset performance recorded a commendable uptime of 99.5% in 2013, far exceeding our clients' requirement. The high level of asset uptime against contractual obligations in some of our assets has earned us additional performance bonus and further improved our financial position.

During the year, we secured an extension until October 2014 for our FSO Cendor, currently deployed to the Cendor field in Block PM304, offshore Terengganu. Since first oil production, the Cendor field has performed above expectation, which has helped spur further activities within the field and the surrounding areas. The field is now expected to continue production over the next 10 years and the current FSO will eventually be replaced by FPSO Cendor.

In December 2013, we entered into a Share Purchase Agreement with Global Process Systems Inc. ("GPS") for the acquisition of 20% equity interest held by GPS in Malaysia Offshore Mobile Production (Labuan) Limited ("MOMPL"). This acquisition is intended to consolidate and strengthen MISC's control over our investment in MOMPL, namely the two mobile offshore production units, MOPU Satu and MOPU Dua. With this acquisition, MOMPL is now a wholly-owned subsidiary of MISC.

The robust activities in offshore exploration and production continues to drive demand for offshore floating production systems ("FPS"). With South East Asia being one of the demand centres for FPS, we aim to capitalise on our strength and position within the region in pursuit of future growth in the offshore business segment.

Marine & Heavy Engineering Business

During the period under review, our listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") recorded a milestone when Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS"), Asia Pacific's largest FPS, was completed and loaded out from MMHE West yard and was secured to the seabed at the Gumusut-Kakap field in the first half of the year.

MHB had also successfully loaded out the topside and jacket for Damar A project as well as the topside, process module and jacket for the F14/F29 project in October 2013. In addition, the refurbishment and conversion project of two mobile offshore drilling units ("MODUs") to mobile offshore production units ("MOPUs") was also completed during the year.

As of end December 2013, MHB had an orderbook of RM 2.56 billion. Several key projects are still underway and some are scheduled for completion in 2014. This includes the Tapis Enhanced Oil Recovery ("EOR") project for ExxonMobil, the FPSO Cendor for MISC/Petrofac and the Kebabangan Platform for KPOC.

During the year, MHB was also awarded two significant projects in a joint venture with Technip Geoproduction (M) Sdn. Bhd. The first was the engineering, procurement and construction contract ("EPCC") for Malikai Tension Leg Platform by Sabah Shell Petroleum Company Ltd., and the second project was the SK316 central processing platform and bridge

President/CEO's Report

Business Segment Review

linked wellhead platform by Petronas Carigali. These two projects will further strengthen our capabilities in handling EPCC contracts for large scale and complex facilities as we forge ahead in our transformation programme.

The ongoing business transformation programme at MHB has seen its first achievement when MHB was awarded the Fabrication and Construction Company of the Year at the Asia Oil & Gas Award 2013, and this marked another milestone in MHB's journey towards excellence. This journey will put us in good stead in future years as MHB enhances its cost effectiveness, productivity and capability in project management and construction. Other initiatives in the transformation programme include frame and price agreements with our key vendors for the supply of structural, piping, electrical and instrumentation materials and equipment. This collaboration with vendors will not only help us to deliver projects in a timely manner but also within budget. Another notable initiative is the start up of a centralised pipe spooling operations which will provide us greater control on the progress and quality of the deliverables by eliminating scattered pipe spooling works.

The industry outlook is positive as the demand for offshore facilities remains strong and MHB is poised to take advantage of these opportunities. Orderbook replenishment and cost efficiency initiatives will continue to be on the agenda for this year. The offshore oil and gas industry is expected to remain robust but the challenges in the industry remains. High costs associated with development in deepwater and harsh environment areas have forced some companies to re-evaluate the economic viability of their projects. Apart from cost, the dearth of talent in the oil and gas industry posed potential delays to some projects. Hence, addressing the critical global skills shortage is a major imperative for industry players going forward.

Integrated Logistics Business

MISC Integrated Logistics Sdn. Bhd.'s ("MILS") competitive advantage is through being a one-stop service provider, creating solutions for efficient and cost effective logistics that are tailor-made to meet customers' demand. MILS' core offerings of integrated logistics services include project logistics, freight management, forwarding, transportation, warehousing and supply chain management.

During the year, MILS continued to grow its presence and revenue base in the project logistics segment with new contracts being secured especially in the energy sector. Amongst the new contracts secured were international freight forwarding services for the Turkmenistan Oil & Gas Project Phase 2, Bukit Tua FPSO project, as well as custom brokerage and general logistics agency services to international oil and gas services companies. MILS also continued its longer duration projects with notable clients such as Mitsubishi Heavy Industries and PT Rekayasa for the SAMUR project, Alstom for the Janamanjung power plant project and Petronas Carigali in Iraq.

President/CEO's Report
Business Segment Review

On the supply chain management front, the focus was also in the energy sector. During the year, MILS supplied isotainers, transportation and related services to operating subsidiaries of the PETRONAS Chemicals Group. As a registered vendor of PETRONAS and a government approved Multimodal Transport Operator ("MTO"), MILS was also involved in the provision of transportation services, warehousing and distribution of lubricant products in Peninsular Malaysia for PETRONAS Lubricants International Sdn. Bhd. Meanwhile, our Dry Hub in Pulau Indah had also shown significant growth in utilisation rate, thriving on continuous support from a multinational clientele base and through collaboration with international logistics players. Utilisation rate of our Cold Hub, however, was dampened by the outbreak of bird flu in China which affected the import activity of our key customer in the first half of the year.

The implementation of the Economic Transformation Programme ("ETP") by the Government is expected to further spur the local logistics service industry in the medium term. MILS is optimistic on the growth prospects that the ETP offers, and will continue to capitalise on key ETP's sectors such as the Oil & Gas industry. In the coming years, MILS is targeting to serve more contract-based clients to fully capitalise on its network of integrated services. MILS will continue to develop and strengthen its internal capabilities; driving down cost, improving its HSE performance, providing excellent customer services and creating value through operational excellence.

Maritime Education and Training

As an organisation, we believe in investing in people and we need to train and develop the youth of today who will become future leaders of the maritime industry. Thus, we continue to place great emphasis on the management of our maritime education and training arm – Malaysian Maritime Academy ("ALAM"). Over the years, since its privatisation to MISC, ALAM has produced more than 10,000 high calibre seafarers for the MISC Group as well as for the wider shipping industry. Today, it is the leading Maritime Education and Training ("MET") facility in the region, consistently placed among the top 10% of the world's MET institutions rated by Det Norske Veritas ("DNV").

President/CEO's Report
Business Segment Review

In 2013, ALAM received an enrolment of 210 new cadets for its diploma programmes of which 108 enrolled as cadets for the Diploma in Nautical Studies while another 102 students enrolled for the Diploma in Marine Engineering. Meanwhile, some 91 students signed up for Advanced courses. ALAM takes great care in providing an enriching learning experience for our cadets, and embedding in them the right mindset and values that will put them in good stead as they pursue a maritime career.

During the year, Lloyd's Register had certified ALAM's training programmes to be in compliance with INTERTANKO Tanker Officer Training Standards ("TOTS") as well as Standards of the Society of International Gas Tanker and Terminal Operators ("SIGTTO"). In collaboration with the American Bureau of Shipping ("ABS"), ALAM continued with the implementation of its Chemical Tanker e-Learning programme, which is developed in accordance with the requirements of the International Maritime Organization's International Convention on Standards of Training, Certification and Watchkeeping ("STCW") for Seafarers. The aim of this programme is to enhance the awareness of shipboard personnel on specialised operations onboard a chemical tanker and their responsibilities in operating such vessels. ALAM had also successfully satisfied the Offshore Petroleum Industry Training Organisation ("OPITO") audit during the year and continued to be a provider for OPITO training.

2013 also saw ALAM making great strides in furthering the student experience by investing in the upgrade and development of facilities and infrastructure. Major refurbishments were carried out during the year in line with our commitment toward excellence in delivering a high-quality learning environment that will benefit our students. In addition, ALAM's new website was launched during the year, providing better accessibility of information and connectivity for its student fraternity. The new website will also facilitate the enrolment process for new cadets and enhance the marketing reach of our various programmes.

We are passionate about providing the highest quality of training and development in many areas of maritime education. We are confident that ALAM will continue to strengthen its status as the MET institution of choice in this region for aspiring seafarers, and continue to be the institution that churns out leaders of the maritime industry.

Fleet Management Services

Technical and operational excellence has always been the hallmark of MISC, and during the year, our team continued with their drive toward flawless execution of fleet technical management. I am pleased to report that in the year under review, our vessel availability rates surpassed industry benchmarks with an average availability rate of 99.5% across all segments of the shipping sector.

President/CEO's Report

Business Segment Review

At MISC, we recognise that our people is the main driver towards operational excellence and continuous learning is key to our success. During the year, we rolled out the Crew Competency Management ("CCM") programme which is designed to map out the career development of each officer, focusing on training and learning opportunities on board our ships. The programme emphasises on result-oriented conversation and mentoring between the seniors and juniors, combining their diverse knowledge, skills and experience to create a culture of high performance.

The Maritime Labour Convention ("MLC") 2006 Certification of the International Maritime Organization ("IMO") came into force in August 2013, and regulates the terms of employment for seafarers on board ships. All our vessels are certified under the MLC 2006 convention since June 2013, and we are proud to be amongst the first to obtain certification in the region ahead of the scheduled implementation date.

More stringent new regulations and conventions are also due to enter into force within the next five years. These include, amongst others, the IMO's Ballast Water Management Convention (2017); MARPOL Annex VI – Reduction in sulphur limits in fuel oils for Emission Control Areas ("ECA") (2015), Manila Amendments 2010 – STCW for seafarers (2017), and SOLAS – Installation of Electronic Chart Display & Information System ("ECDIS") (2015). As we move forward to stay in compliance with these international standards, our team has been proactively reviewing all new regulatory requirements and has developed a comprehensive plan and budget for adoption of these requirements ahead of the implementation timeline. We believe that early adoption of more stringent conventions will only raise our operational standards further.

On the energy efficiency front, we extended the application of proven technologies such as Advanced Low Friction Paint and trim optimisation on our LNG vessels to minimise vessel resistance in water and thus lowering fuel consumption. The installation of Propeller Boss Cap Fins ("PBCF") was further extended to two of our Chemical vessels for propulsion performance improvement. In pursuit of better energy efficiency on all our vessels, we continue to collaborate with ALAM in the development of tools and software to monitor vessels' fuel consumption with the objective of optimising consumption and reducing our carbon footprint.

As standards for sustainable development and stringent maritime regulatory requirements intensify in the shipping arena, so will the cost of maintaining and operating our ships. Nevertheless, the safety and well-being of our seafarers remains our utmost priority at all times and we will proactively invest in the highest safety standards in our operations, as guided by the international regulatory bodies.

Human Resource Management

We believe people development is the basic building block towards developing our institutional capabilities that would serve as the source of our competitive advantage. It is important that we embed the right mindset and values in our employees and equip them with the right set of skills and capabilities to develop, grow and lead our businesses. In this regard, we continue to invest time and resources in closing the competency gaps amongst our employees in both functional and leadership skills.

President/CEO's Report
Business Segment Review


Succession planning remains a major focus of the Group as we believe a strong leadership bench ensures the continuity of the organisation and its business growth and sustainability. During the year, our approach toward succession planning was further enhanced by including active dialogue at all levels of management. Significant amount of time and effort has been made by senior management to identify successors for senior and critical positions, as well as in mentoring and coaching our young talents to ensure that our leadership bench and talent pool remains strong in a tight supply market.

In line with the Minimum Retirement Age Act 2012, the MISC Board has approved the implementation of the new retirement age for permanent employees of MISC Berhad on their 60th birthday effective 1 July 2013.

In our quest to foster a sense of common purpose and pride in working for MISC, a series of engagement sessions were conducted throughout the year to ensure our employees are kept abreast of the overall business performance as well as other ongoing developments of the Group. Quarterly Townhall sessions are now a norm within the organisation and this provides each employee the opportunity to engage with the senior management team. In addition, informal sporting activities across divisions were organised to foster teamwork and open communication.

Moving forward, we will continue to enhance our Employee Value Proposition and internal communication. The success and sustainability of MISC is highly dependent on having a resilient and adaptable workforce, and thus people management will remain top of our agenda.

President/CEO's Report
Future Outlook

We are cautiously optimistic on our outlook of the global economy. We see a new impetus of growth in advanced economies and we see stronger economic activity in emerging economies. This is a welcomed change since the 2008 financial crisis. However, we see continued volatility in the market with new risks emerging such as monetary tapering in the US amidst uncompleted financial market reforms in Europe. Social unrest around the globe continues to fan instability in selected countries, adding volatility to the recovery.

After nearly five years of a depressed shipping market, I believe we are at the cusp of a new cycle. Delivery of new ships is declining, demolition remains at encouraging levels and demand for long-haul transportation is rising. Tonnage demand is expected to recover in 2014 on account of an increase in oil demand amidst a global economic recovery that is gaining strength. Freight rates in the tanker markets are expected to improve in 2014, a confluence of recovery in demand and a slowdown in fleet growth that will improve tonnage utilisation.

Looking ahead, we are positive on a continued recovery in the tanker shipping market following rising growth in demand and relatively slower growth in supply. Nevertheless, shipowners and operators must maintain discipline when it comes to ordering of newbuildings, as a new flush of orders will dent the pace of recovery in the industry.

The opposite is true for the LNG space as it enters a new delivery cycle. We expect the LNG shipping market to soften moving into 2014 and 2015, on the account of heavy delivery of newbuildings. However, we are more positive on the longer term outlook of LNG shipping, as more final investment decisions ("FIDs") are expected to be made from planned North American and African LNG projects in which shipping requirements will emerge to absorb any potential capacity overhang.

Moving forward, rebalancing our business portfolio will continue to be a strategic imperative for us to ensure financial buoyancy and an optimal asset mix within the Group. The Group's focus moving into 2014 will be to reposition ourselves for growth and capitalise on timely investment opportunities to ensure future business sustainability of MISC. Leveraging on our renewed financial strength, we will need to prudently allocate both our capital and human resources toward building value in our existing businesses, as well as creating value by expanding our horizon into growth areas that will provide us with recurring long-term income streams.

A greater part of our immediate resources will be channelled toward expanding business segments such as our LNG shipping and Offshore businesses via the pursuit of additional time charter and long term contracts. With our expertise, experience and track record, I am optimistic that these business segments will continue to excel in future years.

We will also continue to dedicate our full attention in building our talents and institutional capabilities towards becoming a high performing organisation of choice for our clients. In an industry with a tightening supply of talents, succession planning remains a focus to ensure business continuity and sustainability in future growth momentum. Underpinning our human resource initiatives, structured communication and leadership engagement sessions will continue to be conducted to ensure a sufficient pool of successors is identified within the Group to safeguard our positive momentum moving ahead.

On behalf of the management, I would like to take this opportunity to thank the Board of Directors for their wise counsel and guidance throughout the year. I would also like to extend my sincere gratitude to the Royal Malaysian Navy and the Government of Malaysia for their continued support in ensuring the safety of our crew and vessels.

To our valued shareholders, thank you for your trust and support all these years.

Last but not least, to my fellow colleagues in the MISC Group, I would like to thank you all for your dedication and steadfast commitment despite the challenging times. We stayed the course and rose above the challenges, and with all of you onboard, I look forward to better times for MISC in the coming years.

Datuk Nasarudin Md Idris
President/Chief Executive Officer

12 February 2014

Business Highlights

1 January 2013 – 31 December 2013

January 2013

10 January 2013

VTTI B.V. Launches First Oil Storage Terminal in South East Asia

MISC's joint venture company, VTTI B.V., launched its first oil storage terminal in South East Asia with a total capacity of 890,000 cbm, operated by ATT Tanjung Bin Sdn. Bhd. ("ATB"), a wholly-owned subsidiary of VTTI B.V. The second phase project of an additional 250,000 cbm and one Aframax jetty expansion has started in Q4 2013 with target for completion in Q2 2015.

20 January 2013

AET takes the Lead on Ballast Water Management Systems

AET's new 320,000 dwt VLCC Eagle Vancouver is one of the world's first newbuilds to comply with the Ballast Water Management ("BWM") Convention. Once ratified, the International Maritime Organization ("IMO") Convention will require vessels to manage their ballast water on every voyage. Pre-empting the ratification, the new AET vessel is fitted with a BWM system that disinfects ballast water using electrolysis technology.

February 2013

8 February 2013

MHB Awarded Tension Leg Platform ("TLP") Malikai Deepwater Project

Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a subsidiary of Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), via a joint venture with Technip Geoproduction (M) Sdn. Bhd. ("TPGM"), was awarded the TLP Malikai Deepwater Project by Sabah Shell Petroleum Company Ltd. The said joint venture, the Technip MMHE (Malikai) Joint Venture, will handle the engineering, procurement, construction and commissioning of the Malikai topside and hull.

March 2013

26 March 2013

MISC's Fleet Management Services Organises LNG and Tanker Ship Safety Management Workshop

In an effort to create bilateral engagement in the field of marine industry as well as mutual understanding in governing legislations in construction, safety equipment and the safe transport of cargo and its operations with the People's Republic of China ("PRC"), MISC's Fleet Management Services and subsidiary AET, in collaboration with the Malaysian Marine Department and the Maritime Safety Administration of PRC ("MSA"), organised an LNG and Tankers Ship Safety Management Workshop in Nantong, China. A total of 57 participants attended the workshop which included 34 representatives from MSA Port State Control Officers ("PSCO") from various parts of China.

Business Highlights

1 January 2013 – 31 December 2013

April 2013

30 April 2013

Delivery of Commissioning Cargo for Petronas LNG Regasification Terminal

MISC's LNG carrier Seri Bijaksana delivered the commissioning cargo for PETRONAS LNG Regasification Terminal at Sungai Udang ("RGTSU"), Melaka. The cargo originated from Bonny Island, Nigeria and its delivery marked the commencement of commissioning activities for RGTSU.

June 2013

10 June 2013

MISC Participates in the 17th Asian Oil and Gas Conference

MISC participated as an exhibitor at the 17th Asian Oil and Gas Conference ("AOGC 2013"), which saw the participation of more than 1,000 delegates, ranging from policy and key decision makers to government officials and key figures of major oil and gas corporations across the globe. During the two day conference, MISC's representatives from LNG Shipping, Tank Terminal Management, Offshore Business and AET manned the MISC booth, interacting with the delegates to further enhance MISC's image and presence to the oil and gas fraternity.

12 June 2013

AET Achieves 10,000th US Gulf Lightering

AET confirmed its leadership position in US Gulf lightering with the successful completion of its 10,000th fully serviced lightering operation. Using its own personnel, equipment and lightering support vessel, AET successfully transferred 547,000 bbls of crude oil from Tankers International LLC's V.K. Eddie, a VLCC, into one of its own Aframax tankers, Eagle Kinabalu, for SeaRiver Maritime, Inc.

Business Highlights

1 January 2013 – 31 December 2013

13 June 2013

MISC IR Participates in Invest Malaysia 2013

To continuously build and maintain transparent communication with shareholders and the investing fraternity, MISC through its Investor Relations ("IR") unit participated in Invest Malaysia ("IM") 2013, an annual event organised by Bursa Malaysia and co-organised and co-sponsored by Maybank Investment Bank. IM 2013 showcased more than 30 Malaysian corporations from key sectors such as shipping and transportation, oil and gas, financial institutions, agriculture, property, media and telecommunications. As one of the leading companies profiled in the conference, MISC gave a corporate presentation led by Mr. Yee Yang Chien, VP, Corporate Planning and Development, to approximately 80 fund managers and analysts.

17 June 2013

ALAM Cadets Graduate from Kings Point

Three of ALAM's cadets graduated from the United States Merchant Marine Academy ("USMMA") at Kings Point with the Class of 2013. The three cadets are Vichian Charlemchat A/L Amnoi, who was sponsored by MISC, and Muhammad Amin bin Ahmad Kamal and Sean Chang Fang, who were both sponsored by AET. They were accepted into USMMA upon the completion of their first year of Diploma studies in ALAM and graduated with a Bachelor's Degree in Marine Engineering Systems from Kings Point.

Business Highlights

1 January 2013 – 31 December 2013

19 June 2013

MISC'S 44th Annual General Meeting ("AGM")

More than 300 shareholders attended MISC's 44th AGM, which was held at the Intercontinental Hotel, Kuala Lumpur. Prior to the meeting, shareholders were shown a video on the construction of the Gumusut Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS") which was built at MHB's yard in Pasir Gudang. Through the video, shareholders were able to appreciate the magnitude and significance of the project undertaken by MISC and MHB.

25 June 2013

Delivery of Telok B Topside

MHB achieved another milestone with the sail away of the Telok B topside for client ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI"). The 1,653 MT topside is connected via subsea pipeline and composite cable to the existing Guntong-E platform at a water depth of 63 metres, 200 kilometres offshore Kerteh, Terengganu, Malaysia. Telok B is part of the Telok Gas Development Project undertaken by EMEPMI to provide additional gas supply to help meet Malaysia's growing energy demand; and to promote the overall growth of the country's natural gas sector.

Business Highlights
1 January 2013 – 31 December 2013

July 2013

4 July 2013

Successful Delivery of Gumusut-Kakap Semi-Submersible Floating Production System

MISC successfully delivered the Gumusut-Kakap Semi-Submersible Floating Production System ("Semi-Sub FPS"), to be installed at the project development site offshore Sabah. The Gumusut-Kakap field is Malaysia's second deepwater development after the Kikeh oil field, also offshore Sabah. The delivery of the Semi-Sub FPS solidifies MISC's aspiration of being a preferred offshore floating facility solutions provider and further demonstrates our capability and experience in undertaking floating solution projects. As the Engineering, Procurement and Construction ("EPC") contract holder for the project, MISC undertook full project management scope and responsibility, whilst the construction was undertaken by Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE") at their yard in Pasir Gudang, Johor.

7 July 2013

17 ALAM Cadets Graduate from the Naval Reserve Officer Training Unit ("ROTU") Programme

ALAM saw the graduation of 17 of its cadets from the PALAPES LAUT ALAM (Pasukan Latihan Pegawai Simpanan, also known as Naval Reserve Officer Training Unit ("ROTU") Programme. The 17 Cadets joined 1,340 students from 17 other universities in Malaysia in undergoing their Passing Out ceremony of PALAPES Darat, Laut and Udara (Army, Navy and Air Force), held at Universiti Malaysia Sabah ("UMS"). The cadets are the first batch of cadets to undergo the PALAPES Laut training in ALAM, which was launched in 2010. The ceremony was graced by His Royal Highness Sultan Muhammad V, the Sultan of the state of Kelantan.

24 July 2013

MILS Acquires Full Stake in MILS Seafrigo Sdn. Bhd.

MILS acquired the remaining 33% shares of MILS Seafrigo Sdn. Bhd. from ETB Seafrigo, a move which will enable MILS to further expand its cold hub operations by gaining full control over the equity and its strategic direction. MILS Seafrigo is now known as MILS Cold Chain Logistics Sdn. Bhd.

August 2013

2 August 2013

AET Successfully Completes the Conversion of World's First Modular Capture Vessel ("MCV")

AET successfully completed the conversion of the world's first modular capture vessel, the Eagle Texas, after almost two years of conversion works at Dry Docks World Dubai. The vessel was redelivered on 2 August 2013, and sailed through the Suez Canal to arrive at Kiewit Offshore Services ("KOS") yard at Corpus Christi, Texas in the U.S. Gulf on 9 September 2013. The Marine Well Containment Company ("MWCC") is currently conducting a comprehensive Operational Readiness Testing ("ORT").

September 2013

29 September 2013

Seri Bakti Became the First Vessel to Perform Vessel Cool-Down Service at Singapore LNG ("SLNG") Terminal

Seri Bakti became the first vessel to perform vessel cool-down service at Singapore LNG ("SLNG") terminal. In conjunction, a Master LNG Vessel Cool-Down Services Agreement was developed between MISC and SLNG for future requirement of LNG vessel cool-down, inerting, gassing-up and heel top-up services.

October 2013

4 October 2013

MISC and Philippine Coast Guard Enters into a Memorandum of Agreement

MISC signed a Training Memorandum of Agreement ("MoA") with the Philippine Coast Guard ("PCG"), to provide two sailing berths to PCG officers on board MISC's LNG carriers, to enhance PCG's capability, competency and technical skills on merchant marine operations. The duration of the initial voyage is at least one full voyage covering docking, undocking, loading, discharging and steaming operations. This engagement will also enhance the working relationship between MISC and PCG by allowing for a greater understanding of the safety and environmental requirements when transiting Philippines waters.

Business Highlights
1 January 2013 – 31 December 2013

7 October 2013

MHB Awarded Contract for Development of Block SK316 Project

MHB's subsidiary MMHE, in a joint venture with Technip, was awarded an engineering, procurement, construction, installation and commissioning ("EPCIC") contract for the development of two gas fields in Block SK316, located approximately 180 kilometres North of Bintulu, Sarawak, at a water depth of 104 metres. The EPCIC contract includes a central processing platform and a bridge-linked wellhead platform, which are now under construction at MMHE's West yard at Pasir Gudang, Johor, Malaysia. The contract also includes the construction of a 75 kilometres pipeline, which will be installed by one of Technip's pipe-laying vessels.

11 October 2013

MISC Extends Lease on FSO Cendor with PETROFAC

MISC signed an agreement with PETROFAC for a one-year extension for the lease and operation of the FSO Cendor. The lease period has been extended to October 2014.

24 October 2013

Seri Bakti Commenced Charter for Koch

Expanding MISC's third-party LNG business, MISC successfully chartered Seri Bakti to Koch Shipping Inc. Seri Bakti is the first LNG vessel to be chartered by Koch, who entered into LNG trading in 2012. Seri Bakti delivers Koch's cargoes originating from Nigeria's Bonny Island LNG export facility to worldwide customers.

November 2013

2 November 2013

Successful Conversion of MODU to MOPU of the Rig Energy Producer 5

MHB successfully completed the refurbishment and conversion of a Mobile Offshore Drilling Unit ("MODU") into a Mobile Offshore Production Unit ("MOPU") and equipment installation of the Rig Energy Producer 5 for Coastal Energy after 347,902 manhours of work with zero LTI.

11 November 2013

MISC Participates in IMSE 2013

MISC via its Offshore Business Unit took part in the International Conference on Marine Safety and Environment ("IMSE 2013") organised by Universiti Teknologi Malaysia ("UTM"). The aim of the conference was to foster the exchange and sharing of ideas, particularly in the field of marine safety and environment by fostering good working relationship between the academia and the marine industry. At the conference, MISC presented a paper entitled "Hull Structure Integrity Management in Floating Structures – FSO Puteri Dulang Case Study".

Business Highlights
1 January 2013 – 31 December 2013

19 November 2013

MISC and RMN Launch Op FAJAR: The Malaysian Success Story in the Gulf of Aden Coffee Table Book

MISC and the Royal Malaysian Navy ("RMN") launched a coffee table book entitled "Op FAJAR: The Malaysian Success Story in the Gulf of Aden". The coffee table book records the hijacking of two MISC vessels, Bunga Melati Dua and Bunga Melati 5 in August 2008, which then led to the birth of Op FAJAR and new partnerships between MISC and the relevant Government bodies, in particular, the RMN. The book also showcased the successful collaboration between MISC and the Armed Forces in terms of maritime security, featuring the rescue of MISC's chemical tanker Bunga Laurel from an attempted hijacking by Somali pirates in 2011.

December 2013

3 December 2013

AET Successfully Operationalises DP Shuttle Tanker Business in Brazil

AET first started expanding its business into South America in 2009, and established a formal presence in Brazil after being awarded a tender to provide local lightering support. In the second half of 2013, it opened an independent company and established ground operations within 90 days of customer approval, successfully performing its first lightering operation in Brazil on 30 December 2013. AET has a further two specialised DP shuttle tankers currently in construction in Korea to serve the North Sea in 2015.

12 December 2013

AET Completes Eco-Design VLCC Newbuilding Deliveries

AET received Eagle Versailles, the final vessel in its series of four 320,000 dwt eco-design Very Large Crude Carriers ("VLCC") from Daewoo Shipbuilding & Marine Engineering ("DSME"). The innovative design of these latest eco-design VLCCs have significantly improved fuel consumption and delivered an Energy Efficiency Design Index ("EEDI") which exceeds the IMO base-line. These vessels also meet the requirements of Singapore Maritime Port Authority's Green Shipping Programme, translating to benefits not just in terms of official certification, but also tangible port dues concessions.

16 December 2013

FPSO Brasil Lease and Operate Contract Extended

MISC secured the extension for FPSO Brasil's lease and operate contract until March 2014, with options to further extend for an additional three months.

18 December 2013

Full Acquisition of Malaysia Offshore Mobile Production (Labuan) Ltd.

MISC acquired the remaining 20% stake in Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL") from Global Process Systems Inc. ("GPS") for USD 18 million (RM 58.38 million).

/ Investor Relations Report

MISC aims to continuously uphold best practices in corporate governance and investor relations ("IR"). To this end, the MISC IR team regularly reviews and enhances its IR programmes and initiatives to ensure a consistent flow of timely and relevant information on the Group's developments to its investors to support them in their respective decision-making processes.

Throughout the year, MISC engaged in regular communications with the investing community through private meetings, teleconferences and dialogues with institutional investors as well as analysts from both Malaysia and abroad.

The Group continues to ensure timely disclosure of our quarterly results and corporate developments via quarterly briefings to investors and analysts. For global analysts and investors, audio conferencing is provided for better accessibility and reach. Through the quarterly briefings, our management shared future plans, strategies and outlook of the Group with the investing community.

In 2013, MISC also participated in investment conferences and forums such as Invest Malaysia to promote investor awareness and broaden our reach on a regional platform. During these larger events, MISC shared its corporate overview, while small group meetings were held with interested investors who wished to gain further insights.

The credit rating agencies – Moody's Investor's Services ("Moody's"), Standard & Poor's ("S&P") and Malaysian Rating Corporation Bhd. ("MARC") were also given equal access to similar information, performance reviews and material corporate updates on MISC.

At MISC, we place emphasis on the continued education and awareness of our investors' on issues and developments that impact the Group. During the year under review, we held sharing sessions on new reporting standards that have come into effect which impacts MISC. Accounting professionals were invited to share with investors in regards to these new accounting standards to better assist our investors in understanding the impact and effect on our financial performance reporting moving forward.

In practicing good corporate governance, we believe in the importance of inclusive and engaging communication with minority shareholders. During our 44th Annual General Meeting ("AGM"), minority shareholders were given the opportunity to interact and receive updates on the operations, financials, business strategies and future prospects of MISC from our President/CEO and the Board of Directors. Representatives and heads of each department were also present to provide further clarity on the operations of the Group.

In the year ahead, MISC will continue to disclose relevant material information on its corporate developments as required under Bursa Malaysia's Listing Requirements. We will continue to enhance our IR efforts and proactively engage institutional shareholders and investors through selected investors seminars and road shows.

The Group's "Corporate Disclosure Policies and Procedures" identify the following Management Personnel responsible for IR activities:

- President/Chief Executive Officer
- Vice President, Corporate Planning and Development
- Vice President, Finance
- General Manager, Strategic Planning and Investor Relations
- Head, Investor Relations

For further enquiries or feedback, stakeholders and interested parties are encouraged to submit their comments to:
investor.relations@miscbhd.com.

Similarly, further information on the Group can be obtained through our corporate website: **www.misc.com.my**

Statistics on Shareholdings
as at 31 March 2014

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	561	8.65	7,152	0.00
100 – 1,000	1,365	21.04	929,575	0.02
1,001 – 10,000	2,970	45.78	12,199,376	0.27
10,001 – 100,000	1,070	16.49	34,764,389	0.78
100,001 to less than 5% of issued shares	518	7.99	1,005,739,366	22.53
5% and above of issued shares	3	0.05	3,410,153,245	76.40
Total	**6,487**	**100.00**	**4,463,793,103**	**100.00**

Directors' Shareholdings

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1	Datuk Manharlal Ratilal	–	–	–	–
2	Datuk Nasarudin Md Idris	–	–	–	–
3	Harry K. Menon	–	–	–	–
4	Dato' Halipah binti Esa	–	–	10,000	0.00
5	Dato' Kalsom binti Abd. Rahman	–	–	–	–
6	Mohd. Farid bin Mohd. Adnan	5,000	0.00	–	–
7	Lim Beng Choon	–	–	–	–

Statistics on Shareholdings
as at 31 March 2014

Substantial Shareholders

No.	Name of Substantial Shareholders		No. of Shares	%
1	Petroliam Nasional Berhad		2,797,459,800	62.67
	– CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt AN for Petroliam Nasional Berhad	2,797,459,800		
2	Employees Provident Fund Board	1,500,000	371,558,605	8.32
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	353,127,505		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (HDBS)	6,153,740		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AMUNDI)	4,020,000		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (F TEMPLETON)	2,888,900		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	1,838,660		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (KAF FM)	1,325,000		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	704,800		
3	Skim Amanah Saham Bumiputera		259,565,940	5.81
	– AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	259,565,940		

Statistics on Shareholdings
as at 31 March 2014

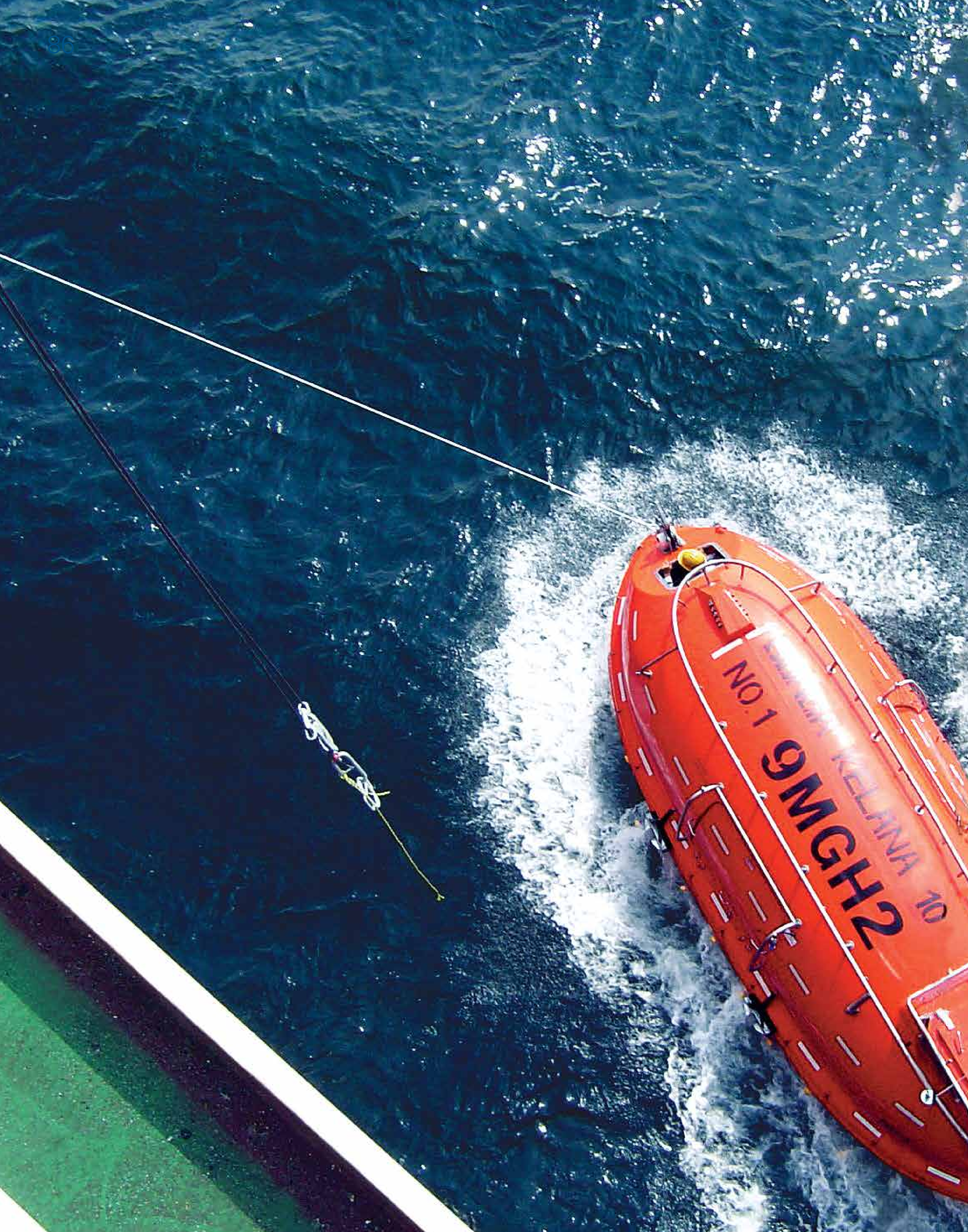
30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	2,797,459,800	62.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	353,127,505	7.91
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	259,565,940	5.81
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	95,147,040	2.13
5	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	93,838,250	2.10
6	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	52,446,740	1.17
8	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
9	LEMBAGA TABUNG HAJI	44,294,160	0.99
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	42,502,900	0.95
11	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	29,960,968	0.67
12	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	21,507,658	0.48
13	PERMODALAN NASIONAL BERHAD	21,500,000	0.48
14	KERAJAAN NEGERI PAHANG	20,596,320	0.46
15	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)	19,848,680	0.44
16	AMSEC NOMINEES (TEMPATAN) SDN. BHD. AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	15,790,300	0.35
17	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD.	14,525,426	0.33
18	CARTABAN NOMINEES (ASING) SDN. BHD. GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	13,858,900	0.31
19	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	13,704,104	0.31

Statistics on Shareholdings
as at 31 March 2014

30 Largest Shareholders (cont'd)

No.	Name of Shareholders	No. of Shares	%
20	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	12,291,780	0.28
21	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	11,976,056	0.27
22	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	10,155,504	0.23
23	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	10,000,000	0.22
24	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	10,000,000	0.22
25	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	6,453,660	0.14
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	6,170,040	0.14
27	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (HDBS)	6,153,740	0.14
28	CITIGROUP NOMINEES (ASING) SDN. BHD. LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	6,150,700	0.14
29	PERTUBUHAN KESELAMATAN SOSIAL	5,118,000	0.11
30	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	5,091,700	0.11
	TOTAL	**4,117,502,538**	**92.24**


KELANA 10
NO.1 9MGH2

OPERATING SUSTAINABLY

AET delivered **four new 320,000 dwt eco-design VLCCs**, amongst the world's first newbuilds to be **fitted with a Ballast Water Management System**.

Five of **MISC's Seri "B" Class LNG Tankers** and **18 AET petroleum tankers** were **accredited** with **Green Awards** by the Green Award Foundation.

MISC spent approximately **USD 1.35 million** (7.75% of manpower budget) **towards employee learning and development** in 2013.

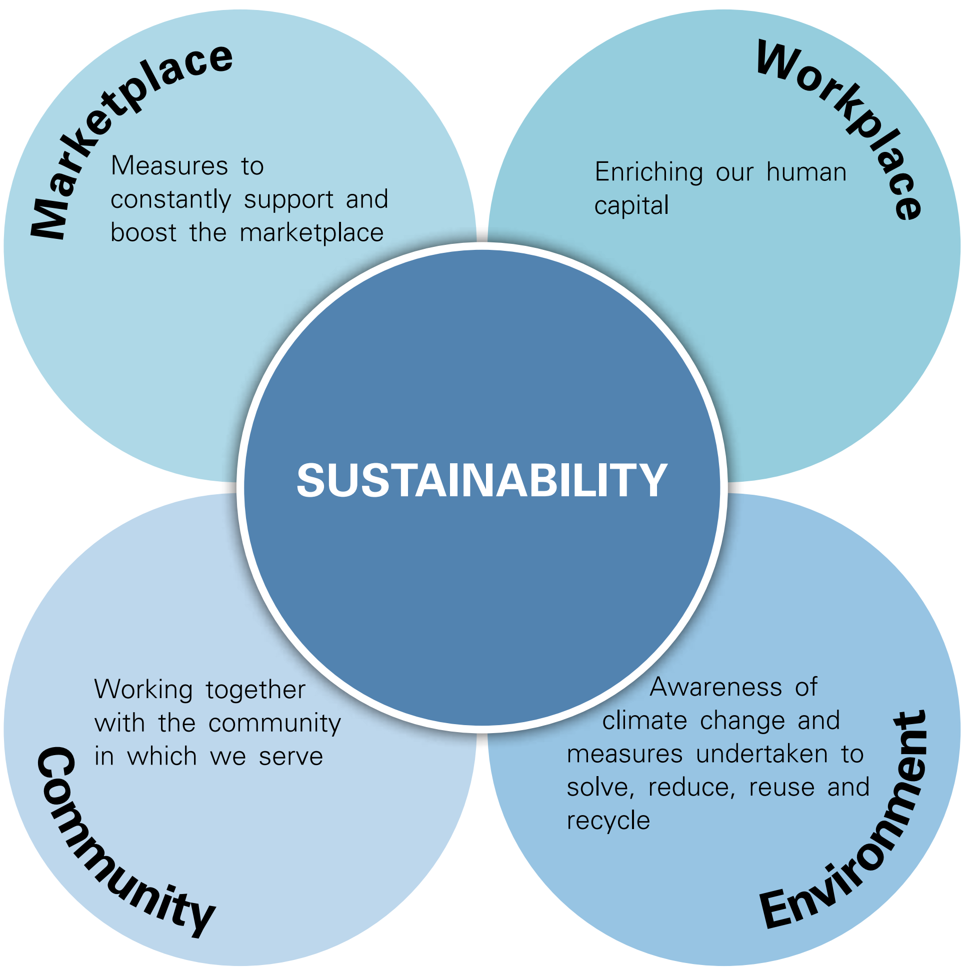
Akademi Laut Malaysia developed **3 IMO Model Courses**.

Sustainability Report

SUSTAINABILITY@MISC

As one of the world's leading shipping and maritime conglomerates, our operations have significant impact on the marketplace, the environment and the communities in the areas that we operate in. Hence, we are embarking on our sustainability journey through our Corporate Sustainability Initiatives. Our goal is to address issues that are critical for the success of MISC's business operations, and to streamline current efforts across the company to ensure a cohesive outcome.

Through stakeholder consultation workshops, we have defined our Sustainability Reporting Framework and identified Five Focus Areas (*Governance, Business Conduct, Sustainable Business Value, Health & Safety and Climate Change)* for Sustainability in MISC, encompassing the four pillars of sustainability – Marketplace, Workplace, Environment and Community.



MARKETPLACE

Shipping is a global industry, involving over 100,000 commercial ships and more than two million workers across the globe. A barometer of world trade, shipping has seen unprecedented growth in the past two decades where tonne-miles of cargo doubled between 1990 and 2008. While environmental issues presents the bigger risks and opportunities for international shipping companies, the industry also faces significant issues related to security, health and safety, business ethics, and social responsibility amongst others.

At present, changes in the shipping industry are driven by a mixture of legislation (mainly through the International Maritime Organization, ("IMO")) and action by industry leaders. Looking ahead, it is clear that the operating context for the industry has the potential to change dramatically over the next 30 years, bringing with it new challenges and opportunities. Superior sustainability performance could become one of the differentiating and value-adding factors for industry players.

Sustainability Report

At MISC, we recognise our obligations and commitment towards addressing these challenges and key drivers for sustainability within the industry, as well as the risks and opportunities that come along with it. Some of the challenges we currently face and could potentially face include aspects relating to:

- **Environment**
  At MISC, we fully comply with IMO regulations to minimise the industry's footprint on the environment. We take a proactive approach in monitoring upcoming industry regulations apart from managing the impact of our operations through our fleet management division.

- **Health & Safety**
  We have a strong Health & Safety culture that prevails both at sea and ashore, driven by our top management. Our main goal is to prevent injury to employees, prevent loss of assets and to protect the environment.

- **Social Responsibility**
  All our community investment projects and programmes are carried out voluntarily, with the main thrust of promoting education and youth development. Our investment in Malaysian Maritime Academy Sdn. Bhd. ("ALAM") not only provides us with a continuous pool of capable seafarers but also contributes towards nation-building.

- **Business Ethics**
  Our Code of Business Ethics ("CoBE") governs the way we conduct our business. It is applicable to all Directors, employees and third parties performing works or services for, or on behalf of the Company.

- **Security (Piracy)**
  Our vessels that ply the Gulf of Aden are exposed to risk from piracy. We are working with the Royal Malaysian Navy ("RMN") to provide security measures in the form of navy escort services through naval auxiliary vessels.

- **Overcapacity**
  As part of our commitment towards cost optimisation and increasing the efficiency of our fleet – we have carried out strategic optimisation programmes for our fleet operations. We do this to stay competitive in the marketplace apart from meeting the expectations of our customers and wider stakeholders.

- **High Fuel Prices**
  In order to mitigate the effects of high fuel prices, we have initiated a Target Procurement Price Reduction programme which helps achieve cost savings for bunker by establishing fixed price physical hedging contracts.

- **Labour Shortages**
  We remain committed to establishing a healthy and professional work culture within our organisation, by providing ample opportunities for training and development. Our investment in ALAM also provides a steady supply of seafarers for the Group.

We will continue to be diligent and proactive in our preparation towards meeting these challenges, whilst ensuring our competitiveness in the marketplace and meeting the expectations of our stakeholders.

Creating Value

MISC is committed towards creating value in the marketplace in partnership with our vendors and customers, in spite of the challenges faced by the global shipping industry to stay afloat in times of economic adversity. We have put processes in place to ensure that our organisation remains resilient through challenging times.

- **Vendor/Supplier Management**
  We aim to achieve maximum cost efficiency via Economies of Scale ("EOS") through the implementation of Supplier Relationship Management ("SRM") programmes.

  MISC's SRM Programmes help create strong partnerships with our vendors and provides a platform for us to identify and rectify gaps between their deliverables and our expectations. The SRM Programmes carried out in FY2013 include:

  - Target Procurement Price Reduction
  - Quarterly Supplier/Vendor Engagement Programmes ("SEP/VEP")
  - Quarterly Delivery Assessment Exercises ("DAE")
  - Vendor Performance Assessments ("VPA")
  - Promoting Best Practices through Constant Reviews

- **Customer Relationship Management**
  Apart from effective cost management, MISC's financial performance is reliant upon the value generated through business with our customers. In maximising value for both parties, it is crucial that we understand the value drivers, key requirements and expectations of our customers. Apart from adapting to higher standards and evolving customer expectations, dynamic managing of key customer relationships will also positively impact the satisfaction of our customers.

  To ensure the institutionalisation of effective customer relationship management ("CRM") best practices throughout the Group, we at MISC have adopted our own customer philosophy and overarching CRM principles. Our customer philosophy is *"to build strong and lasting partnerships with our customers in delivering compelling customer experiences every time"*.

These principles were developed to ensure consistent implementation of CRM best practices across the Group in a manner befitting MISC's brand essence and brand values. While these principles produce the overarching structure for CRM best practices, we are also steered by the MISC Group CRM Guidebook. The Guidebook acts as a reference for all employees to deliver the common expected standard of customer experience throughout the customer lifecycle.

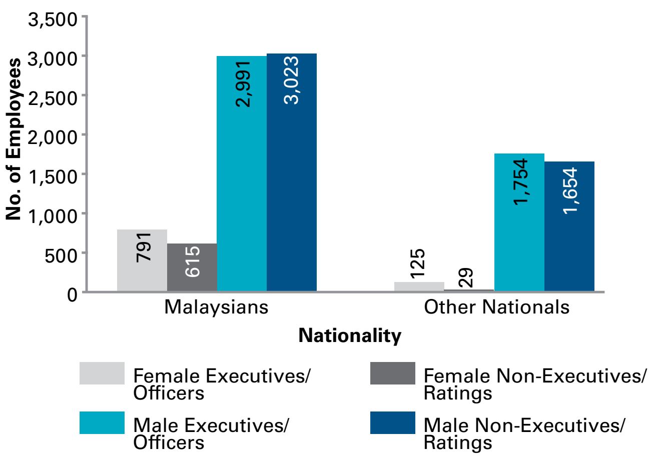
Sustainability Report

WORKPLACE

We recognise our employees as our greatest asset and hence, managing talent within MISC is our top priority. Made up of a strong and diverse workforce of over 10,000 employees, we value each of their skills and expertise, regardless of age, race, gender, religion or nationality. Operating globally, our cultural diversity promotes an intermingling work culture between nationalities from Malaysia, Australia, Bangladesh, India, Indonesia, Japan, New Zealand, Pakistan, Romania, Singapore, the Netherlands and the United Kingdom. Approximately two thirds of our employees are Malaysians and this number encompasses both permanent, contract and project-based employees.

We also encourage equality and continue to hire based on skill sets and capabilities that deliver optimal performance. For the year under review, approximately 14% of the total employee headcount of MISC Berhad are female. At MISC's shore-based offices, female employees make up 24.8% of the workforce and 29% of MISC Berhad's Senior Management consists of female employees.

MISC Group Employee Profile



People Development

We are committed to continuously develop our workforce by providing opportunities for career growth and personal development. These efforts are essential to ensure that all our employees are constantly equipped for their roles at the workplace. We seek ways to enhance employee learning, ensuring that our employees are equipped with the right skills and capabilities to move forward with MISC.

As part of MISC's capability development plan, we continued to focus on Leadership Competency Profiling ("LCP") and Functional Competency Profiling ("FCP") implementation plans. LCP and FCP have now entered their third year of implementation since 2011. Various intervention plans including formal training courses, experiential learning such as job rotation and project attachment have been identified to reduce competency gaps amongst employees.

The Group also conducted several Human Capital Development programmes designed to build capabilities and encourage continuous engagement with our seafarers. These include but were not limited to:

- Focus Seminars for Senior Officers, Junior Officers and Ratings
- MISC Focus Tanker Safety Programme: Mission Safety – "A Serious Journey"
- Dual Skilling Programme
- Superintendent Development

In 2013, approximately USD 1.35 million (7.75% of manpower budget) was allocated for employee learning and development.

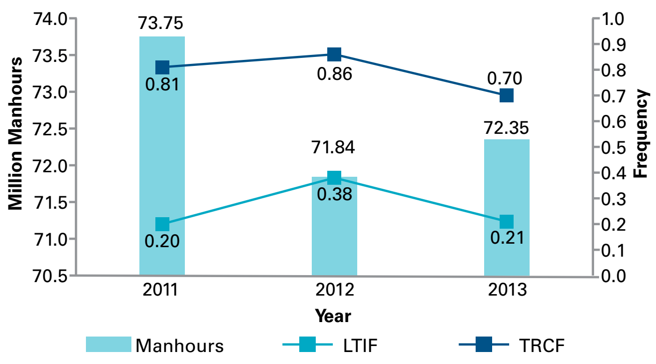
Health & Safety

The continual safety of our people, our ships and their cargoes together with the protection of the natural environment remain our top priority. We believe it is necessary for a strong safety culture to prevail both at sea and ashore. The Group's aim is to create a self-sustaining HSE work environment to continually protect our employees, assets and reputation.

Sustainability Report

During the financial period under review, MISC Berhad achieved approximately 72.35 million man hours, an increase of 0.7% from the year before. We recorded a Lost Time Injury Frequency ("LTIF") of 0.21 while Total Reportable Case Frequency ("TRCF") for the fiscal year was 0.70. This is a 44.7% and 18.6% reduction respectively, a marked improvement from the previous year.

MISC Group LTIF and TRCF Performance



In our continuous effort to instil a strong safety culture both at sea and ashore, we had made improvements to our HSE management system and organised and implemented several health and safety awareness programmes throughout the Group. In the long run, enhancements made to the existing HSE management system and consistent implementation of improvement initiatives will help sustain MISC's overall HSE performance.

Recognition for Our Safety Efforts

Several of our AET petroleum tankers received the Jones F. Devlin Award and Safety Achievement Award from the Chamber of Shipping of America for maintaining and promoting the safety of life and property at sea while on board. In total, 41 of our petroleum vessels were honoured, with 2 vessels achieving 18 years without recording a LTI.

We also gained further recognition when the United States Coast Guard qualified four of our Malaysian flagged vessels calling in the United States waters under the QUALSHIP 21 Programme. One of our LNG vessels, Aman Sendai, also received the Best Ship Quality Award for 2013 by the Japan Federation of Pilot's Associations ("JFPA"). The award recognises the efforts put forth by the ship and its crew for safe vessel operations at port and at sea.

Creating Safety Awareness Ashore and At Sea

The day-to-day importance of Health and Safety at the workplace continued to be emphasised throughout the Group as several targeted programmes were conducted across various units. The initiatives carried out during the year under review include:

- Basic Life Support ("BLS") Training for Employees
- MISC Group Contractors HSE Forum
- Seafarers Wellness Guide
- Zero Incident Zero Accident ("ZIZA") Awards
- Behavioural Based Safety at the Workplace
- Process Safety Management
- Safety and Operational Excellence Roadmap
- Safety Culture Survey
- Hand and Finger Safety
- Driver Safety Passport Programme
- Employee Health and Safety Awareness

ENVIRONMENT

As a responsible member of the shipping industry, MISC is committed to take proactive measures towards mitigating environmental impacts from our business operations. We operate globally and thus, we are subject to international and local regulations in our areas of operations.

One of MISC's areas of priority is to actively contribute to climate change mitigation and adaptation. Most of our climate change mitigation efforts are focused on our shipping businesses as they represent a significant portion of our energy consumption and carbon emissions.

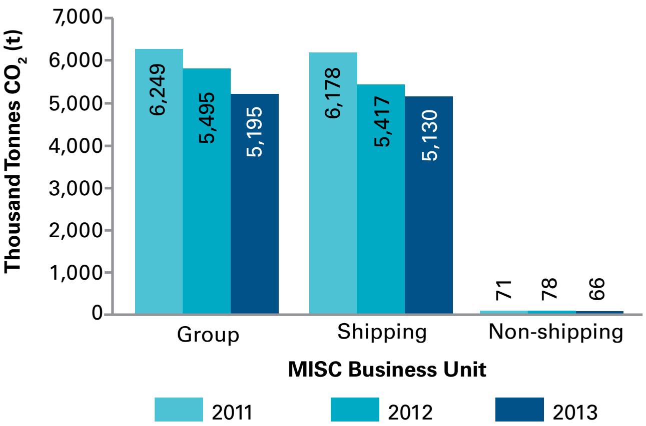
Sustainability Report

Carbon Emissions

The total CO_2 emissions produced in 2013 is approximately 5.2 million tonnes, a 5.4% decrease from 5.5 million tonnes in 2012. The decrease in emissions from previous years is in line with lowered energy consumption in terms of fossil fuel and electricity.

With a fleet size of over 120 vessels comprising LNG carriers, petroleum tankers and chemical tankers, the shipping business accounts for 98% of the Group's total CO_2 emissions.

MISC Group Total CO_2 Emissions



Energy Efficiency Initiatives

We recognise that optimising energy consumption across the Group will not just help us save on operating costs in the long run but also, will equally reduce our Greenhouse Gas ("GHG") emissions as part of our efforts in mitigating climate change. As most of MISC's fuel utilisation is due to our shipping business, most of the energy efficiency measures adopted are focused on the shipping sector. Some of the initiatives carried out in 2013 include:

- "I Save Fuel" Programme
- Ship Energy Efficiency Management Plan
- Technological Applications
- Energy Management Systems
- Vehicle Fuel Sensors

Environmental Awards and Recognitions

In 2013, MISC received the 'Green Award Certification' yet again by the Green Award Foundation as a testament to our commitment and dedication for high safety and environmental standards in our operations. The Green Award Foundation is a neutral and independent foundation established in 1994 by the Rotterdam Municipal Port Management and the Dutch Ministry of Transport. Also, five of our Seri "B" Class MISC LNG tankers and 18 AET petroleum tankers have been accredited with Green Awards.

COMMUNITY INVESTMENT

MISC believes that good corporate citizenship is important and should also be cultivated among our employees. MISC's primary thrust for community initiatives is to promote education and youth development. Community Investment at MISC is carried out perpetually through our maritime academy, Malaysian Maritime Academy Sdn. Bhd. ("ALAM") and the various outreach programmes organised year round. Our employees are given ample opportunities to organise and participate in outreach programmes of their choice, to further encourage ownership and collective responsibility.

Sustainability Report

Building Future Maritime Leaders

Incorporated in 1977, ALAM is our in-house maritime academy and serves to channel our commitment to the growth and sustainability of the maritime industry. An internationally recognised Maritime Education and Training ("MET") institution by Det Norske Veritas ("DNV"), ALAM continues to develop capable seafaring professionals from around the world through the comprehensive programmes offered at the institution. Apart from serving as a training ground for MISC seafarers, it is also a centre for development of existing and to-be professionals in the oil and gas and maritime industry.

The MISC Cadet Sponsorship Programme is a core part of our community investment initiatives through ALAM. In 2013, the Group sponsored a total of 109 cadets at this institution. This programme has garnered increasing recognition by students, parents and international organisations which further fuels its growth annually.

Developing Futures

Apart from ALAM, MISC's Navigate Your Career ("NYC") youth development programme has been ongoing since 2007. This programme helps prepare high school students for the upcoming challenges and realities of the marketplace through personal development, confidence building, leadership skills and teamwork. During the year under review, the NYC programme was held for Form 5 students at a total of five schools, namely, the Royal Military College ("RMC"), Sekolah Menengah Sains Kuala Selangor, Sekolah Menengah Aminuddin Baki, MRSM Pasir Salak and Sekolah Menengah Sains Cheras.

Bridging Communities

MISC employees are given ample opportunities to contribute to the local community through Outreach Programmes. These unit driven initiatives allow for community care from within and play a role in enhancing our presence in the surrounding communities. Most of the programmes are focused on reaching out to underprivileged children and improving access to education. Some programmes initiated for the year include:

- **Mountain of Life**
  An educational excellence programme to encourage a selected group of students who faced difficulties in their studies as a result of socio-economic factors such as poverty, lack of motivation and disciplinary issues.

- **We Care, We Strive, We Excel**
  A motivational programme to support underprivileged students amongst the Orang Asli community.

- **Seeing Through The Eye of Education**
  A development programme to promote the exploration of arts amongst visually impaired students.

- **Performance Improvement Programme**
  An assistance programme aimed at improving educational facilities at a school by providing financial support and maintenance for the computer lab.

- **Art of Science**
  An educational programme focused on increasing student's interest in the subject of Science.

- **Knights of Nature**
  An educational approach towards instilling environmental awareness among youth. The Knights of Nature programme is a camp organised in collaboration with EcoKnights.

Lending A Hand

Over the years, MISC has also been involved in many philanthropic events organised by numerous associations in the countries we operate in. During the year under review, MISC extended assistance to various causes, including:

- Contributions to Project Joy, an initiative providing assistance to the underprivileged Muslim community in Singapore.
- Charitable Christmas auction and contributions towards relief efforts for Filipino seafarers affected by Typhoon Haiyan.
- Contribution for the construction of "History Gallery" at Sekolah Kebangsaan Pasir Gudang 2 in Johor.
- Contribution of provisions to Permata Camar Orphanage, Kuantan through the MISC Sports and Recreational Club.
- Sponsorship of PETRONITA PETRONAS Charity Golf Challenge 2013 at Putrajaya.
- Contribution towards Hari Raya Aidilfitri gift packages for Malaysian Armed Forces.
- Contribution towards MASA Annual Dialogue and Charity Golf Tournament, Rawang.

/ Statement on Corporate Governance

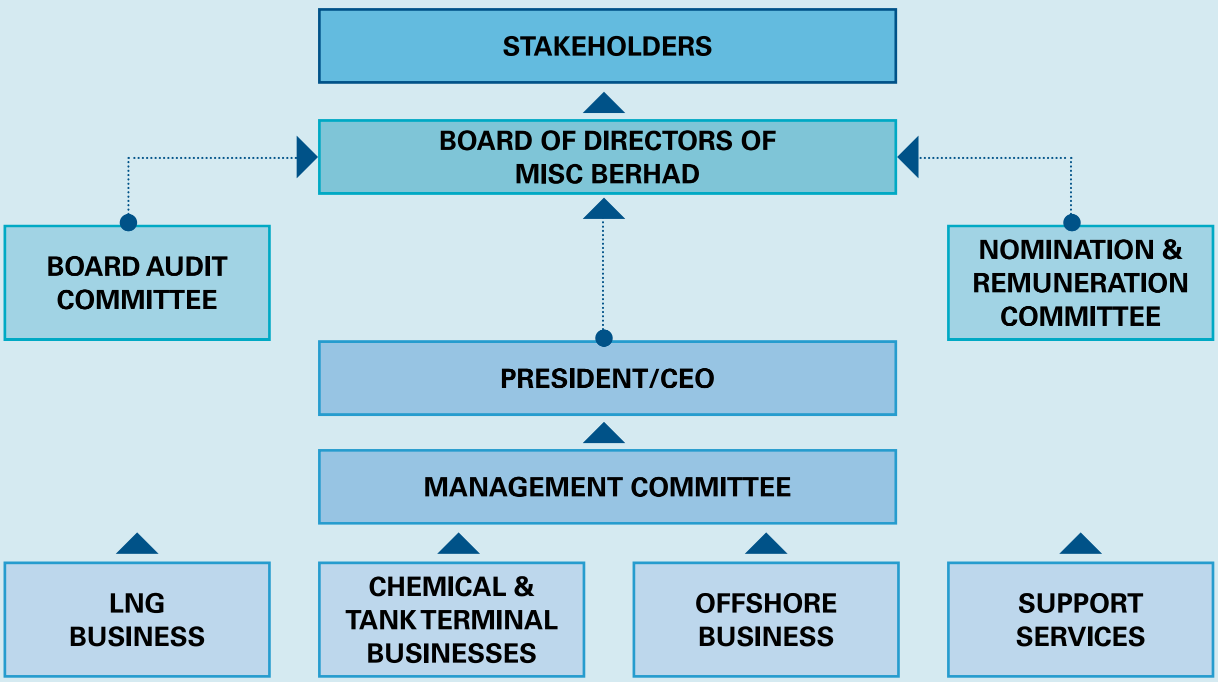
The Board of Directors ("the Board") of MISC Berhad ("MISC" or "the Company") is committed in ensuring that a high standard of corporate governance is applied throughout MISC Berhad Group ("the Group"). The Board adopts a corporate governance framework which is premised on the belief that sound corporate governance practices are fundamental towards winning and increasing investors' confidence. It is a prerequisite towards achieving the Company's ultimate corporate objectives of enhancing long-term shareholders value and protecting shareholders' interest.

The Board strives to ensure that the Company's corporate governance adheres to the best practice recommendations as laid down in the Malaysian Code on Corporate Governance 2012 ("the Code"). The Company's corporate governance also adheres to the following requirements and guidelines:-

- Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR");
- Bursa Securities' Corporate Governance Guide (2nd Edition).

CORPORATE GOVERNANCE FRAMEWORK

The Board reviews the Company's corporate governance framework from time to time to ensure its relevance and ability to support operational requirements. The corporate governance structure of the Company, as shown below, illustrates the structure of the MISC Corporate Governance Framework in terms of responsibility and accountability. Each layer of responsibility, i.e., Board of Directors, Board Committees, Management Committee and Business Units is distinctly different but compliments each other in attaining the objectives of the Group.



The Group's other business units such as Heavy Engineering Business, Petroleum Business, Integrated Logistics Business and Maritime Education & Training reside in separate companies within the Group and have their own separate corporate governance frameworks that are largely modelled along the lines of the Company's corporate governance framework.

The Board is pleased to disclose the Company's application of the principles as set out in the Code.

BOARD OF DIRECTORS

The Group continues to be led by committed Board members who play a vital role in the stewardship of the Group's strategic direction and operations. Decisions on material matters are reserved for the Board. These include the overall Group strategies and directions, acquisitions and investment or divestment policies, major projects and capital expenditures, budgets and significant financial matters, as well as major human resource policies and oversight over risk management. The Board also monitors the overall performance of the Group.

a. Board Composition

The Board has seven Directors comprising a Chairman who is a Non-Independent Non-Executive Director, four Independent Non-Executive Directors, a Non-Independent Non-Executive Director and an Executive Director who is also the President/Chief Executive Officer ("President/CEO"). Membership of the Board is drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to guide the Group.

Datuk Manharlal Ratilal holds the position of Chairman and Non-Independent Non-Executive Director. He is a nominee of Petroliam Nasional Berhad ("PETRONAS"), the major shareholder of the Company.

A majority of the Board consists of Independent Non-Executive Directors. This is in line with the recommendation of the Code where it states if the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. The composition of the Board is also in compliance with Paragraph 15.02 of the MMLR which stipulates at least two or one-third (1/3) of the Board members shall be Independent Directors, whichever is higher.

To ensure a balance of power and authority and clarity in decision making, there is a clear division of responsibilities between the roles of the Chairman and the President/CEO. The Chairman is primarily responsible for the orderly conduct and performance of the Board, whilst Datuk Nasarudin Md Idris, being the President/CEO, is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. The President/CEO is assisted by the Management Committee in managing the Group's business operations on a day-to-day basis. The Management Committee is responsible for the implementation of the Group's policy and procedures as well as all strategic decisions of the Board.

Statement on Corporate Governance

The four Independent Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Besides their skills and experience, the Independent Non-Executive Directors are individuals of strong calibre and standing. This ensures that the strategies proposed by the Management are open to constructive challenges and are fully deliberated and examined for the long-term interest of the Group, as well as of the stakeholders.

The composition of the Board is further enhanced in terms of gender diversity. This is evident where two out of the four Independent Non-Executive Directors are women.

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out their duties and responsibilities. The Chairman will be notified before the Directors accept any new directorship outside the Group. The notification includes an indication of time that will be spent on the new appointment.

The profiles of the Board members are presented on pages 26 to 32 of this Annual Report.

b. Board Meetings and Supply of Information

Board Meetings are scheduled in advance of any new financial year to facilitate Directors to plan ahead and fit the year's meetings into their schedules. The Board meets every quarter and additional meetings are held as and when required. During the financial year ended 31 December 2013, ten Board Meetings were held.

All Board members complied with Paragraph 15.05(3)(c) of the MMLR which states that the office of a Director will become vacant if the Director is absent from more than 50% of the total Board meetings held during a financial year.

It is a mandatory practice at all the Company's Board meetings that in the event that any Director is interested in a particular matter to be deliberated by the Board, the Director is required to declare the nature of his interest, whether direct or indirect, prior to the deliberation.

Details of attendance of each Director at Board meetings held in the year under review are as follows:-

Directors	**Number of Board Meetings Attended**
Datuk Manharlal Ratilal *(Chairman)*	*8 out of 10
Datuk Nasarudin Md Idris	10 out of 10
Mr. Harry K. Menon	*8 out of 10
Dato' Halipah Esa	10 out of 10
Dato' Kalsom Abd. Rahman	8 out of 10
En. Mohd. Farid Mohd. Adnan	*6 out of 10
Mr. Lim Beng Choon	10 out of 10

Note: * Datuk Manharlal Ratilal, Mr. Harry K. Menon and En. Mohd. Farid Mohd. Adnan did not attend 2 out of 10 Board meetings held during the year under review as the meetings were held to deliberate on a corporate exercise in which they were interested Directors.

The agenda and full set of Board Papers are distributed prior to Board Meetings to ensure that Directors have sufficient time to read and be properly prepared for discussion at the meetings. Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering amongst others, strategic and operational issues, financial, regulatory and marketing matters, risk factors, human resource issues and any other issues as identified by the Board.

Minutes of Board Meetings which include a record of the decisions and resolutions of the Board Meetings are properly maintained by the Company Secretary. The Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are followed. The Company Secretary also serves and advises the Board on matters relating to corporate compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices on corporate governance.

c. Appointment and Re-election of Directors

The Nomination and Remuneration Committee ("NRC") has the responsibility in making recommendations for new appointments to the Board. In making these recommendations, the NRC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies and other necessary qualities, before recommending potential new Directors to the Board for appointment.

In accordance with Article 95 of the Company's Articles of Association ("the Articles"), all Directors who are newly appointed to the Board shall hold office until the next Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. Article 97 of the Company's Articles also provide that at least one-third (1/3) of the Directors shall retire from office by rotation at least once in every three years but shall be eligible for re-election. At the forthcoming AGM, Datuk Manharlal Ratilal and En. Mohd. Farid Mohd. Adnan are retiring pursuant to Article 97 of the Articles and being eligible, have offered themselves for re-election.

The re-election of Directors is also regulated by the provision of Section 129(6) of the Companies Act, 1965 which provides that Directors over 70 years of age are to retire at every AGM and may offer themselves for re-election. However, none of the Company's Directors has reached 70 years of age as at the date of this Annual Report. A retiring Director shall retain office until the close of the general meeting at which he or she retires.

Statement on Corporate Governance

The Board is cognisant of the recommendation of the Code that the term for Independent Non-Executive Directors should not be more than nine years. In this regard, the Board acknowledges that Mr. Harry K. Menon, Dato' Halipah Esa and Dato' Kalsom Abd. Rahman have served the Company for more than nine years. During the year under review, the Board undertook a review of the performance of Independent Non-Executive Directors who have served the Company for more than nine years. It was found that despite having served the Company for more than nine years, their independence has never been compromised and they have diligently delivered the duties and responsibilities as expected of them, including in protecting the minority shareholders' interest. The Board is of the opinion that Mr. Harry K. Menon, Dato' Halipah Esa and Dato' Kalsom Abd. Rahman would continue to be professional and will discharge their duties and responsibilities as Independent Non-Executive Directors of the Company.

They have also completed the independent directors' self-assessment checklist as provided by the Bursa Securities' Corporate Governance Guide (2nd Edition) where it is found that apart from being on the Board for more than nine years, there exists no other elements (as highlighted in the check-list) that would compromise their independence.

On this basis, the Company is not seeking its shareholders' approval to retain Mr. Harry K. Menon, Dato' Halipah Esa and Dato' Kalsom Abd. Rahman as Independent Non-Executive Directors of the Company.

d. Directors' Remuneration

The Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board the Director's remuneration in line with the responsibilities and contributions made for the year. In line with the Code, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload and responsibilities involved.

The level of remuneration for Non-Executive Directors reflects the level of responsibilities undertaken and contributions made by them. With the exception of the President/CEO, all Non-Executive Directors are paid Directors' Fees which are subsequently approved by the shareholders at the AGM. However, all payments of Directors' Fees for executives of PETRONAS with the positions of Vice President and above, representing PETRONAS on the boards of PETRONAS' subsidiaries/associated companies, are treated as management fees and are paid directly to PETRONAS. The Company paid RM 244,000.00 of management fees to PETRONAS during the financial year ended 31 December 2013 in respect of Directors' Fees and meetings attendance allowances for Datuk Manharlal Ratilal and En. Mohd. Farid Mohd. Adnan.

The breakdown of Directors' Fees and attendance allowances received by each Director for the financial year ended 31 December 2013 is listed below:-

Directors	Annual Fees (RM)	Board Attendance Allowance (RM)	Board Committee Attendance Allowance (RM)	TOTAL (RM)
1. Datuk Manharlal Ratilal	Nil	Nil	Nil	Nil
2. Datuk Nasarudin Md Idris	Nil	Nil	Nil	Nil
3. Mr. Harry K. Menon	72,000.00	24,000.00	15,000.00	111,000.00
4. Dato' Halipah Esa	72,000.00	30,000.00	31,000.00	133,000.00
5. Dato' Kalsom Abd. Rahman	72,000.00	24,000.00	24,000.00	120,000.00
6. En. Mohd. Farid Mohd. Adnan	Nil	Nil	Nil	Nil
7. Mr. Lim Beng Choon	72,000.00	30,000.00	10,000.00	112,000.00
TOTAL	**288,000.00**	**108,000.00**	**80,000.00**	**476,000.00**

Details of Directors' remuneration for the year under review presented in bands are on pages 104 to 105 of this Annual Report.

BOARD COMMITTEES

The Board has established Board Committees to ensure the Board's effectiveness and to efficiently delegate and discharge its duties and responsibilities. The Board Committees operate under their respective terms of reference.

During Board meetings, the Chairpersons of each Board Committee provide summary reports of the recommendations and decisions made at respective Board Committee meetings and highlight to the Board any further deliberation that are required at Board level.

The Company has two Board Committees namely the Board Audit Committee and the Nomination and Remuneration Committee.

a. Board Audit Committee

The composition, revised terms of reference and a summary of the activities of the Board Audit Committee ("BAC") are set out separately in the BAC Report on pages 124 to 128 of this Annual Report. The terms of reference of the BAC were reviewed towards the end of the financial year ended 31 December 2013, to provide more clarity on the responsibilities of the BAC and to reflect the BAC's role on oversight of risk management. The revised terms of reference were approved by the Board and were made effective from 1 January 2014.

b. Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of the following members:-

- Dato' Halipah binti Esa (*Chairman/Independent Non-Executive Director*)
- Dato' Kalsom binti Abd. Rahman (*Independent Non-Executive Director*)
- Mohd. Farid bin Mohd. Adnan (*Non-Independent Non-Executive Director*)

The functions of the NRC include:

- to assess and recommend the appointment of Directors to the Board.
- to conduct annual review of the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors and the President/CEO should bring to the Board.
- to implement a formal process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process.
- to make recommendations to the Board on the appointment or extension of Management Committee members' employment.
- to recommend to the Board the remuneration and compensation of the Non-Executive Directors, the President/CEO, Management Committee members and the bonus quantum for the Group.

The NRC had seven meetings during the financial year ended 31 December 2013.

The key activities of the NRC included:

i. Conducted the annual Board performance evaluation process. The NRC reviewed the Board Performance for the financial year ended 31 December 2012 against the KPIs set for the Board and identified certain ways and means to improve Board operations. This included a review of the Company's Limits of Authority so as to reflect the current and strategic role of the Board.

ii. The Board also completed the Performance Evaluation Process - Phase 2 which emphasises on evaluation of Board performance and quality of decision-making and process using certain key subject matters as a platform for discussion, including the performance expected of the Independent Non-Executive Directors. The key subject matters are the related party transaction entered into by the Company on the disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited to E&P Venture Solutions Co. Sdn. Bhd., a subsidiary in the PETRONAS Group, and the Group's Business Plan and Budget for 2014 to 2017.

iii. The NRC had also conducted the annual review on the required mix of skills and experience of the Directors, including core competencies of the Non-Executive Directors. A skill map was presented to the NRC to substantially identify the required mix of skills and experience of Directors in line with the Company's objectives and requirements. A review of the tenure of the Independent Directors was also conducted.

iv. The NRC completed the MISC Board Charter and the same was approved for adoption by the Board on 17 April 2013. The Board Charter is available on the Company's website.

v. In addition, deliberations took place on the Succession Planning Plan and Policy of the Company. As part of proper succession planning of the President/CEO, the NRC recommended that Mr. Yee Yang Chien, Vice President, Corporate Planning and Development, be identified as the Chief Operating Officer of the Company. A new Vice President, Finance was also deliberated by the NRC as part of the Management succession planning execution plan. Other matters deliberated by the NRC were the MISC Remuneration Process and the appointment, re-designation and renewal of contracts of employment for senior management.

DIRECTORS' TRAINING AND DEVELOPMENT

All Board members of the Company have attended the Mandatory Accreditation Programme ("MAP") as required by the MMLR.

In addition, the Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge in order to ensure they keep abreast with new developments in the business environment, as well as ensuring that they possess the necessary knowledge to enable them to discharge their duties and responsibilities more effectively.

The NRC also undertook a review of the training requirements of Directors where a more customised approach was taken to fit the needs of the respective Directors. This is an annual exercise where the Company would gauge Directors' training and development needs through a questionnaire. Further review is conducted as to the core competencies which Directors should bring to the Board. Relevant training programmes are then arranged by the Company Secretaries for the Directors and a dedicated in-house training programme is organised for all Directors within the Group on an annual basis.

In addition to the education programmes, the Company organised a site visit for the Board members to Akademi Laut Malaysia ("ALAM") and the LNG Regasification Terminal at Floating Storage Unit ("FSU") LEKAS in Sungai Udang, Melaka in November 2013. This resulted in the enhancement of the Board members' business awareness and understanding of the operations of the Group as Directors were able to observe live operations and to mingle with the staff working on the operations, and with the students of ALAM.

Statement on Corporate Governance

During the financial year under review, the Directors have attended the following training programmes:-

	Title	Organisers	Date
1	MIDF Luncheon Talk on "The New Malaysian Automotive Policy"	Malaysian Industrial Development Finance Berhad ("MIDF")	20 February 2013
2	Directors' Remuneration Seminar 2013 – The Best Practice	Malaysia Institute of Corporate Governance	28 February 2013
3	Powering for Effectiveness	Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia	12 March 2013
4	Tun Ismail Mohamed Ali Memorial Lecture Series by Professor Raseen Sapideen on "Corporate Governance and Strategy"	PNB Investment Institute Sdn. Bhd.	27 March 2013
5	The Nomination and Remuneration Committee	Financial Institutions Directors' Education ("FIDE") Programme, Bank Negara Malaysia	1 April 2013 to 2 April 2013
6	PETRONAS 2010 Performance of the World Best Efficiency Refineries by Solomon	PETRONAS	8 April 2013
7	In-house Directors' Training on ICAPP	MIDF Investment Bank	15 April 2013
8	LION In-house Training for Board Members and Management:- • Corporate Governance/Enterprise Risk Management; • Competition Act, 2010; and • Personal Data Protection Act, 2010.	LION Group	25 April 2013
9	Enterprise Risk Management	Boston Consulting Group and Hong Leong Bank Berhad	31 May 2013
10	Risk Management Forum: Embracing Risks for Long Term Corporate Success – Boosting Your Risk Governance	PNB Investment Institute Sdn. Bhd.	4 June 2013
11	Asia Oil & Gas Conference	PETRONAS	9 June 2013 to 11 June 2013
12	Strategic Insights Forum	CSP	12 June 2013
13	Advocacy Session on Corporate Disclosure for Directors	Bursatra Sdn. Bhd.	20 June 2013

	Title	Organisers	Date
14	Companies Act, Corporate Governance and Directors' Liability	Dave Walker of Werksmans Attorney/Engen	26 June 2013
15	SHELL New Lens Scenario	SHELL and Malaysia Petroleum Club	4 July 2013
16	Downstream Leadership Workshop	PETRONAS	7 September 2013 to 8 September 2013
17	Investment Talk on "Financial Instruments and Opportunities" by Dr Marc Faber	MIDF Investment Bank	10 September 2013
18	Corporate Governance Practice	Bursatra Sdn. Bhd.	11 September 2013
19	Corporate Finance Programme	FIDE Programme, Bank Negara Malaysia	26 September 2013 to 27 September 2013
20	Seminar on Wealth Creation	PNB	1 October 2013
21	Corporate Integrity Advocacy Programme	PETRONAS and Malaysian Anti-Corruption Commission	28 October 2013
22	Breakfast Talk on "Creating Culture that Drives Leadership, Innovation and Growth"	MINDA	29 October 2013
23	PNB Qualitative Initiative Event by ICLIF	PNB	30 October 2013
24	LION Forest Industries Berhad Directors' Training on New Business on Cash Crop Plantation in Cambodia and the Accompanying Risks to the company	LION Forest Industries Berhad	20 November 2013
25	MISC Berhad Board of Directors' Annual Training 2013:- • Understanding Strategic Planning and its Challenges in Driving MISC; • Ethics and the Board of Directors; and • Investor Relationship and Corporate Relationship.	MISC Berhad	29 November 2013
26	Site Visit to Akademi Laut Malaysia ("ALAM") and LNG Regasification Terminal, Floating Storage Unit ("FSU") LEKAS, Sungai Udang, Melaka	MISC Berhad	30 November 2013
27	Investment Talk by YBhg Dato Seri Abdul Wahid Omar on "Economic Challenges"	MIDF Investment Bank	3 December 2013

SHAREHOLDERS AND INVESTORS

The Board values its dialogue with both institutional shareholders and private investors and recognises the importance of providing timely and equal dissemination of relevant information to them.

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and provide sufficient clarification on issues and concerns raised by the shareholders. The Chairman plays a pivotal role in accommodating a constructive dialogue amongst shareholders, the Board and Management. Shareholders are strongly encouraged to attend, speak and vote at the Company's general meetings. In compliance with the Code, the Company will hold a poll voting whenever general meetings to decide on Related Party Transactions are held.

Apart from the AGM, other forums for communication between the Company and shareholders are as follows:-

- the Company's other general meetings;
- quarterly financial statements and annual reports;
- announcements on major developments to Bursa Securities;
- the Company's website at www.misc.com.my; and
- quarterly briefing sessions between the Company's senior management and analysts/investors.

Further details on our investor relations activities are provided in pages 80 to 81 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the annual financial statements and quarterly announcements of results to the shareholders as well as the Chairman's Statement and President/CEO's Report on the business segment review in the Annual Report. The Board is assisted by the BAC to oversee the Group's financial reporting processes and the quality of its financial reporting.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets. This principle is elaborated under the Statement on Risk Management and Internal Control by the Directors in pages 114 to 120 of this Annual Report.

Relationship with the External Auditors

The Board ensures that there are formal and transparent arrangements for the maintenance of an objective and professional relationship with the external auditors. The BAC met with the external auditors without the presence of the management twice during the year under review to discuss any matters that they may wish to highlight.

Code of Conduct and Business Ethics

The Company observes its own Code of Conduct and Business Ethics ("CoBE"), including the Whistleblowing Policy and the No Gift Policy. The CoBE is applicable to all Directors, employees and third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conducts expected from each individual to whom the CoBE applies.

During the year under review, the Company also adopted the PETRONAS' Anti-Bribery and Corruption Manual ("ABC Manual"), which applies to all Directors and employees of the Group as well as the Company's agents and contractors. The ABC Manual supplements the CoBE and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought by any parties against the Company.

Related Party Transactions

The Group has put in place procedures, internal controls and guidelines to ensure that related party transactions and recurrent related party transactions are entered into on normal commercial terms and on terms which are not more favourable than those generally available to third parties dealing on arms' length basis and are not detrimental to the minority shareholders.

The BAC is responsible to ensure the following:

i. That a framework and appropriate procedures are in place for the purposes of identifying, monitoring, evaluating, reporting and approving Related Party Transactions ("RPTs") and Recurrent Related Party Transactions ("RRPTs");

ii. That a review of any RPTs or RRPTs and conflict of interests that may arise within the Group is conducted; and

iii. That the established procedures are adequate in order to ensure that the RPTs and RRPTs are entered into in the best interest of the Company, on fair and reasonable commercial terms and not detrimental to the interest of minority shareholders.

The internal guidelines pertaining to the governance of RPTs and RRPTs are summarised as follows:

a) Information on related parties and procedures applicable for RPTs and RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated from time to time to all MISC's business and service units as well as subsidiaries, for their reference.

b) All business and service units shall review their existing information systems on an on-going basis to ensure that features are incorporated in the systems for capturing information on RPTs/RRPTs at source. All heads of departments are advised to report on all transactions with related parties.

c) RPTs and RRPTs will only be undertaken after it has been ascertained that the transaction prices, terms and conditions, quality of products/services are comparable with those prevailing in the market and will meet industry standards. The transaction prices will be based on the prevailing market rates/prices of the service or product or to otherwise accord with the normal commercial terms and applicable industry norms. The interests of non-interested shareholders will be taken into account when entering into the RPT and RRPT to ensure that their rights and interests are upheld as per the MMLR.

d) Where possible, other contemporaneous/similar transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

   In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates or prices that are agreed upon under similar commercial arrangements for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RPT and RRPT is not detrimental to the Company or the Group.

e) On-going awareness sessions are arranged with employees and stakeholders to ensure sufficient knowledge on RPTs and RRPTs in order to comply with the MMLR. Records on all transactions with Related Parties are properly maintained by all Business and Service Units and MISC's subsidiaries.

f) Internal audit shall review the internal control process and records of RPTs and RRPTs within the affected scope to verify that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC.

g) BAC shall review the internal audit report and will also review from time to time any related party transactions that may arise within the Group. If the BAC is of the view that the procedures are insufficient to ensure that RPTs and RRPTs are undertaken on an arm's length basis and on normal commercial terms and on terms that are not more favourable to the transacting party than those generally available to other third parties during their periodic review of the procedures, the BAC has the discretion to request for additional procedures to be imposed on the RPTs and RRPTs.

h) An interested/deemed interested Director in any particular RPT/RRPT, shall be required to declare his or her interest in the RPT/RRPT and will have to refrain from any deliberation and also abstain from voting on the matter at the Board meeting in respect of that RPT/RRPT.

i) MISC's Limits of Authority also reflect the relevant thresholds for the approval of RPT and RRPT. A process flow is also defined to articulate the necessary steps of the process.

The RRPTs entered into by the Group during the financial period ended 31 December 2013 are set out below:

Nature of Transaction	Transacting Party	Related Party
1. Provision of freight forwarding activities and/or logistics services to PETRONAS Group	MISC Integrated Logistics Sdn. Bhd.	PETRONAS*
2. Purchase of lubricants and other petroleum products including bunker oil from PETRONAS Dagangan Berhad	MISC	PETRONAS*
3. Charters of petroleum and chemical tankers and liquefied petroleum gas carriers from MISC by PETRONAS Group	MISC	PETRONAS*
4. Supply of manpower and services in relation to fabrication and construction of oil and gas offshore structures for PETRONAS Group	GK O&M (L) Limited	PETRONAS*

**PETRONAS is a major shareholder of the Company*

The BAC has reviewed the above RRPTs and confirmed that the methods or procedures for determining the prices and terms of the RRPTs have not changed since the issuance of the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn. Bhd. dated 26 March 2012. The same was published in the Company's Annual Report for the financial period ended 31 December 2012.

The BAC has also confirmed that the methods or procedures, as mentioned above, are sufficient to ensure that the RRPTs will be carried out on normal commercial terms and are not detrimental to the Company's minority shareholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors passed on 10 April 2014.

Statement on Risk Management & Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires the Board of Directors ("the Board") to establish a sound risk management framework and internal controls system, and disclose in the annual report the main features of this risk management framework and internal controls system.

Further, pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board is also required to include in the Company's annual report, a 'statement about the state of internal controls of the listed issuer as a group'.

Hence, the Board is pleased to provide the following statement that was prepared in accordance with the 'Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers', endorsed by Bursa Securities.

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibility of establishing a sound risk management framework and internal controls system, as manifested in Recommendation 6.1 of the Malaysian Code of Corporate Governance 2012.

Accordingly, the Board has entrusted the responsibility of risk management oversight to the MISC Board Audit Committee ("BAC"). The BAC is supported by the MISC Risk Management Committee ("RMC"). The Company has put in place a systematic risk management framework adopted from the PETRONAS Risk Governance Framework to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control systems to manage these risks, of which details are set-out in the following pages.

In addition to the risk management process, the BAC periodically reviews and/or tests the efficiency and effectiveness of the Group's internal control system to ensure that the system is viable and robust. The BAC is also supported by the Management Audit Committee ("MAC").

In dealing with risks, the Board understands that it is not always possible, cost-effective or desirable to eliminate risk all together. Accordingly, these internal control systems can only provide reasonable but not absolute assurance against material misstatement or loss, or the occurrence of unforeseeable circumstances. Thus, the Board adopts a cost-benefit approach to ensure that returns must or commensurate with the cost of risk controls.

RISK MANAGEMENT FRAMEWORK

The Company has leveraged on the PETRONAS Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

The framework of risk management encompasses the following key elements:

- **Risk Management Policy**

  The Group adopts the **PETRONAS Enterprise Risk Management ("ERM") Policy** in identifying, assessing, reporting and monitoring the ever changing risks facing the Group and take specific measures to mitigate these risks. The policy stresses the importance of balancing between risk and reward in making business decisions to protect key stakeholders' interests, and to comply with all statutory and legal requirements.

  In addition, MISC is represented in the **PETRONAS Risk Management Committee** which allows the MISC Group to leverage on PETRONAS ERM approaches, standards and current initiatives in implementing Enterprise Risk Management. This platform also allows mutual exchange of information between MISC and PETRONAS to keep abreast of developments in managing risks. In addition, the PETRONAS Risk Management Committee also coordinates group-wide risk management in terms of building risk management awareness and capabilities, monitoring the risk exposures and planning responses to potential major risk events.

- **Risk Governance Structure**

  The RMC was established to assume the role of risk oversight and governance responsibilities.

  The RMC, which mainly consists of Vice Presidents and heads of key service units, is primarily responsible for driving the Risk Management Framework and acts as the central platform of the Group to undertake the following key responsibilities:

  - Assist the Management in identifying principal risks at Group level and providing assurance that the ERM is implemented group-wide to protect and safeguard MISC interest;

  - Review and recommend policies and frameworks specifically to address risk inherent in all business operations and environment pertaining to the Group; and

  - To provide a reasonable assurance to the BAC that the Group's risks are being managed appropriately.

  The implementation of risk management activities are undertaken at corporate and business units/subsidiaries level and risk reports are reviewed and monitored by the Risk Management Department ("RMD") on regular intervals prior to escalation to RMC. Each appointed risk focal person owns the responsibility for risk management activities in their specific department/unit to ensure consistent implementation of risk management processes across the Group.

Statement on Risk Management & Internal Control

The RMC meets on a regular basis to update any risk management issues to the Management Committee ("MC"), President/CEO and BAC which then updates the Board.

To ensure the integrity of financial risk management, the Finance Risk Unit continues to monitor and ensure effective and robust implementation of the financial risk management through the implementation of the **PETRONAS Corporate Financial Policy ("CFP")**. The CFP supports the delivery of consistent approach in financial and risk management discipline across the Group. The CFP is supplemented with Guidelines in the areas of Integrated Financial Shared Services Centralisation, Liquidity Management, Capital Structure & Financing, Investment Banking, Asset Liability Management, Foreign Exchange Management, Credit Commodity Price Risk Management, Tax Management and Financial Risk Management.

The Group has established its **Financial Risk Appetite Setting ("FRAS")** in the areas of Interest Rate Risk, Foreign Exchange Risk and Financial Institution Credit Counterparty Risk. The FRAS are reviewed on an annual basis or as and when the need arises, helps to alert early warning signals through the monitoring of Financial Risk Appetite Scorecards and its Key Risk Indicators.

The Group is also represented in the **PETRONAS Financial Risk Management Operational Committee ("FRMOCO")** which is commissioned to address financial risk management, governance and operational issues in a holistic manner.

RISK MANAGEMENT PROCESS

The risk management process in MISC requires management to identify business risks at strategic, operational and tactical levels, and assess these risks in terms of likelihood and magnitude of impact, as well as to identify and evaluate the adequacy of mechanisms in place to manage these risks. This process involves assessments at business unit process level before being examined on a Group/strategic perspective.

The following summarises the key risk management activities undertaken during the year in review:

- **Embedding risk management into strategy planning**

  The Board acknowledges the significance of managing key risk events to sustain the achievement of business objectives. In ensuring efficient and effective integration between risk management and business performance, risk profiles for Business Units ("BU"), key Service Units ("SU") and key Subsidiaries ("Subs") have been reassessed to give greater emphasis on risks that affect and impact MISC's business achievements.

  In addition, Key Risk Indicators ("KRIs") have been identified to track and monitor the movement of risks throughout the year, thus allowing the management to act and take necessary measures in managing risks and ensure that strategic initiatives are implemented effectively.

- **Continuous Monitoring via Risk Reports**

  During the year in review, Management has continued to rely on Risk Reports to monitor the level of risks in relation to the acceptable risk appetite. Risk Reports are derived from the BU/SU/Subs risk registers after risk events have been prioritised by significance and severity of impact to business objectives. The performance of these key risks is monitored using specific KRIs, which are presented to the RMC, MC and BAC on quarterly basis. Hence, any changes or movements in the KRIs will provide an early warning mechanism should risk transcend into undesirable levels.

- **Project Risk Assessment**

  Project Risk Assessment ("PRA") is conducted for capital intensive projects to ensure that the project returns commensurate with the level of risk taken and the controls in place.

  During the year in review, RMD had undertaken PRAs on specific projects, to identify the projects' risks in advance and implementing controls either to reduce or eliminate the risk impact.

  In addition, Post Implementation Economic Review ("PIER") was also performed on specific projects/assets to assess the achievement of agreed objectives, targets and returns. PIER is an integral process of the entire PRA value chain.

OTHER KEY INTERNAL CONTROL PROCESSES

In addition to the risk management process, the effectiveness and integrity of the internal control system are also governed by the various processes as follows:-

1. The **BAC** operates within its terms of reference and the **MAC** performs an important role in ensuring that there is effective risk monitoring, internal control and corporate governance to provide the level of assurance required by the Board.

2. **MISC Group Internal Audit ("GIA")** functionally reports to the BAC and performs independent planned approved audits and initiatives within the Group to evaluate and assess the effectiveness of risk management, internal control and governance processes. GIA also conducts additional assurance assignments, control improvement engagements and special reviews arising from potential irregularities in any areas upon request by the Management, MAC or BAC. The BAC reviews, deliberates and endorses the annual and long term audit plans and strategies including scope of work and resources. Results of the audit engagements are presented and deliberated during quarterly BAC meetings.

   Prior to submission to the BAC, GIA submits the comprehensive audit reports incorporating risk areas under review and their associated controls, audit findings and recommendations to the MAC for executive reviews. The reports, deliberations and decisions are shared during BAC meetings.

Statement on Risk Management & Internal Control

The key in solving lapses in internal controls is the effective execution of the Audit Plan and close monitoring of the **Agreed Corrective Actions ("ACAs")** which are embodied in the audit reports. GIA monitors the status of implementation of these ACAs through the Quarterly Audit Status Reports, of which, the ACAs are recorded and analysed. The consolidated reports are submitted and presented to the MAC and BAC for deliberation and endorsement on half yearly basis.

In addition, BAC conducts half yearly review and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy. The conducts of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum. In addition, the internal audit work also conforms to the Institute of Internal Auditor's ("IIA's") International Standards for the Professional Practice of Internal Auditing.

3. The **Management** sets the tone for an effective control culture in the organisation through the company's shared values, developed to focus on the importance of these four key values:-

   - Loyalty
   - Integrity
   - Professionalism
   - Cohesiveness

   The importance of the shared values is manifested in the adoption of the **PETRONAS Code of Conduct & Business Ethics ("CoBE")** and its coverage is extended to not only MISC employees and directors within the MISC Group but also to third parties performing works or services for or on behalf of MISC group of companies, who are required to strictly adhere to the CoBE in performing their duties.

4. The **Ship Management Audit ("SMA")**, which reports to the MAC and BAC, performs independent scheduled inspections on MISC Group vessels and floating facilities. The objectives of the inspections are to verify, evaluate and review the Group's operational activities to ensure the vessels' and floating facilities' operational integrity and reliability are maintained at all times, consistent with international regulations and internal policies.

   MISC Group vessels are subjected to stringent audits, vetting and inspections to meet various regulatory and commercial requirements. These include vetting by oil majors, audits by the Malaysian Marine Department and ship classification societies to maintain international safety and security management certification under the relevant Codes. In addition, MISC is also subjected to periodic management reviews by our customers' risk management units.

   The SMA submits its findings and recommendations on corrective actions of each ship inspected to the **Fleet Management Services ("FMS")** Division. The monitoring and follow-up on the status of the corrective actions is maintained monthly until closure. On a six-monthly as well as annual basis, findings on each ship inspected are collated and analysed into a consolidated report. The consolidated reports are submitted and presented at the MAC for review, comments and further actions. The reports are then presented to BAC with the deliberations and decisions shared.

5. The **Corporate Health, Safety and Environment ("CHSE")** Division drives various HSE sustainability initiatives and defines the framework that exemplifies CHSE's effort to continuously meet legal compliance as a minimum. CHSE also drives strategies and monitors performance to ensure HSE risks are managed to as low as reasonably practicable.

6. The **Corporate Security Division ("CSD")** maintains a clear policy, procedures and framework with the aim to continuously monitor adherence to established industry security standards as well as international security standards applicable under the relevant codes.

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEMS

1. The Board reviews **quarterly reports** from Management on key operating performance and legal, environmental and regulatory matters. Financial performance is deliberated by the MC and also tabled to the Board on a quarterly basis.

2. The Group performs a **comprehensive annual planning and budgeting exercise** which involves the development of business strategies for the next five years to achieve the Group's vision. The long term strategies are supported by initiatives to be accomplished in the upcoming year, and for effective implementation, the initiatives are tied to specific measurable indicators which will be evaluated against the relevant business/service units and subsidiaries' deliverables. The Group's strategic directions are then reviewed annually taking into account current progress level and other indicators such as latest developments in the industry, changes in market conditions and significant business risks. In addition to that, the Group's business plan is translated into budgetary numbers for the next five years, and financial performance and variance against budget is analysed and reported quarterly to the Group's Management Committee and the Board.

3. The **Limits of Authority ("LOA")** manual provides a sound framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation's hierarchy.

4. The Group had in FY2011 implemented the **PETRONAS Financial Control Framework ("FCF")** initiative. The principal objective is to enhance the quality of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of process workflows, key controls, remediation of control gaps as well as regular testing of control effectiveness.

   On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable.

5. The Group had implemented the **PETRONAS Debt Compliance Management ("DCM")** initiative of which the objective is to provide assurance that debt covenants of the external borrowings are being observed and complied with.

Statement on Risk Management & Internal Control

6. There is a clear procedure for **investment appraisal** including equity investment or divestment and capital expenditure.

7. **Tender Committees** are established to ensure tender evaluation exercises are conducted in an effective, transparent and fair manner.

8. Information and Communications Technology ("ICT") is extensively employed in MISC to automate work processes and to collect key business information. MISC's information and communication system, which acts as an enabler to improve business processes, work productivity and decision making, are being implemented throughout the Group.

   The **Information and Communications Technology Steering Committee ("ITSC")** provides strategic directions and guidance to ICT initiatives. Progress of ICT initiatives is monitored and reported at the ITSC meetings to ensure smooth implementation.

   System reviews are initiated and conducted to confirm adequate controls are being established in order to adhere to the Company's business objectives, policies and procedures. Quarterly reports are presented to the MAC and BAC and agreed corrective actions are taken to address any non-compliance.

9. The professionalism and competency of employees are enhanced through structured development programmes and potential entrants or candidates are subject to a stringent recruitment process. A **Performance Management System ("PMS")** is established with performance indicators to measure employees' performance and performance reviews are conducted twice annually. Action plans to address employees developmental requirements are prepared and implemented timely. This is to ensure that employees are able to deliver the expected performance so that the Group can meet its plans and targets.

The Board does not regularly review the internal control system of its associated companies and jointly controlled entities, as the Board does not have any direct control over their operations. Notwithstanding, MISC's interests are served through representation on the board of the respective associated companies and jointly controlled entities, and receipt and review of management accounts and inquiries thereon. These representations also provide the Board with information for timely decision making on the continuity of MISC's investments based on the performance of the associated companies and jointly controlled entities.

The Board has received assurance from the President/Chief Executive Officer and Vice President, Finance that, with the exception of its associated companies and jointly controlled entities, the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

There were no material losses incurred during the financial period as a result of weaknesses of internal control. Management would continue to take measures to strengthen MISC's control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 25 February 2014.

/ Statement of Directors' Responsibility

The directors are responsible in ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the provisions of the Companies Act, 1965, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The directors are also responsible to ensure that the annual audited financial statements of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2013, the directors have ensured that, appropriate and relevant accounting policies are adopted and consistently applied, reasonable and prudent estimates are exercised and going concern basis was adopted.

The directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

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

This statement is made in accordance with the resolution of the Board of Directors dated 25 February 2014.

Additional Compliance Information

a. Status of Utilisation of Proceeds

The status of utilisation of proceeds raised from the following corporate exercise as at 31 March 2014 is as follows:-

Disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited, a wholly-owned subsidiary of MISC Berhad **("MISC")**, to E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of Petronas Carigali Sdn. Bhd. **("Share Disposal")**, which was completed on 14 December 2012 **("Completion Date")**

Purpose	Proposed utilisation[1]	Actual utilisation	Estimated timeframe for utilisation from the Completion Date[1]	Revised timeframe for utilisation from the Completion Date	Deviation amount		Explanations
	RM Million	RM Million			RM Million	% [3]	
Repayment of bank loans and borrowings	3,820.6	3,820.6	Within nine (9) months	Within nine (9) months	–	–	
Capital expenditure	1,472.2	528.5	Within eighteen (18) months	Within thirty six (36) months[2]	943.7	17.8	Slower progress than originally anticipated of a capital project and deferment of a capital project to which some of the proceeds were intended for utilisation.
Estimated expenses in relation to the Share Disposal	2.0	1.8	Within three (3) months	Within three (3) months	0.2	*	
Total	**5,294.8**	**4,350.9**			**943.9**	**17.8**	

Note:

* *Negligible.*

(1) *As disclosed in MISC's circular to shareholders in relation to the Share Disposal dated 12 November 2012.*

(2) *Given the progress of utilisation of proceeds for capital expenditure against the actual utilisation as at 31 March 2014, the Board agreed to extend the timeframe for utilisation of proceeds for capital expenditure by an additional eighteen (18) months. This results in the extension of the timeframe for utilisation of proceeds for capital expenditure to thirty six (36) months from the original timeframe of eighteen (18) months.*

(3) *Computed based on the deviation amount divided by the total proceeds raised from the Share Disposal.*

Additional Compliance Information

b. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries, involving the Directors' and major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2013 or, if not then subsisting, entered into since the end of the previous financial year.

c. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

d. Non-audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2013 by the Company's external auditors or their affiliates is RM 0.4 million.

e. Share Buybacks

The Company did not purchase any of its own shares during the financial year.

f. Option, Warrants or Convertible Securities

The Company did not offer any options or warrants during the financial year.

g. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

h. Profit Estimate, Forecast or Projection

The Company did not announce any profit estimate, forecast or projection for the financial year.

i. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

/ Board Audit Committee Report

The Board of Directors of MISC Berhad ("MISC" or "the Company") is pleased to present the Board Audit Committee ("BAC") Report for the financial year ended 31 December 2013.

COMPOSITION

The composition of the BAC complies with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad ("Bursa Securities") which requires a majority of the BAC members to be Independent Directors. All the BAC members of the Company are Independent Non-Executive Directors, as follows:-

Members	Designation	Number of Meetings Attended
Harry K. Menon *Chairman*	Independent Non-Executive Director	5 out of 5
Dato' Halipah binti Esa *Member*	Independent Non-Executive Director	5 out of 5
Dato' Kalsom binti Abd. Rahman *Member*	Independent Non-Executive Director	5 out of 5
Lim Beng Choon *Member*	Independent Non-Executive Director	5 out of 5

Mr. Harry K. Menon is a member of the Malaysian Institute of Accountants ("MIA") and the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England and Wales. This complies with Paragraph 15.09(1)(c) of the MMLR which states that the BAC shall have at least one member who is a member of the MIA.

TERMS OF REFERENCE

The terms of reference of the BAC were reviewed towards the end of 2013 to provide more clarity on the responsibilities of the BAC. The new terms of reference were approved by the Board on 12 February 2014.

The new terms of reference of the BAC are as follows:-

Establishment

The BAC was established on 28 June 1993 as a committee of the Board of Directors ("the Board").

Composition

The BAC shall be appointed by the Board from amongst its non-executive members and shall consist of not less than three (3) members with the majority comprising Independent Directors.

At least one (1) member of the BAC must be a member of the MIA or having at least three (3) years' working experience and must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act, 1967.

No Alternate Director can be appointed as a member of the BAC.

Chairman

The members of the BAC must elect a Chairman from among themselves who shall be an Independent Non-Executive Director.

Meetings

The BAC shall hold meetings every quarter and additional meetings may be held as and when required. The quorum for each meeting must be two (2) members who shall both be Independent Directors. The external auditors may request a meeting if they consider necessary.

The BAC must sit with the external auditors at least twice a year without the presence of any executive member of the Board.

The proceedings of the BAC meetings shall be recorded and maintained by the Secretary to the BAC. The Joint Company Secretary of MISC Berhad is the Secretary of the BAC.

The President/Chief Executive Officer, Chief Operating Officer, Vice President – Finance, and the Head of Group Internal Audit ("GIA") shall normally attend BAC meetings. Other representatives of Management and representatives of the external auditors may be invited to attend BAC meetings on matters relevant to them.

Authority

The BAC is empowered by the Board with the following authorities to investigate any matters within its terms of reference at the cost to be borne by MISC Berhad:-

- Full and unrestricted access to resources and information which are required to perform its duties. This includes authority to seek information from any employees of the Group. Employees subjected to such requisition are directed to cooperate with the BAC;
- Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;
- Ability to obtain independent professional advice or other advices. The BAC may also invite external independent professionals to its meetings;
- Ability to convene meetings with the external auditors, the internal auditors or both, without the presence of other Directors and representatives of Management of the Group, if necessary; and

Board Audit Committee Report

- Where the BAC is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the BAC must promptly report such matter to Bursa Securities.

Functions

The BAC's functions are to review, evaluate, report and make appropriate recommendations to the Board on the following matters:-

In Relation to External Auditors:-
- Appointment of the external auditors, the audit fee and any questions of resignation and dismissal;
- Formulation of policies and procedures to assess the suitability and independence of external auditors;
- Review with the external auditors the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors' management letter and Management's response; and
- Assistance and cooperation rendered by the Group's employees to the external auditors.

In Relation to the Internal Auditors:-
- Ensure adequacy of GIA's resources, its appropriate competency and authority within the Group;
- Identification of the Head of GIA who reports directly to the BAC, and in consultation with the Management;
- Approve GIA's annual internal audit plan, processes and reports/findings generated by the GIA, and whether appropriate action is taken on the recommendations of GIA; and
- Issuance of guidance and instructions for further actions to be taken by Management.

General:-
- Review quarterly and annual financial statements, focusing particularly on:-
  - ø any changes in or implementation of accounting policies and practices;
  - ø significant and unusual events arising from the audit; and
  - ø compliance with accounting standards and other legal requirements;
- Ensure adequacy and effectiveness of the Group's accounting policies and procedures, risk management framework and internal control systems;
- Review and endorse any related party transaction and review any situation of conflict of interest that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity; and
- Consider any other topics as defined by the Board.

Vacancy

In the event of any vacancy in the BAC resulting in the non-compliance with Paragraph 2 (Composition), the vacancy must be filled within three (3) months.

SUMMARY OF ACTIVITIES

BAC meetings are scheduled in advance of any new financial year to allow its members to plan ahead and fit the year's meetings into their schedules. The BAC meets every quarter and additional meetings are held as and when required. During the financial year under review, five (5) BAC meetings were held. Minutes of BAC meetings which include records of the decisions and resolutions of the meetings are maintained by the Secretary of the BAC.

A summary of the activities of the BAC during the financial year ended 31 December 2013 is set out below:-

Risk Management

- Reviewed the adequacy and effectiveness of Risk Management Framework and the relevant on-going activities for identifying, evaluating, monitoring and managing risks.
- Received and reviewed quarterly reports from the Risk Management Committee ("RMC") on key strategic and operational risks to ensure these risks are being managed effectively. The RMC is primarily responsible for driving the Risk Management Framework and acts as a central platform for risk oversight within the Group.
- Reviewed and endorsed the Group's risk profile emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage these risks.

Internal Audit

- Reviewed and approved GIA's long term audit plan and Annual Audit Plan to ensure adequacy of resources, competencies and coverage on auditable entities as per risk-based assessment.
- Reviewed internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed inputs and management action plans provided by Management Audit Committee ("MAC") on the audit reports deliberated.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by management on all significant and secondary issues raised.
- Reviewed the adequacy of resources and competencies of staff within GIA to execute the audit plan.
- Conducted half-yearly and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy.
- Prior to BAC meetings, the Chairman held private meetings and discussions with Head and senior staff of GIA on audit reports and any Internal Audit related matters.

External Audit

- Reviewed and approved the external auditors' terms of engagement, audit plan, nature and scope for the financial year.
- Reviewed the results and issues arising from their audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management's response.

- Reviewed the scope and engagement strategy of the external auditor and upon satisfactory assessment, recommended that the Board approves the fee payable to the external auditor in respect of the scope of work performed.
- Held private meetings with the external auditors without the presence of Management twice a year (on 19 February 2013 and 4 November 2013) to ensure that there were no restrictions on the scope of their audit and to discuss any matters that they may wish to present.

Financial Results

- Reviewed the quarterly and annual financial statement of the Company and Group including Bursa's announcements, and recommended them to the Board for approval.

Review on Recurrent Related Party Transactions ("RRPTs")

- Deliberated on the RRPTs reports on quarterly basis and reviewed the framework and procedures of RRPTs.

Annual Reporting

- Reviewed and recommended the Statement on Risk Management and Internal Control and BAC Report to the Board for approval.

Ship Management Audit ("SMA")

- Reviewed the SMA quarterly and annual audit reports on the condition and management of MISC Group's vessels (including FSO/FPSOs) relating to efficiency and effectiveness of the internal control systems implemented.

Others

- Deliberated on the appointment of the new Head of GIA and new Secretary of the BAC.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is carried out in house by the GIA, which reports functionally to the BAC in discharging its duties. GIA conducts independently scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. GIA also conducts additional assurance assignments and/or special reviews upon request by the Management or BAC.

In the conduct of their audits, GIA places emphasis on risk-based auditing approach which forms an integral part of the audit plans. The key in solving lapses in internal control is the submission of audit findings, recommendations on audit issues and execution of the Agreed Corrective Actions ("ACA") which are encompassed in the audit reports. GIA monitors the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA are recorded and analysed. The consolidated reports are submitted and presented to the MAC and BAC for deliberation and endorsement on a half-yearly basis. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submits their findings and recommendations on audit issues to the MAC for executive reviews.

Subsequently, the reports together with deliberations by the MAC are tabled at the BAC Meetings for decisions.

At the Board Meetings, the Chairman of the BAC highlights key audit issues and overall decisions and resolutions made during the BAC Meetings to the Board Members.

During the financial year, GIA had carried out audits according to the internal audit plan approved by the BAC. The total cost incurred in discharging the internal audit functions during the financial year ended 31 December 2013 was RM 5.323 million.

The conduct of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum. In addition, the internal audit work also conforms to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

BAC STATEMENT ON RRPTs

The BAC has reviewed the internal guidelines pertaining to the governance of Related Party Transactions ("RPTs") and RRPTs as outlined on pages 111 to 113 of this Annual Report and is of the view that the said guidelines are sufficient to ensure that the RPTs and RRPTs are fair, reasonable and in the best interest of the Group. The BAC is satisfied that the Group has put in place adequate procedures and processes to monitor, track and identify RPTs and RRPTs in a timely and orderly manner to ensure that the RPTs and RRPTs are, at all times, carried out on normal commercial terms and consistent with the Group's practices and are not to the detriment of the minority shareholders. The procedures and processes will be reviewed from time to time based on recommendations from the internal audit team of the Company.

The GIA has also conducted an audit on RPTs and RRPTs as at December 2013 and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify the procedures and relevant approvals have been obtained. The established procedures are adequate and the RPTs and RRPTs are conducted at arm's length basis and not detrimental to the interests of MISC and its minority shareholders. The audit report was tabled to the BAC in February 2014.

This statement is made in accordance with the resolution of the Board of Directors of MISC duly passed on 10 April 2014.

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2013.

Principal activities

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services, and owning and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are stated in Notes 37, 38 and 39 to the financial statements respectively.

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

Results

	Group RM'000	Corporation RM'000
Profit from continuing operations	2,225,218	1,337,831
Profit from discontinued operations	4,310	7,637
Profit for the year	2,229,528	1,345,468
Attributable to:		
Equity holders of the Corporation	2,085,375	1,345,468
Non-controlling interests	144,153	–
	2,229,528	1,345,468

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 Corporation during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors' Report

Dividends

At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 December 2013:

	RM'000
Final tax exempt dividend of 5 sen per share under single tier system	223,190

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

Directors

The names of the directors of the Corporation in office since the date of the last report and at the date of this report are:

Datuk Manharlal Ratilal
Datuk Nasarudin Md Idris
Harry K. Menon
Dato' Halipah binti Esa
Dato' Kalsom binti Abd. Rahman
Mohd. Farid bin Mohd. Adnan
Lim Beng Choon

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 Corporation was a party, whereby the directors might acquire benefits by means of acquiring of shares in or debentures of the Corporation 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 fixed salary of full-time employees of the Corporation and other related corporations as disclosed in Note 7 to the financial statements) by reason of a contract made by the Corporation 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.

Directors' Report

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1 January 2013	**Bought**	**Sold**	**31 December 2013**
Corporation – MISC Berhad				
Direct				
Mohd. Farid bin Mohd. Adnan	5,000	–	–	5,000
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000
Fellow subsidiary – PETRONAS Gas Berhad				
Direct				
Datuk Nasarudin Md Idris	3,000	–	–	3,000

	Number of stapled securities of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust			
	1 January 2013	**Bought**	**Sold**	**31 December 2013**
Fellow subsidiary – KLCC Property Holdings Berhad				
Direct				
Datuk Manharlal Ratilal	5,000	–	–	5,000
Datuk Nasarudin Md Idris	5,000	–	–	5,000
Lim Beng Choon	11,000	–	(11,000)	–

Directors' Report

Directors' interests (cont'd.)

	Number of ordinary shares of RM0.10 each			
	1 January 2013	Bought	Sold	31 December 2013
Fellow subsidiary – PETRONAS Chemical Group Berhad				
Direct				
Datuk Manharlal Ratilal	20,000	–	–	20,000
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Harry K. Menon	20,000	–	–	20,000
Dato' Kalsom binti Abd. Rahman	35,000	–	–	35,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Mohd. Farid bin Mohd. Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	13,100	–	–	13,100

	Number of ordinary shares of RM0.50 each			
	1 January 2013	Bought	Sold	31 December 2013
Subsidiary – Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Dato' Kalsom binti Abd. Rahman	90,000	–	–	90,000
Mohd. Farid bin Mohd. Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000

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 Corporation or its related corporations during the financial year.

Directors' Report

Other statutory information

(a) Before the income statements, statements of comprehensive income, and statements of financial position of the Group and of the Corporation 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

(ii) the values attributed to the current assets in the financial statements of the Group and of the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation for the financial year in which this report is made.

Directors' Report

Significant events

The significant events during the financial year are disclosed in Note 42 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 25 February 2014.

Datuk Manharlal Ratilal | **Datuk Nasarudin Md Idris**

Statement by Directors

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

We, Datuk Manharlal Ratilal and Datuk Nasarudin Md Idris, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 140 to 298 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 Corporation as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 on page 298 to the financial statements have been prepared in all material respects, 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 Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2014.

Datuk Manharlal Ratilal **Datuk Nasarudin Md Idris**

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Rozainah binti Awang, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 140 to 298 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Rozainah binti Awang at
Kuala Lumpur in Wilayah Persekutuan
on 25 February 2014.

Rozainah binti Awang

Before me,

Independent Auditors' Report

to the members of MISC Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 140 to 298.

Directors' responsibility for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements so as to 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 about 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 Corporation'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 Corporation's internal control. An audit also includes evaluating the appropriateness of 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 Corporation as at 31 December 2013 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.

Independent Auditors' Report
to the members of MISC Berhad (Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 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 Corporation 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 37 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 Corporation 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 reporting responsibilities

The supplementary information set out in Note 43 on page 298 is disclosed to meet the requirement 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 Accountants ("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.

Other matters

This report is made solely to the members of the Corporation, 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

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/14 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 February 2014

Income Statements
for the year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Corporation 2013 RM'000	Corporation 2012 RM'000
Continuing operations					
Revenue	3	**8,971,805**	9,050,313	**1,930,346**	1,774,670
Cost of sales		**(6,918,146)**	(7,117,544)	**(1,573,876)**	(1,543,902)
Gross profit		**2,053,659**	1,932,769	**356,470**	230,768
Other operating income	4	**299,321**	441,693	**1,286,280**	1,133,180
Disposal of a subsidiary	15(b)	**–**	100,742	**–**	–
Disposal of assets through finance lease	18(d)	**–**	283,185	**–**	–
Net gain/(loss) on disposal of ships		**11,606**	(7,412)	**38,028**	–
Finance income	8(b)	**36,687**	96,233	**123,245**	109,674
General and administrative expenses		**(837,083)**	(953,251)	**(173,372)**	(237,596)
Impairment provisions	5(a)	**(97,903)**	(295,561)	**(68,685)**	(112,467)
Finance costs	8(a)	**(408,391)**	(355,386)	**(224,135)**	(168,947)
Share of (loss)/profit of associates		**(43)**	28	**–**	–
Share of profit of joint ventures		**1,169,874**	273,681	**–**	–
Profit before taxation from continuing operations	5	**2,227,727**	1,516,721	**1,337,831**	954,612
Taxation	9	**(2,509)**	27,600	**–**	–
Profit after taxation from continuing operations		**2,225,218**	1,544,321	**1,337,831**	954,612
Discontinued operations					
Profit/(loss) after taxation from discontinued operations	40(a)	**4,310**	(622,862)	**7,637**	(655,976)
Profit after taxation		**2,229,528**	921,459	**1,345,468**	298,636
Attributable to:					
Equity holders of the Corporation					
– Continuing operations		**2,081,065**	1,393,107	**1,337,831**	954,612
– Discontinued operations		**4,310**	(622,862)	**7,637**	(655,976)
Non-controlling interests		**144,153**	151,214	**–**	–
		2,229,528	921,459	**1,345,468**	298,636

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

Income Statements
for the year ended 31 December 2013

	Note	Group 2013	Group 2012 Restated
Earnings/(loss) per share attributable to equity holders of the Corporation (sen)			
Basic			
– from continuing operations	10	**46.6**	31.2
– from discontinued operations	10	**0.1**	(13.9)
		46.7	17.3
Diluted			
– from continuing operations	10	**46.6**	31.2
– from discontinued operations	10	**0.1**	(13.9)
		46.7	17.3

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

Statements of Comprehensive Income

for the year ended 31 December 2013

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Profit after taxation	**2,229,528**	921,459	**1,345,468**	298,636
Other comprehensive income/(loss): *Items that may be reclassified subsequently to profit or loss*				
Gain/(loss) on currency translation	**1,495,078**	(643,887)	**1,467,823**	(518,103)
Fair value (loss)/gain on non-current investments	**(62,040)**	49,487	**(62,040)**	49,487
Cash flow hedges – fair value gain	**58,100**	73,258	**–**	–
– reclassification to income statement on maturity of hedging arrangements	**26,717**	–	**–**	–
– reclassification to income statement on termination of hedging arrangements	**–**	21,435	**–**	–
Total other comprehensive income/(loss) for the year	**1,517,855**	(499,707)	**1,405,783**	(468,616)
Total comprehensive income/(loss) for the year	**3,747,383**	421,752	**2,751,251**	(169,980)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Corporation				
Continuing operations	**3,582,837**	897,553	**2,751,251**	(169,980)
Discontinued operations	**3,282**	(620,656)	**–**	–
Non-controlling interests	**161,264**	144,855	**–**	–
	3,747,383	421,752	**2,751,251**	(169,980)

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

Statements of Financial Position
as at 31 December 2013

	Note	Group 31.12.2013 RM'000	Group 31.12.2012 RM'000 Restated	Group 1.1.2012 RM'000 Restated
Non-current assets				
Ships	12	**18,948,734**	17,551,500	18,572,664
Offshore floating assets	12	**1,888,439**	1,343,865	6,602,697
Other property, plant and equipment	12	**1,854,313**	1,789,039	1,556,587
Prepaid lease payments on land and buildings	13	**251,750**	264,232	78,369
Intangible assets	14	**901,533**	866,927	855,158
Investments in associates	16	**1,971**	2,003	2,322
Investments in joint ventures	17	**6,031,026**	4,712,973	3,770,729
Other non-current financial assets	18(a)	**817,780**	665,376	1,159,995
Finance lease receivables	18(d)	**1,387,841**	1,419,724	420,731
Deferred tax assets	27	**65,422**	14,179	4,948
		32,148,809	28,629,818	33,024,200
Current assets				
Inventories	19	**262,900**	305,559	401,092
Trade and other receivables	20	**2,849,715**	3,197,073	2,189,206
Derivative assets	18(b)	**1,344**	–	–
Cash, deposits and bank balances	22	**4,747,735**	3,972,744	4,135,352
		7,861,694	7,475,376	6,725,650
Non-current assets classified as held for sale	23	**221,728**	374,415	519,688
		8,083,422	7,849,791	7,245,338
Current liabilities				
Trade and other payables	24	**3,594,266**	4,590,378	3,934,588
Derivative liabilities	18(b)	**–**	53,055	2,327
Interest-bearing loans and borrowings	18(c)	**3,392,624**	2,663,136	5,661,867
Provision for taxation		**34,421**	27,503	58,684
		7,021,311	7,334,072	9,657,466
Net current assets/(liabilities)		**1,062,111**	515,719	(2,412,128)
		33,210,920	29,145,537	30,612,072

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

Statements of Financial Position
as at 31 December 2013

		Group		
	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
Equity				
Equity attributable to equity holders of the Corporation				
Share capital	25(a)	**4,463,794**	4,463,794	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468	4,459,468
Other reserves	26	**794,832**	(705,912)	(212,564)
Retained profits		**14,994,835**	12,906,628	12,135,787
		24,712,929	21,123,978	20,846,485
Non-controlling interests		**1,044,440**	1,080,015	1,019,883
		25,757,369	22,203,993	21,866,368
Non-current liabilities				
Interest-bearing loans and borrowings	18(c)	**6,826,205**	6,299,531	7,908,778
Deferred tax liabilities	27	**20,143**	16,655	45,267
Derivative liabilities	18(b)	**4,230**	6,940	144,328
Provisions	24(d)	**602,973**	618,418	647,331
		7,453,551	6,941,544	8,745,704
		33,210,920	29,145,537	30,612,072

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

Statements of Financial Position
as at 31 December 2013

	Note	Corporation 31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
Non-current assets				
Ships	12	**6,619,907**	6,547,027	7,739,643
Offshore floating assets	12	**1,034,731**	793,595	6,204,845
Other property and equipment	12	**36,598**	24,745	114,664
Prepaid lease payments on land and buildings	13	**2,361**	5,561	5,916
Investments in subsidiaries	15	**9,278,447**	7,736,374	8,016,879
Investments in associates	16	**99**	92	226
Investments in joint ventures	17	**1,230,119**	1,145,058	211,367
Other non-current financial assets	18(a)	**4,265,501**	2,467,277	2,074,395
Deferred tax assets	27	**–**	–	–
		22,467,763	18,719,729	24,367,935
Current assets				
Inventories	19	**56,247**	81,124	153,284
Trade and other receivables	20	**702,128**	1,960,832	816,794
Cash, deposits and bank balances	22	**2,107,345**	2,145,223	1,350,607
		2,865,720	4,187,179	2,320,685
Non-current assets classified as held for sale	23	**126,969**	52,057	41,852
		2,992,689	4,239,236	2,362,537
Current liabilities				
Trade and other payables	24	**1,703,333**	2,129,182	1,706,677
Interest-bearing loans and borrowings	18(c)	**500,000**	2,345,368	4,984,640
		2,203,333	4,474,550	6,691,317
Net current assets/(liabilities)		**789,356**	(235,314)	(4,328,780)
		23,257,119	18,484,415	20,039,155
Equity				
Equity attributable to equity holders of the Corporation				
Share capital	25(a)	**4,463,794**	4,463,794	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468	4,459,468
Other reserves	26	**(207,358)**	(1,613,141)	(1,144,525)
Retained profits		**9,056,979**	7,711,511	7,412,875
		17,772,883	15,021,632	15,191,612
Non-current liabilities				
Interest-bearing loans and borrowings	18(c)	**4,881,954**	2,844,365	4,200,212
Provisions	24(d)	**602,282**	618,418	647,331
		5,484,236	3,462,783	4,847,543
		23,257,119	18,484,415	20,039,155

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Total equity RM'000	Equity attributable to equity holders of the Corporation RM'000	← Non Distributable → Share capital* RM'000	Share premium RM'000	Distributable Retained profits RM'000	Other reserves, total RM'000
2013							
At 1 January 2013, *as previously reported*		**22,484,960**	**21,081,970**	**4,463,794**	**4,459,468**	**12,858,809**	**(700,101)**
Effect of adoption of new MFRS	41(i)	**(280,967)**	**42,008**	**–**	**–**	**47,819**	**(5,811)**
At 1 January 2013, *restated*		**22,203,993**	**21,123,978**	**4,463,794**	**4,459,468**	**12,906,628**	**(705,912)**
Total comprehensive income/(loss)		**3,747,383**	**3,586,119**	**–**	**–**	**2,085,375**	**1,500,744**
Transactions with equity holders							
Acquisition of non-controlling interests		**(59,719)**	**2,832**	**–**	**–**	**2,832**	**–**
Disposal of a subsidiary		**(1,617)**	**–**	**–**	**–**	**–**	**–**
Distributions to non-controlling interests		**(132,671)**	**–**	**–**	**–**	**–**	**–**
Total transactions with equity holders		**(194,007)**	**2,832**	**–**	**–**	**2,832**	**–**
At 31 December 2013		**25,757,369**	**24,712,929**	**4,463,794**	**4,459,468**	**14,994,835**	**794,832**
2012							
At 1 January 2012, *as previously reported*		22,085,790	20,797,067	4,463,794	4,459,468	12,086,371	(212,566)
Effect of adoption of new MFRS	41(i)	(219,422)	49,418	–	–	49,416	2
At 1 January 2012, *restated*		21,866,368	20,846,485	4,463,794	4,459,468	12,135,787	(212,564)
Total comprehensive income/(loss)		421,752	276,897	–	–	770,245	(493,348)
Transactions with equity holders							
Acquisition of non-controlling interests		1,231	596	–	–	596	–
Distributions to non-controlling interests		(85,358)	–	–	–	–	–
Total transactions with equity holders		(84,127)	596	–	–	596	–
At 31 December 2012, *restated*		22,203,993	21,123,978	4,463,794	4,459,468	12,906,628	(705,912)

* Included in share capital is one preference share of RM1.

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

Attributable to equity holders of the Corporation →

Non Distributable →

	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**252,794**	**(116,147)**	**(1,376,485)**	**1,402,990**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**(5,811)**	**(322,975)**
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**252,794**	**(116,147)**	**(1,382,296)**	**1,080,015**
	–	**–**	**–**	**–**	**–**	**(62,040)**	**83,841**	**1,478,943**	**161,264**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,551)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,617)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(132,671)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(196,839)**
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**190,754**	**(32,306)**	**96,647**	**1,044,440**
	41,415	435,284	1,357	1,966	59,715	203,307	(209,779)	(745,831)	1,288,723
	–	–	–	–	–	–	–	2	(268,840)
	41,415	435,284	1,357	1,966	59,715	203,307	(209,779)	(745,829)	1,019,883
	–	–	–	–	–	49,487	93,632	(636,467)	144,855
	–	–	–	–	–	–	–	–	635
	–	–	–	–	–	–	–	–	(85,358)
	–	–	–	–	–	–	–	–	(84,723)
	41,415	435,284	1,357	1,966	59,715	252,794	(116,147)	(1,382,296)	1,080,015

Statements of Changes in Equity
for the year ended 31 December 2013

		← Non Distributable	→	Distributable	←	Non Distributable	→
	Total equity RM'000	Share capital* RM'000	Share premium RM'000	Retained profits RM'000	Other reserves, total RM'000	Fair value reserve RM'000	Currency translation reserve RM'000
2013							
At 1 January 2013	**15,021,632**	**4,463,794**	**4,459,468**	**7,711,511**	**(1,613,141)**	**252,794**	**(1,865,935)**
Total comprehensive income/ (loss)	**2,751,251**	**–**	**–**	**1,345,468**	**1,405,783**	**(62,040)**	**1,467,823**
At 31 December 2013	**17,772,883**	**4,463,794**	**4,459,468**	**9,056,979**	**(207,358)**	**190,754**	**(398,112)**
2012							
At 1 January 2012	15,191,612	4,463,794	4,459,468	7,412,875	(1,144,525)	203,307	(1,347,832)
Total comprehensive (loss)/ income	(169,980)	–	–	298,636	(468,616)	49,487	(518,103)
At 31 December 2012	15,021,632	4,463,794	4,459,468	7,711,511	(1,613,141)	252,794	(1,865,935)

* Included in share capital is one preference share of RM1.

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

Statements of Cash Flows
for the year ended 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 Restated	Corporation 2013 RM'000	Corporation 2012 RM'000
Operating activities					
Cash receipts from customers		**9,328,811**	8,681,773	**3,420,774**	2,089,436
Cash paid to suppliers and employees		**(7,206,002)**	(6,217,200)	**(1,919,268)**	(1,538,870)
Cash generated from continuing operations		**2,122,809**	2,464,573	**1,501,506**	550,566
Taxation paid		**(42,819)**	(40,155)	**–**	–
Net cash generated from continuing operations		**2,079,990**	2,424,418	**1,501,506**	550,566
Net cash used in discontinued operations	40(b)	**(68,828)**	(1,060,360)	**(68,628)**	(1,023,726)
Net cash generated from/(used in) operating activities		**2,011,162**	1,364,058	**1,432,878**	(473,160)
Investing activities					
Net cash (used in)/generated from continuing operations		**(1,643,237)**	2,913,257	**(1,322,634)**	4,823,050
Net cash generated from discontinued operations	40(b)	**15,063**	574,719	**12,115**	559,222
Net cash (used in)/generated from investing activities	28	**(1,628,174)**	3,487,976	**(1,310,519)**	5,382,272
Financing activities					
Net cash generated from/(used in) continuing operations		**170,449**	(4,907,554)	**(311,215)**	(4,064,546)
Net cash generated from/(used in) financing activities	29	**170,449**	(4,907,554)	**(311,215)**	(4,064,546)
Net increase/(decrease) in cash and cash equivalents		**553,437**	(55,520)	**(188,856)**	844,566
Cash and cash equivalents at beginning of financial year		**3,972,744**	4,135,352	**2,145,223**	1,350,607
Currency translation differences		**221,554**	(107,088)	**150,978**	(49,950)
Cash and cash equivalents at end of financial year		**4,747,735**	3,972,744	**2,107,345**	2,145,223
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	22	**4,747,735**	3,972,744	**2,107,345**	2,145,223

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

Notes to the Financial Statements
– 31 December 2013

1. Corporate information

The Corporation is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services, and owning and operating offshore floating terminals. The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 37, 38 and 39 respectively.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2014.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Companies Act, 1965 in Malaysia.

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

The financial statements of the Group and of the Corporation have also been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation is United States Dollar ("USD"). 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 Group and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

2.2 Changes in accounting policies and effects arising from the adoption of New and Revised MFRSs

As of 1 January 2013, the Group and the Corporation adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101: Presentation of Item of Other Comprehensive Income (Amendments to MFRS 101)

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies and effects arising from the adoption of New and Revised MFRSs (cont'd.)

Effective for annual periods beginning on or after 1 January 2013

- MFRS 10: Consolidated Financial Statements
- MFRS 11: Joint Arrangements
- MFRS 12: Disclosure of Interests in Other Entities
- MFRS 13: Fair Value Measurement
- MFRS 119: Employee Benefits (revised)
- MFRS 127: Separate Financial Statements
- MFRS 128: Investments in Associates and Joint Ventures
- IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations does not have any significant impact to the Group and the Corporation except for:

(a) MFRS 10, Consolidated Financial Statements

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in *MFRS 127 Consolidated and Separate Financial Statements* and *IC Interpretation 112 Consolidation – Special Purpose Entities*. Under *MFRS 127*, *Consolidated and Separate Financial Statements*, control was defined as the power to govern the financial and operating policies of an entity as to obtain benefits from its activities.

Upon adoption of MFRS 10, certain group companies previously classified as subsidiaries were deconsolidated from the results of the Group and accounted for in accordance with other applicable accounting standards.

The above change in accounting policy has affected the amounts reported in the Group's consolidated and Corporation's separate financial statements as shown in Note 41.

Notes to the Financial Statements
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2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies and effects arising from the adoption of New and Revised MFRSs (cont'd.)

(b) MFRS 11, Joint Arrangements

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131 *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as a joint venture or a joint operation. Joint ventures arise when the joint venturer has rights to the net assets of the arrangements, while joint operation arise when a joint operator has rights to the assets and liabilities relating to the arrangement. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable standards relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

Upon adoption of MFRS 11, certain group companies have been reclassified from subsidiaries to joint ventures. The interest in the joint ventures have been accounted for using the equity method.

The above change in accounting policy has affected the amounts reported in the Group's consolidated and Corporation's separate financial statements as shown in Note 41.

(c) MFRS 12, Disclosure of Interests in Other Entities

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

(d) MFRS 13, Fair Value Measurement

MFRS 13 replaces and expands the disclosure requirements about fair value measurements in other MFRSs, including MFRS 7, *Financial Instruments: Disclosures*. MFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13, the Group and the Corporation have provided additional disclosures about fair value measurement.

In accordance with the transitional provisions of MFRS 13, the Group and the Corporation have applied the new fair value measurement guidance prospectively and have not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(e) MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

In the previous financial years, spare parts were classified as inventories. In the current financial year, the Group adopted amendments to MFRS 116 and classified spare parts as part of inventories unless the item of spare part is held for own use and expected to be used for more than one period in which case it is classified as property, plant and equipment. The change in accounting policy has been applied retrospectively.

The above change in accounting policy has affected the amounts reported in the Group's consolidated financial statements as shown in Note 41.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group and the Corporation, unless otherwise stated.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities including structured entities controlled by the Corporation. The financial statements of the subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

In the previous financial years, control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights are considered when assessing control only when such rights are presently exercisable and the Group did not consider de facto power in its assessment of control.

Since the beginning of the financial year, the Group has adopted MFRS 10, *Consolidated Financial Statements*, where control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The impact of adoption of MFRS 10 is disclosed in Note 41.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated except for instances where cost cannot be recovered.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Notes to the Financial Statements
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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

For acquisitions on or after 1 April 2011, the Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in income statement.

For acquisitions prior to 1 April 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, the difference was recognised immediately in the income statement. Transaction costs, other than those associated with the issue or debt equity securities, that the Group incurred in connection with business combination were capitalised as part of the cost of acquisition.

Transaction costs, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Corporation, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Corporation. Non-controlling interests in the results of the Group are presented in the consolidated income statement and comprehensive income as an allocation of the income statement and other comprehensive income for the year between the non-controlling interests and shareholders of the Corporation.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, depending on the level of influence retained, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the associate's net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that in substance form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised as profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to income statement.

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

(c) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

In the previous financial years, joint arrangements were classified and accounted for as either jointly controlled entity or jointly controlled asset or jointly controlled operation. The Group has classified its joint arrangements as jointly controlled entities and accounted for its interest in jointly controlled entities using the equity method.

Upon adoption of MFRS 11, *Joint Arrangements* in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Corporation has rights to the assets and obligations for the liabilities relating to an arrangement. Whilst, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangements.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(i) Joint ventures

Investment in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in joint ventures is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the joint ventures. The Group's share of the net profit or loss of the joint ventures is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interest in the joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement. The joint ventures are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint ventures.

Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the joint ventures' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint ventures' profit or loss in the year in which the investments are acquired.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

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

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(ii) 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 as a joint operator recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

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

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint operation.

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic 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 for an intangible asset with a finite useful life are reviewed at each reporting date.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Intangible assets (cont'd.)

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

Intangible assets with indefinite useful lives are not amortised but tested for impairment, annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation

All ships, offshore floating assets and other property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, ships, offshore floating assets and other property, plant and equipment (except for ships and offshore floating assets under construction and projects in progress) are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Ships and offshore floating assets under construction and projects in progress are also not depreciated as these assets are not available for use.

Depreciation of ships and offshore floating assets commences from the date of delivery of both assets. Depreciation of ships and offshore floating assets in operation and other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Ships constructed	2.5% – 4.0%
Ships purchased	2.5% up to remaining life
Offshore floating assets	5.0% – 20.0%
Buildings	2.0% – 7.0%
Drydocks and waste plant	2.0% – 10.0%
Motor vehicles	10.0% – 33.3%
Furniture, fittings and equipment	10.0% – 33.3%
Computer software and hardware	15.0% – 33.3%
Plant and machinery	10.0% – 20.0%
Tugboats, engines and pushers	6.7% – 20.0%

The depreciation policy for drydocking cost included in ships is stated in Note 2.3(x).

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation (cont'd.)

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, offshore floating assets, and other property, plant and equipment.

Ships, offshore floating assets and other property, plant and equipment are derecognised upon disposal, or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

(f) 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 physical completion of the contract.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognised as expenses in the period in 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 in construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When the progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(g) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets and inventories and amount due from construction contract, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and 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.

An impairment loss is recognised in the income statement in the period in which it arises, if the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve of the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement. If the asset is carried at revalued amount, such a reversal is treated as a revaluation increase.

(h) Inventories

Inventories which comprise bunkers, lubricants, spares, raw materials and consumable stores are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets

Initial recognition:

Financial assets within the scope of MFRS 139 are classified as "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", "available-for-sale financial assets", or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace concerned (regular way of purchases) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, deposits and bank balances, trade and other receivables, loans, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss during the years ended 31 December 2013 and 31 December 2012.

(ii) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements
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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement (cont'd.):

(iii) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

The Group does not have any held-to-maturity investments as at 31 December 2013 and 31 December 2012.

(iv) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement.

The Group and the Corporation have designated their non-current investments as available-for-sale financial assets.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2.3(m).

(j) Financial liabilities

Initial recognition:

Financial liabilities are classified as "financial liabilities at fair value through profit or loss", "loans and borrowings" or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, any directly attributable transactions costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Financial liabilities (cont'd.)

Subsequent measurement:

The subsequent measurement of financial liabilities depends on their classification as follows:

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the income statement.

The Group has not designated any financial liabilities as at fair value through profit or loss.

(ii) Loans and borrowings

Subsequent to initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the financial liabilities are derecognised as well as through the amortisation process.

(iii) 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 debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantee contracts are amortised on a straight-line basis over the contractual period of the debt instrument. Where the guarantee does not have a specific period, the guarantee will only be recognised in the income statement upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value 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.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(l) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(m) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates and investment in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in the income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to the income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in the income statement and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in the income statement for an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(n) Derecognition of financial instruments

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either (i) the Group has transferred substantially all the risks and rewards of the assets, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass through" agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash settled options or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option (including cash settled options or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

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. The difference in the respective carrying amounts is recognised in the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

– 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);

– 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;

– 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, the risk management objective of the hedge 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 of cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting years for which they are designated.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Derivative financial instruments and hedge accounting (cont'd.)

The Group has entered into cash flow hedges and met the strict criteria for hedge accounting. The hedges are accounted for as follows:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects. The income statement such as when the hedged finance income or finance expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the 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, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

To manage its risks, the Group has entered into interest rate swap ("IRS") arrangements and forward currency contracts to hedge its loans, firm commitments and forecasted transactions respectively.

Derivative instruments that are not designated as effective hedging instrument are classified and allocated as current or non-current based on an assessment of the facts and circumstances as follows:

– Where the Group will continue to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

– Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

– Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to the Group's ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets, and the land and the buildings elements of a lease are considered separately for the purposes of lease classification. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, to the land and the buildings elements in proportion to their relative fair values at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating lease – the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Finance lease – the Group as lessor

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the statement of financial position as receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(v) Prepaid lease payments

Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement of the period in which they are incurred.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases and the carrying amounts for financial reporting purposes of assets and liabilities at the reporting date.

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 is probable that taxable profit will be available and 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 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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Income tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets 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 the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside the 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.

(s) Provisions

Provisions are recognised when all of the following conditions have been satisfied:

– the Group has a present obligation (legal or constructive) as a result of a past event

– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and

– a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where 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 accretion in the provision due to the passage of time is recognised as a finance cost.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period, while additional provision is made as and when necessary.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period 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 absences. Short term non-accumulating compensated absences 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 period 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 and/or voluntary pension schemes.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

(u) Foreign currencies

(i) 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 functional currency of the Corporation is United States Dollar ("USD"). The Group and Corporation's financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Foreign currencies (cont'd.)

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

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date, are included in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, 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 monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

– Income and expenses for each income statement are translated at average exchange rate for the year, which approximates the exchange rates at the dates of the transactions; and

– All resulting exchange differences are taken to the currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations are translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognised:

(i) Freight income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the reporting date are accrued for in the financial statements, using the percentage of completion method.

(ii) Charter income

The results of ships employed on voyage charter and that of other services rendered are accounted for on a time accrual basis. Certain charter income are recognised on a straight-line basis over the firm period of the contract.

(iii) Lightering income

Income on lightering charges is recognised on percentage of completion of voyages, calculated on a discharge-to-discharge basis. The voyage revenue is recognised evenly over the period from a vessel's departure from its previous discharge point to its projected departure from its next discharge point.

(iv) Other shipping related income

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(v) Finance income on lease receivables

Finance income on lease receivables is recognised according to the effective interest rate method so as to provide constant periodic rate of return on the net investment.

(vi) Construction contracts

Revenue from construction contracts is accounted for in accordance with the policy set out in Note 2.3(f).

(vii) Rental income

Rental income from an investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(viii) Interest income

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

(ix) Dividend income

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

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(w) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

(x) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred. Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(z) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(aa) Fair value measurements

As of 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

– using recent arm's length market transactions

– reference to the current fair value of another instrument that is substantially the same and

– discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

(ii) Non-financial assets

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities.

2. Significant accounting policies (cont'd.)

2.4 New and revised pronouncements not yet in effect

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group and/or the Corporation:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014:

- Amendments to MFRS 10: Consolidated Financial Statements
- Amendments to MFRS 12: Disclosure of Interests in Other Entities
- Amendments to MFRS 127: Consolidated and Separate Financial Statements
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

MFRS and amendments effective for annual periods beginning on or after 1 July 2014:

- Amendments to MFRS 2: Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3: Business Combinations (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3: Business Combinations (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 8: Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13: Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124: Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138: Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140: Investment Property (Annual Improvements 2011-2013 Cycle)

MFRS and amendments which effective date yet to be announced:

- MFRS 9: Financial Instruments (2009)
- MFRS 9: Financial Instruments (2010)
- MFRS 9, Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Corporation are expected to apply the above mentioned pronouncements beginning from the respective dates the pronouncements become effective. The adoption of the above pronouncement is not expected to have material impact on the financial statements of the Group and of the Corporation in the period of initial application.

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – the Group as lessor

It is in the ordinary course of business that the Group enters into lease arrangements with related and third parties on its ships and offshore floating assets. Where the Group has determined that it retains all the significant risks and rewards of ownership of these ships and offshore floating assets, the ships and offshore floating assets are recognised and classified as part of non-current assets of the Group and the Corporation.

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contract. In making this judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(b) Key sources of estimation uncertainty

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2013 was RM808,359,000 (2012: RM760,677,000). The key assumptions used in the value in use calculations are disclosed in Note 14(c).

2. Significant accounting policies (cont'd.)

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

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(s). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

In the previous financial year, the Group and the Corporation have recognised an additional net provision of RM246,010,000 in relation to onerous contracts arising from the exit of liner business. Included in the provision are impairment losses of ships and containers amounting to RM51,658,000. During the financial year, the additional provisions relate to the impairment of containers and other property, plant and equipment amounted to RM11,952,000.

Further details of this provision are disclosed in Note 40(a).

(iii) Impairment of ships, offshore floating assets and other property, plant and equipment

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of impairment losses from continuing operations of RM24,779,000 (2012: RM211,920,000) and RM5,026,000 (2012: RM108,143,000) for the Group and the Corporation respectively, as disclosed in Note 5(a). Impairment losses from the discontinued operations of RM11,952,000 (2012: RM51,658,000) and RM10,709,000 (2012: RM51,658,000) for the Group and the Corporation respectively have been recognised as disclosed in Note 40(a).

The Group carried out the impairment test based on a variety of estimations, including the value in use of the CGU to which ships, offshore floating assets and other property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of ships, offshore floating assets and other property, plant and equipment of the Group as at 31 December 2013 were RM18,948,734,000 (2012: RM17,551,500,000), RM1,888,439,000 (2012: RM1,343,865,000) and RM1,854,313,000 (2012: RM1,789,039,000) respectively. Further details of the impairment loss recognised are disclosed in Note 12(c).

Notes to the Financial Statements
– 31 December 2013

2. Significant accounting policies (cont'd.)

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

(b) Key sources of estimation uncertainty (cont'd.)

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. The total carrying value of recognised tax losses, investment tax allowance and capital allowances of the Group was RM100,708,000 (2012: RM45,450,000) and the unrecognised tax losses and capital allowances of the Group was RM3,894,514,000 (2012: RM3,867,629,000).

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Revenue

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Charter and lightering income	**5,238,525**	5,184,480	**974,101**	906,365
Freight income	**930,852**	866,838	**922,187**	835,756
Construction contracts	**1,986,870**	2,278,167	**–**	–
Other shipping related income	**468,722**	500,944	**34,058**	32,549
Finance income on lease receivables	**208,856**	84,422	**–**	–
Non-shipping income	**137,980**	135,462	**–**	–
	8,971,805	9,050,313	**1,930,346**	1,774,670

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets.

4. Other operating income

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Rental income	**2,257**	66,855	**18**	7
Exchange gain:				
Realised	**110,543**	10,542	**82,290**	15,375
Unrealised	**23,256**	58,646	**18,352**	30,052
Management services:				
Subsidiaries	**–**	–	**29,878**	27,744
Joint ventures	**16,220**	–	**16,220**	–
Related party	**–**	18,747	**–**	18,747
Gain on disposal of other property, plant and equipment	**–**	8,066	**187**	–
Dividend income on equity investments:				
Subsidiaries	**–**	–	**1,038,197**	916,027
Joint ventures	**–**	–	**38,071**	36,235
Quoted equity investments	**7,663**	56,990	**7,663**	56,990
Write back of impairment loss on trade receivables:				
Third Parties	**3,430**	29,588	**–**	–
Miscellaneous:				
Subsidiaries	**–**	–	**–**	23,185
Third Parties	**135,952**	192,259	**55,404**	8,818
	299,321	441,693	**1,286,280**	1,133,180

Notes to the Financial Statements
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5. Profit before taxation from continuing operations

The following amounts have been included in arriving at profit before taxation from continuing operations:

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Amortisation of intangible assets (Note 14)	**13,076**	28,168	**–**	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	**9,433**	6,396	**149**	155
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	**3,069**	2,796	**680**	771
Other services	**455**	322	**397**	317
Charter hire expenses	**877,495**	863,165	**276,551**	195,572
Inventories used	**1,224,476**	1,443,716	**422,709**	535,015
Exchange loss:				
Realised	**6,733**	75,037	**443**	72,436
Unrealised	**28,318**	18,149	**7,337**	13,061
Impairment loss on trade receivables:				
Third parties	**12,816**	4,415	**–**	3,369
Bad debts written off	**–**	10,486	**–**	–
Operating lease rental:				
Equipment	**126,380**	139,507	**8,910**	7,222
Land and buildings	**41,717**	40,115	**18,853**	19,525
Loss on disposal of a joint venture	**–**	6,738	**–**	–
Ships, offshore floating assets other property, plant and equipment:				
Depreciation	**1,208,454**	1,067,659	**382,256**	344,649
Written off	**58,581**	124,951	**6,795**	103,783
Loss on disposal of other property, plant and equipment	**3,269**	–	**–**	–
Prepaid lease payments on land and buildings written off	**–**	65	**–**	–
Staff costs (Note 6)	**1,187,039**	1,139,887	**382,399**	411,874
Non-executive directors' remuneration (Note 7)	**476**	489	**476**	489

5. Profit before taxation from continuing operations (cont'd.)

The following amounts have been included in arriving at profit before taxation from continuing operations (cont'd.):

(a) Impairment provisions

Continuing operations

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Ships in operation	**54,293**	251,787	**34,540**	148,333
Other property, plant and equipment	**–**	323	**–**	–
Non-current assets held for sale written down	**9,562**	81,803	**–**	–
Investments in subsidiaries	**–**	–	**63,659**	2,486
Investment in a joint venture	**63,562**	–	**–**	–
Loan to associates	**–**	1,838	**–**	1,838
	127,417	335,751	**98,199**	152,657
Less: Reversal of impairment of ships and offshore floating assets	**(29,514)**	(40,190)	**(29,514)**	(40,190)
Net impairment	**97,903**	295,561	**68,685**	112,467

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– 31 December 2013

6. Staff costs

Continuing operations

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Wages, salaries and bonuses	**956,724**	885,185	**307,929**	347,929
Contributions to defined contribution plans	**70,056**	51,129	**13,191**	12,737
Social security costs	**2,799**	18,897	**445**	538
Other staff related expenses	**157,460**	184,676	**60,834**	50,670
	1,187,039	1,139,887	**382,399**	411,874

Included in staff costs of the Group and of the Corporation are executive director's remuneration amounting to RM2,847,000 (2012: RM2,674,000) and RM2,417,000 (2012: RM2,233,000) respectively as further disclosed in Note 7.

7. Directors' remuneration

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Executive:				
Salaries and other emoluments	**1,423**	1,307	**1,423**	1,307
Bonus	**301**	283	**301**	283
Fees	**430**	441	**–**	–
Defined contribution plans	**567**	500	**567**	500
Total executive director's remuneration (excluding benefits-in-kind)	**2,721**	2,531	**2,291**	2,090
Estimated money value of benefits-in-kind	**126**	143	**126**	143
Total executive director's remuneration (including benefits-in-kind) (Note 30(k))	**2,847**	2,674	**2,417**	2,233
Non-executive directors' remuneration:				
Fees (Note 5)	**476**	489	**476**	489
Total directors' remuneration including benefits-in-kind	**3,323**	3,163	**2,893**	2,722

7. Directors' remuneration (cont'd.)

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

	Number of directors	
	2013	**2012**
Executive directors:		
RM1 – RM500,000	**–**	–
RM500,001 – RM1,000,000	**–**	–
RM1,000,001 – RM1,500,000	**–**	–
RM1,500,001 – RM2,000,000	**–**	–
RM2,000,001 – RM2,500,000	**–**	–
RM2,500,001 – RM3,000,000	**1**	1
	1	1
Non-executive directors*:		
RM1 – RM50,000	**–**	1
RM50,001 – RM100,000	**–**	1
RM100,001 – RM150,000	**4**	2
RM150,001 – RM200,000	**–**	–
RM200,001 – RM250,000	**–**	–
RM250,001 – RM300,000	**–**	–
	4	4

* Excludes the directors of the Corporation who are paid directly by the immediate holding company of the Corporation, PETRONAS.

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8. (a) Finance costs

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Interest expense:				
Holding company	**32,383**	44,953	**32,383**	44,953
Subsidiaries	**–**	–	**86,064**	167,804
Third parties	**270,320**	363,915	**–**	–
Islamic Private Debt Securities	**45,881**	51,898	**45,881**	51,898
Unwinding of discount on provisions	**59,807**	–	**59,807**	–
Total interest expense	**408,391**	460,766	**224,135**	264,655
Less: Interest expense capitalised in qualifying assets: Ships and offshore floating assets under construction (Note 12(b))	**–**	(105,380)	**–**	(95,708)
Total finance costs	**408,391**	355,386	**224,135**	168,947

(b) Finance income

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Interest income:				
Subsidiaries	**–**	–	**110,037**	63,485
Joint ventures	**6,837**	46,149	**6,765**	40,036
Deposits	**29,850**	50,084	**6,443**	6,153
Total finance income	**36,687**	96,233	**123,245**	109,674

9. Taxation

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Current income tax – continuing operations:				
Malaysian income tax	**31,831**	17,366	**–**	–
Foreign tax	**14,221**	(3,649)	**–**	–
Under/(over)provision in prior year:				
Malaysian income tax	**4,176**	1,061	**–**	–
Foreign tax	**–**	(4,606)	**–**	–
	50,228	10,172	**–**	–
Deferred tax – continuing operations:				
Relating to origination and reversal of temporary differences	**(7,258)**	(22,207)	**–**	–
Overprovision in prior year	**(40,461)**	(15,565)	**–**	–
	(47,719)	(37,772)	**–**	–
Taxation attributable to continuing operations	**2,509**	(27,600)	**–**	–
Taxation attributable to discontinued operations	**(527)**	(502)	**–**	–
Taxation for the year	**1,982**	(28,102)	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Profit before taxation from continuing operations	**2,227,727**	1,516,721	**1,337,831**	954,612
Profit/(loss) before taxation from discontinued operations	**3,783**	(623,364)	**7,637**	(655,976)
Accounting profit before taxation	**2,231,510**	893,357	**1,345,468**	298,636

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9. Taxation (cont'd.)

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Taxation at Malaysian statutory tax rate of 25%	**557,878**	223,339	**336,367**	74,659
Effect of different tax rates in other countries/ jurisdictions	**(18,181)**	(1,965)	**–**	–
Effect on changes in tax rates on opening balance of deferred tax	**181**	–	**–**	–
Income not subject to tax:				
Tax exempt shipping income	**(531,446)**	(342,753)	**(193,123)**	(4,653)
Other tax exempt income	**(41,074)**	(121,406)	**(311,815)**	(271,181)
Expenses not deductible for tax purposes	**418,954**	354,111	**162,138**	197,343
Effect of share of results of associates and joint ventures	**(293,864)**	(46,244)	**–**	–
Utilisation of current year's investment tax allowance	**–**	(31,322)	**–**	–
Deferred tax assets recognised on unutilised investment tax allowance	**(62,627)**	(45,314)	**–**	–
Net deferred tax assets not recognised during the year	**8,446**	3,757	**6,433**	3,832
Deferred tax over provided in prior year	**(40,461)**	(15,565)	**–**	–
Income tax under/(over) provided in prior year	**4,176**	(4,740)	**–**	–
Taxation for the year	**1,982**	(28,102)	**–**	–

The Government had on 7 October 2011 proposed that the current exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 ("the Act") be reduced from 100% to 70% of statutory income effective from Year of Assessment ("YA") 2012. However, the Government subsequently decided to defer the above proposal for a period of 2 years via Income Tax (Exemption) (No. 2) Order 2012 dated 29 May 2012 and for another period of 2 years as per letter issued by Malaysian Ministry of Finance ("MOF") dated 29 October 2013.

10. Earnings/(loss) per share

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

The Group does not have any financial instrument which may dilute its basic earnings per share.

	Group	
	2013	**2012 Restated**
Profit/(loss) after taxation attributable to equity holders of the Corporation (RM'000)		
– from continuing operations	**2,081,065**	1,393,107
– from discontinued operations	**4,310**	(622,862)
Number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Weighted average number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Basic earnings/(loss) per share (sen)		
– from continuing operations	**46.6**	31.2
– from discontinued operations	**0.1**	(13.9)
	46.7	17.3
Diluted earnings/(loss) per share (sen)		
– from continuing operations	**46.6**	31.2
– from discontinued operations	**0.1**	(13.9)
	46.7	17.3

11. Dividends

No dividend has been paid or declared by the Corporation during the financial year (2012: Nil).

At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 December 2013:

	RM'000
Final tax exempt dividend of 5 sen per share under single tier system	**223,190**

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

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12. Ships, offshore floating assets and other property, plant and equipment

	As previously reported 1.1.2013 RM'000	Effect of the adoption of new MFRS RM'000	As restated 1.1.2013 RM'000	Additions RM'000
Group – 31 December 2013				
Ships				
Ships in operation	29,410,724	–	29,410,724	520,847
Ships under construction	1,943,919	–	1,943,919	1,082,274
	31,354,643	–	31,354,643	1,603,121
Offshore floating assets				
Offshore floating assets in operation	2,256,217	(1,306,330)	949,887	36,010
Offshore floating assets under construction	1,058,926	(178,268)	880,658	487,062
	3,315,143	(1,484,598)	1,830,545	523,072
Other property, plant and equipment				
Freehold land	14,070	–	14,070	–
Freehold buildings	105,237	–	105,237	448
Leasehold land	59,418	–	59,418	–
Leasehold buildings	123,763	–	123,763	110
Drydocks and waste plant	1,085,473	–	1,085,473	–
Motor vehicles	121,281	–	121,281	4,011
Furniture, fittings and equipment	126,517	–	126,517	7,376
Computer software and hardware	237,879	–	237,879	7,016
Projects in progress	335,737	30,542	366,279	143,593
Plant and machinery	499,426	–	499,426	5,245
Tugboats, engines and pushers	3,675	–	3,675	–
	2,712,476	30,542	2,743,018	167,799

Cost						
Disposals RM'000	Disposal of a subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000
(943,073)	–	(303,483)	1,892,362	(562,570)	2,154,096	32,168,903
–	–	(1,245)	(1,892,362)	–	195,220	1,327,806
(943,073)	–	(304,728)	–	(562,570)	2,349,316	33,496,709
–	–	–	–	–	77,296	1,063,193
–	–	(811)	–	–	66,720	1,433,629
–	–	(811)	–	–	144,016	2,496,822
–	–	–	–	–	482	14,552
(6,783)	–	–	233	–	2,065	101,200
–	–	–	(15,260)	–	–	44,158
–	(52)	–	15,260	–	151	139,232
–	–	(1,414)	162,097	–	–	1,246,156
(2,152)	(182)	(337)	–	–	597	123,218
(1,121)	(156)	(4,033)	3,910	–	1,589	134,082
(6,280)	(30)	(1,966)	3,031	–	15,190	254,840
–	–	(1,175)	(248,805)	–	2,790	262,682
(1,736)	–	(2,657)	79,534	–	814	580,626
–	–	–	–	–	–	3,675
(18,072)	(420)	(11,582)	–	–	23,678	2,904,421

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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	As previously reported 1.1.2013 RM'000	Effect of the adoption of new MFRS RM'000	As restated 1.1.2013 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Group – 31 December 2013					
Ships					
Ships in operation	13,803,143	–	13,803,143	1,030,207	24,779
Ships under construction	–	–	–	–	–
	13,803,143	–	13,803,143	1,030,207	24,779
Offshore floating assets					
Offshore floating assets in operation	791,702	(305,022)	486,680	79,876	–
Offshore floating assets under construction	–	–	–	–	–
	791,702	(305,022)	486,680	79,876	–
Other property, plant and equipment					
Freehold land	–	–	–	–	–
Freehold buildings	32,612	–	32,612	8,189	1,243
Leasehold land	13,474	–	13,474	453	–
Leasehold buildings	40,450	–	40,450	785	–
Drydocks and waste plant	220,061	–	220,061	25,937	–
Motor vehicles	82,819	–	82,819	10,321	–
Furniture, fittings and equipment	81,920	–	81,920	10,517	–
Computer software and hardware	198,716	–	198,716	13,520	–
Projects in progress	–	–	–	–	–
Plant and machinery	280,572	–	280,572	28,799	–
Tugboats, engines and pushers	3,355	–	3,355	43	–
	953,979	–	953,979	98,564	1,243

Accumulated depreciation/impairment							Net book value
Disposals RM'000	Disposal of a subsidiary RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000	At 31.12.2013 RM'000
(690,602)	–	(249,213)	–	(409,761)	1,039,422	14,547,975	17,620,928
–	–	–	–	–	–	–	1,327,806
(690,602)	–	(249,213)	–	(409,761)	1,039,422	14,547,975	18,948,734
–	–	–	–	–	41,827	608,383	454,810
–	–	–	–	–	–	–	1,433,629
–	–	–	–	–	41,827	608,383	1,888,439
–	–	–	–	–	–	–	14,552
(1,076)	–	–	–	–	1,049	42,017	59,183
–	–	–	(6,165)	–	(19)	7,743	36,415
–	(44)	–	6,165	–	64	47,420	91,812
–	–	(572)	–	–	–	245,426	1,000,730
(2,141)	(100)	(172)	–	–	501	91,228	31,990
(97)	(46)	(3,956)	–	–	1,279	89,617	44,465
(6,281)	(29)	(1,975)	–	–	13,002	216,953	37,887
–	–	–	–	–	–	–	262,682
(858)	–	(2,636)	–	–	429	306,306	274,320
–	–	–	–	–	–	3,398	277
(10,453)	(219)	(9,311)	–	–	16,305	1,050,108	1,854,313

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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	As previously reported 1.1.2012 RM'000	Effect of the adoption of new MFRS RM'000	As restated 1.1.2012 RM'000	Additions RM'000
Group – 31 December 2012				
Ships				
Ships in operation	30,348,402	–	30,348,402	1,292,392
Ships under construction	2,195,756	–	2,195,756	295,890
	32,544,158	–	32,544,158	1,588,282
Offshore floating assets				
Offshore floating assets in operation	2,342,092	(1,357,100)	984,992	1,768
Offshore floating assets under construction	6,050,026	–	6,050,026	1,850,086
	8,392,118	(1,357,100)	7,035,018	1,851,854
Other property, plant and equipment				
Freehold land	15,523	–	15,523	–
Freehold buildings	106,416	–	106,416	1,048
Leasehold land	59,427	–	59,427	–
Leasehold buildings	122,574	–	122,574	449
Drydocks and waste plant	829,816	–	829,816	171,659
Containers	229,338	–	229,338	–
Motor vehicles	115,367	–	115,367	3,450
Furniture, fittings and equipment	111,075	–	111,075	3,135
Computer software and hardware	220,755	–	220,755	14,590
Projects in progress	295,144	33,903	329,047	229,674
Plant and machinery	432,856	–	432,856	20,133
Tugboats, engines and pushers	3,675	–	3,675	–
	2,541,966	33,903	2,575,869	444,138

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Cost →						
Disposals RM'000	Disposal of a subsidiary RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	As restated 31.12.2012 RM'000
(232,174)	–	(116,415)	457,962	(1,282,523)	(1,056,920)	29,410,724
–	–	–	(457,962)	–	(89,765)	1,943,919
(232,174)	–	(116,415)	–	(1,282,523)	(1,146,685)	31,354,643
(744,093)	–	(662)	744,093	–	(36,209)	949,889
–	(6,112,304)	–	(744,093)	–	(163,057)	880,658
(744,093)	(6,112,304)	(662)	–	–	(199,266)	1,830,547
–	–	–	–	(1,349)	(104)	14,070
(110)	–	–	–	(1,545)	(572)	105,237
–	–	–	–	–	(9)	59,418
–	–	–	808	–	(68)	123,763
–	–	(14,840)	98,838	–	–	1,085,473
(230)	–	–	–	(221,227)	(7,881)	–
(1,870)	–	–	4,607	–	(273)	121,281
(861)	–	(1,948)	16,144	–	(1,028)	126,517
(1,383)	–	(1,073)	11,590	–	(6,600)	237,879
–	–	(10,202)	(180,424)	–	(1,816)	366,279
(389)	–	(1,268)	48,437	–	(343)	499,426
–	–	–	–	–	–	3,675
(4,843)	–	(29,331)	–	(224,121)	(18,694)	2,743,018

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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	As previously reported 1.1.2012 RM'000	Effect of the adoption of new MFRS RM'000	As restated 1.1.2012 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Group – 31 December 2012					
Ships					
Ships in operation	13,971,494	–	13,971,494	933,249	237,703
Ships under construction	–	–	–	–	–
	13,971,494	–	13,971,494	933,249	237,703
Offshore floating assets					
Offshore floating assets in operation	685,880	(253,559)	432,321	70,803	–
Offshore floating assets under construction	–	–	–	–	–
	685,880	(253,559)	432,321	70,803	–
Other property, plant and equipment					
Freehold land	–	–	–	–	–
Freehold buildings	30,310	–	30,310	3,016	–
Leasehold land	12,896	–	12,896	577	–
Leasehold buildings	36,022	–	36,022	3,726	–
Drydocks and waste plant	203,502	–	203,502	22,300	–
Containers	139,199	–	139,199	9,755	25,552
Motor vehicles	72,752	–	72,752	11,315	18
Furniture, fittings and equipment	83,881	–	83,881	8,876	118
Computer software and hardware	189,625	–	189,625	16,665	–
Projects in progress	–	–	–	–	–
Plant and machinery	247,756	–	247,756	26,276	187
Tugboats, engines and pushers	3,339	–	3,339	16	–
	1,019,282	–	1,019,282	102,522	25,875

Accumulated depreciation/impairment						Net book value
Disposals RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	As restated 31.12.2012 RM'000	As restated 31.12.2012 RM'000
(40,797)	(12,632)	–	(792,885)	(492,989)	13,803,143	15,607,581
–	–	–	–	–	–	1,943,919
(40,797)	(12,632)	–	(792,885)	(492,989)	13,803,143	17,551,500
–	–	–	–	(16,442)	486,682	463,207
–	–	–	–	–	–	880,658
–	–	–	–	(16,442)	486,682	1,343,865
–	–	–	–	–	–	14,070
(110)	–	–	(464)	(140)	32,612	72,625
–	–	–	–	1	13,474	45,944
5,717	(5,741)	741	–	(15)	40,450	83,313
(5,741)	–	–	–	–	220,061	865,412
(230)	–	–	(169,190)	(5,086)	–	–
(1,036)	–	12	–	(242)	82,819	38,462
(440)	(2,104)	(7,663)	–	(748)	81,920	44,597
(782)	(980)	(4)	–	(5,808)	198,716	39,163
–	–	–	–	–	–	366,279
(387)	–	6,914	–	(174)	280,572	218,854
–	–	–	–	–	3,355	320
(3,009)	(8,825)	–	(169,654)	(12,212)	953,979	1,789,039

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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Additions RM'000	Disposals RM'000
Corporation – 31 December 2013			
Ships			
Ships in operation	**12,675,196**	**201,589**	**(601,516)**
Offshore floating assets			
Offshore floating assets under construction	**793,595**	**175,227**	**–**
Other property and equipment			
Motor vehicles	**7,119**	**218**	**(268)**
Furniture, fittings and equipment	**10,942**	**6**	**–**
Computer software and hardware	**139,092**	**745**	**(3,929)**
Projects in progress	**11,469**	**12,947**	**–**
	168,622	**13,916**	**(4,197)**

Cost					
Disposal of a subsidiary RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000
–	(237,830)	–	(269,534)	914,381	12,682,286
–	(811)	–	–	66,720	1,034,731
–	–	–	–	527	7,596
–	–	–	–	813	11,761
–	–	3,031	–	10,191	149,130
–	–	(3,031)	–	1,429	22,814
–	–	–	–	12,960	191,301

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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation – 31 December 2013			
Ships			
Ships in operation	**6,128,169**	**377,929**	**5,026**
Offshore floating assets			
Offshore floating assets under construction	–	–	–
Other property and equipment			
Motor vehicles	**6,348**	**451**	–
Furniture, fittings and equipment	**10,395**	**257**	–
Computer software and hardware	**127,134**	**3,619**	–
Projects in progress	–	–	–
	143,877	**4,327**	–

Accumulated depreciation/impairment						Net book value
Disposals RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000	At 31.12.2013 RM'000
(480,169)	(231,837)	–	(178,516)	441,777	6,062,379	6,619,907
–	–	–	–	–	–	1,034,731
(257)	–	–	–	480	7,022	574
–	–	–	–	784	11,436	325
(3,929)	(9)	–	–	9,430	136,245	12,885
–	–	–	–	–	–	22,814
(4,186)	(9)	–	–	10,694	154,703	36,598

Notes to the Financial Statements
– 31 December 2013

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2012 RM'000	Additions RM'000	Disposals RM'000
Corporation – 31 December 2012			
Ships			
Ships in operation	14,408,623	170,631	(25,267)
Ships under construction	1,391	3,454	–
	14,410,014	174,085	(25,267)
Offshore floating assets			
Offshore floating assets in operation	–	–	(767,808)
Offshore floating assets under construction	6,204,845	1,822,102	–
	6,204,845	1,822,102	(767,808)
Other property and equipment			
Containers	229,337	–	(230)
Motor vehicles	7,024	339	–
Furniture, fittings and equipment	11,331	–	–
Computer software and hardware	133,557	1,552	(670)
Projects in progress	17,477	3,877	–
	398,726	5,768	(900)

Cost → Disposal of a subsidiary RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000
–	(116,415)	–	(1,271,617)	(490,759)	12,675,196
–	–	–	–	(4,845)	–
–	(116,415)	–	(1,271,617)	(495,604)	12,675,196
–	–	767,808	–	–	–
(6,295,565)	–	(767,808)	–	(169,979)	793,595
(6,295,565)	–	–	–	(169,979)	793,595
–	–	–	(221,227)	(7,880)	–
–	–	–	–	(244)	7,119
–	–	–	–	(389)	10,942
–	–	9,251	–	(4,598)	139,092
–	–	(9,251)	–	(634)	11,469
–	–	–	(221,227)	(13,745)	168,622

Notes to the Financial Statements
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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2012 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation – 31 December 2012			
Ships			
Ships in operation	6,670,371	369,179	134,249
Offshore floating assets			
Offshore floating assets under construction	–	–	–
Other property and equipment			
Containers	139,199	9,755	25,552
Motor vehicles	5,854	701	–
Furniture, fittings and equipment	10,345	409	–
Computer software and hardware	128,664	3,022	–
Projects in progress	–	–	–
	284,062	13,887	25,552

Notes to the Financial Statements
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Accumulated depreciation/impairment						Net book value
Disposals RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000	At 31.12.2012 RM'000
(6,639)	(12,632)	–	(792,884)	(233,475)	6,128,169	6,547,027
–	–	–	–	–	–	793,595
(230)	–	–	(169,190)	(5,086)	–	–
–	–	–	–	(207)	6,348	771
–	–	–	–	(359)	10,395	547
(105)	–	–	–	(4,447)	127,134	11,958
–	–	–	–	–	–	11,469
(335)	–	–	(169,190)	(10,099)	143,877	24,745

Notes to the Financial Statements
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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

(a) The net carrying amounts of ships, offshore floating assets and other property, plant and equipment pledged as security for borrowings (Note 18(c)) are as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Ships	**1,875,757**	1,793,860
Other property, plant and equipment	**29,336**	30,640
	1,905,093	1,824,500

(b) Finance costs capitalised during the financial year for ships and offshore floating assets under construction of the Group and of the Corporation were RM Nil (2012: RM105,380,000) and RM Nil (2012: RM95,708,000) respectively, as disclosed in Note 8(a).

(c) The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of net impairment losses from continuing operations of RM24,779,000 (2012: RM211,920,000) and RM5,026,000 (2012: RM108,143,000) for the Group and the Corporation respectively, as disclosed in Note 5(a). In addition, impairment losses from the discontinued operations of RM11,952,000 (2012: RM51,658,000) and RM10,709,000 (2012: RM51,658,000) for the Group and the Corporation respectively have been recognised, as disclosed in Note 40(a). The recoverable amount was based on the higher of fair value less costs to sell or value in use and was determined at the cash-generating-unit ("CGU") of each asset. In determining value in use for the CGU, the cash flows were discounted at a rate determined by management on a pre-tax basis. The fair values less costs to sell of the ships refer to their market values in the industry as determined by independent ship valuers.

13. Prepaid lease payments on land and buildings

	Group		Corporation	
	2013 **RM'000**	**2012** **RM'000**	**2013** **RM'000**	**2012** **RM'000**
At 1 January	**264,232**	78,369	**5,561**	5,916
Addition	**–**	193,616	**–**	–
Transfer to asset held for sale (Note 23)	**(3,457)**	–	**(3,457)**	–
Amortisation for the year (Note 5)	**(9,433)**	(6,396)	**(149)**	(155)
Disposal/write-off	**–**	(1,157)	**–**	–
Currency translation differences	**408**	(200)	**406**	(200)
At 31 December	**251,750**	264,232	**2,361**	5,561
Analysed as:				
Long term leasehold land	**244,730**	247,967	**–**	3,271
Short term leasehold land	**4,659**	5,159	**–**	–
Leasehold buildings	**2,361**	11,106	**2,361**	2,290
	251,750	264,232	**2,361**	5,561

Included in long term leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM244,730,000 (2012: RM253,513,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

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14. Intangible assets

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2012	723,065	504,463	1,227,528
Addition	62,783	–	62,783
Currency translation differences	(22,846)	–	(22,846)
At 31 December 2012	763,002	504,463	1,267,465
Currency translation differences	47,682	–	47,682
At 31 December 2013	**810,684**	**504,463**	**1,315,147**
Accumulated amortisation and impairment			
At 1 January 2012	2,325	370,045	372,370
Amortisation for the year (Note 5)	–	28,168	28,168
At 31 December 2012	2,325	398,213	400,538
Amortisation for the year (Note 5)	–	13,076	13,076
At 31 December 2013	**2,325**	**411,289**	**413,614**
Net carrying amount			
At 31 December 2012	760,677	106,250	866,927
At 31 December 2013	**808,359**	**93,174**	**901,533**

The other intangible assets relate to the fair value at the date of acquisition of time charter hire contracts arising from acquisition of a subsidiary, and are amortised over the remaining charter period.

Impairment test for goodwill

(a) Impairment loss recognised

The Group performed a review on the recoverable amount of goodwill during the financial year. Based on this review, no impairment loss was recognised (2012: RM Nil). Generally, the recoverable amounts are based on the higher of market value of quoted share or value in use for the cash-generating unit ("CGU"). In determining value in use for the CGU, the cash flows were discounted at rates determined by management on a pre-tax basis.

14. Intangible assets (cont'd.)

(b) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Energy related shipping	**657,019**	611,587
Other energy businesses	**150,470**	148,220
Non-shipping and others	**870**	870
	808,359	760,677

(c) Key assumptions used in value in use calculations

The recoverable amount of a CGU is determined using value in use method based on cash flow projections derived from financial projections approved by the management covering a five year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

Energy Related Shipping

Goodwill for this segment represents goodwill arising from acquisition of American Eagle Tanker Inc. ("AET"), a company involved in petroleum shipping business. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was based on value in use calculations. The recoverable amount exceeds its carrying amount by RM186,046,000. The value in use is most sensitive to the following key assumptions:

1. Spot charter rates to increase based on forecasts by industry research publications.

2. The discount rate applied is 7.41%. It reflects the current market assessment of the risks specific to AET.

3. Terminal value and growth rate – The terminal value is based on expected cash flows for year 2017 into perpetuity with terminal year growth rate of 0%. Terminal year charter rates are based on ten-year average historical market rates.

   A decrease of 0.94% or 94 basis points in the charter rates in deriving at the terminal value would result in recoverable amount equal to the carrying amount of the goodwill.

4. Expenses to increase by an annual average rate of between 1% – 3%.

Notes to the Financial Statements
– 31 December 2013

14. Intangible assets (cont'd.)

(c) Key assumptions used in value in use calculations (cont'd.)

Energy Related Shipping (cont'd.)

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount are reasonable. Based on the above assumptions, there is no impairment to the goodwill of AET.

Other Energy Businesses

Goodwill for Other Energy Businesses relates to the Group's interest in Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") and Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL").

The recoverable amount of MHB and MOMPL is determined based on the value in use calculations. The applied discount rate is based on the pre-tax weighted average cost of capital determined by the management. It is the benchmark used by the management to assess operating performance and to evaluate future investments.

Since the recoverable amount exceeds the carrying amount of the CGUs, the Directors' are of the opinion that there is no impairment to the goodwill of this segment.

The management believes that there are no reasonable foreseeable changes in key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount.

15. Investments in subsidiaries

	Corporation	
	2013 RM'000	**2012 RM'000 Restated**
At 1 January	**7,736,374**	8,016,879
Additional investments in subsidiaries (Note a)	**729,026**	1,868,692
Disposal (Note b)	**–**	(934,346)
Transfer to investment in a joint venture (Note b)	**–**	(934,346)
Impairment of investment in unquoted subsidiaries (Note c)	**(63,659)**	(2,486)
Currency translation differences	**876,706**	(278,019)
At 31 December	**9,278,447**	7,736,374

15. Investments in subsidiaries (cont'd.)

	Corporation	
	2013 RM'000	**2012 RM'000 Restated**
Quoted shares	**212,712**	198,003
Unquoted shares	**9,065,735**	7,538,371
	9,278,447	7,736,374

Included in unquoted shares are preference shares of RM6,549,843,000 (2012: RM5,456,417,000) which bear interest ranging from 5.00% to 6.00% (2012: 5.00% to 6.00%) per annum.

a. During the financial year, a subsidiary, Gas Asia Terminal (L) Pte. Ltd. ("GATL") issued 99,990 new ordinary shares of USD1 each (approximately RM306,219) as part consideration for ownership transfer of two (2) floating storage units from the Corporation.

   In December 2013, the Corporation acquired additional 20% equity interest in Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL") consisting of 20,000 ordinary shares of USD1 per share and 7,200,066 Redeemable Convertible Preference Share of USD1 per share for a purchase consideration of RM59,220,000 (USD18,000,000). The difference between the purchase consideration and the book value of the interest acquired is reflected in equity.

   As part of a subsidiary's debt capitalisation exercise in December 2013, the Corporation subscribed to an additional 669,477,000 units of preference shares of RM1 each issued by its subsidiary, MISC Tanker Holdings Sdn. Bhd. for a debt settlement value of RM669,477,000 (USD201,947,000).

b. In the previous financial year, the Corporation disposed 50% of its equity interest in its wholly owned subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") to E&P Venture Solutions Co Sdn. Bhd. ("EPV"), a wholly owned subsidiary of Petronas Carigali Sdn. Bhd. for a cash consideration of USD305,700,000 (approximately RM934,346,000). GKL became a joint venture of the Corporation subsequent to the share disposal.

   The share disposal has resulted in a gain of RM100,742,000 which represents the realisation of 50% intercompany profit recorded by a subsidiary from the construction of a semi-submersible floating production system ("FPS") since 2006.

c. An impairment review of the carrying amounts of investments in subsidiaries at the reporting date was undertaken by comparing it to the respective recoverable amounts. An impairment loss of RM63,659,000 (2012: RM2,486,000) was recognised during the financial year.

Details of the subsidiaries are disclosed in Note 37.

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15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2013		
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	**Other individually immaterial subsidiaries RM'000**	**Total RM'000**
NCI percentage of ownership interest and voting interest	**33.5%**		
Carrying amount of NCI	**858,810**	**185,630**	**1,044,440**
Profit allocated to NCI	**72,274**	**71,879**	**144,153**

Summarised financial information before intra-group elimination	
As at 31 December	
Non-current assets	**1,901,601**
Current assets	**3,118,519**
Current liabilities	**(2,433,741)**
Net assets	**2,586,379**
Year ended 31 December	
Revenue	**2,884,518**
Profit for the year	**237,186**
Total comprehensive income	**238,481**
Cash outflows from operating activities	**(293,565)**
Cash outflows from investing activities	**(96,611)**
Cash inflows from financing activities	**123,072**
Net decrease in cash and cash equivalents	**(267,104)**
Dividends paid to NCI	**(53,600)**

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (cont'd.):

	2012		
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	33.5%		
Carrying amount of NCI	842,902	237,113	1,080,015
Profit allocated to NCI	93,395	57,819	151,214
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	1,800,939		
Current assets	3,016,391		
Current liabilities	(2,306,432)		
Net assets	2,510,898		
Year ended 31 December			
Revenue	3,329,773		
Profit for the year	243,196		
Total comprehensive income	246,686		
Cash outflows from operating activities	(413,211)		
Cash outflows from investing activities	(622,086)		
Cash outflows from financing activities	(160,000)		
Net decrease in cash and cash equivalents	(1,195,297)		
Dividends paid to NCI	(53,600)		

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16. Investments in associates

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Unquoted shares in Malaysia, at cost	**440**	440	**–**	–
Unquoted shares outside Malaysia, at cost	**4,657**	4,650	**99**	92
	5,097	5,090	**99**	92
Share of post-acquisition loss	**(2,360)**	(2,319)	**–**	–
Share of other post-acquisition reserves	**2,288**	2,205	**–**	–
	5,025	4,976	**99**	92
Less: Accumulated impairment losses	**(3,054)**	(2,973)	**–**	–
Carrying amount of the investment	**1,971**	2,003	**99**	92

The summarised financial information of the associates are as follows:

	2013 RM'000	**2012 RM'000**
Assets and liabilities		
Current assets	**14,143**	15,455
Non-current assets	**10,451**	10,167
Total assets	**24,594**	25,622
Current liabilities	**13,623**	13,813
Non-current liabilities	**578**	939
Total liabilities	**14,201**	14,752
Results		
Revenue	**2,965**	3,070
Total comprehensive (loss)/income	**(171)**	122

16. Investments in associates (cont'd.)

Reconciliation of net assets to carrying amount as at 31 December:

	2013 RM'000	2012 RM'000
Group's share of net assets	**5,025**	5,057
Impairment loss	**(3,054)**	(3,054)
	1,971	2,003

Details of the associates are disclosed in Note 38.

17. Investments in joint ventures

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
Unquoted shares in Malaysia, at cost	**1,235,046**	1,167,255	**1,229,626**	1,144,599
Unquoted shares outside Malaysia, at cost	**3,220,757**	2,996,383	**493**	459
	4,455,803	4,163,638	**1,230,119**	1,145,058
Share of post-acquisition profits	**1,554,934**	636,325	**–**	–
Share of other post-acquisition reserves	**89,134**	(82,488)	**–**	–
	6,099,871	4,717,475	**1,230,119**	1,145,058
Less: Accumulated impairment loss	**(68,845)**	(4,502)	**–**	–
Carrying amount of the investment	**6,031,026**	4,712,973	**1,230,119**	1,145,058

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17. Investments in joint ventures (cont'd.)

The following tables summarise the financial information of the Group's material joint ventures, as adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in joint ventures.

Group

The summarised financial information of the material joint ventures are as follows:

	2013		
	Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") RM'000	**VTTI B.V. RM'000**	**Malaysia Deepwater Floating Terminal (Kikeh) Ltd. ("MDFT") RM'000**
As at 31 December			
Non-current assets	**7,293,255**	**6,868,273**	**1,706,976**
Current assets	**1,229,233**	**537,395**	**21,871**
Cash and cash equivalents	**17**	**184,033**	**57,189**
Non-current liabilities	**–**	**(2,885,014)**	**(323,657)**
Current liabilities	**(5,106,544)**	**(394,099)**	**(586,614)**
Net assets	**3,415,961**	**4,310,588**	**875,765**
Year ended 31 December			
Profit after tax	**1,349,293**	**252,020**	**196,074**
Other comprehensive income	**–**	**95,928**	**14,537**
Total comprehensive income	**1,349,293**	**347,948**	**210,611**
Included in the total comprehensive income is:			
Revenue	**1,445,724**	**1,121,307**	**283,230**
Depreciation and amortisation	**–**	**(249,636)**	**(82,256)**
Interest income	**–**	**6,747**	**139**
Interest expense	**(75,725)**	**(55,634)**	**(18,959)**
Income tax expense	**–**	**(79,172)**	**(20)**

17. Investments in joint ventures (cont'd.)

Group (cont'd.)

The summarised financial information of the material joint ventures are as follows (cont'd.):

	2012		
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000
As at 31 December			
Non-current assets	–	6,013,467	1,265,391
Current assets	6,241,457	193,134	21,713
Cash and cash equivalents	–	210,152	17,861
Non-current liabilities	–	(2,412,056)	(381,834)
Current liabilities	(4,373,627)	(324,062)	(276,870)
Net assets	1,867,830	3,680,635	646,261
Year ended 31 December			
(Loss)/profit after tax	(4,572)	224,299	159,226
Other comprehensive income	–	35,154	8,013
Total comprehensive (loss)/income	(4,572)	259,453	167,239
Included in the total comprehensive income is:			
Revenue	–	974,549	258,585
Depreciation and amortisation	–	(204,646)	(68,817)
Interest income	–	6,225	249
Interest expense	(4,643)	(54,458)	(30,451)
Income tax expense	–	(58,634)	(22)

Subsequent to the disposal of 50% equity interest in GKL as disclosed in Note 15(b), GKL on 9 November 2012, entered into a lease agreement with Sabah Shell Petroleum Company, to lease the semi-submersible floating production system ("FPS") for a period of 25 years.

During the year, following the commencement of the lease, the Group has recognised 50% share of the once-off gain on disposal of the FPS recorded by GKL and the realisation of the intercompany profit recorded by a subsidiary from the construction of FPS amounting to RM573 million and RM177 million respectively.

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17. Investments in joint ventures (cont'd.)

Group

	2013				
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	1,707,981	2,155,294	446,640	629,749	4,939,664
Goodwill	–	1,245,329	–	–	1,245,329
Pre-acquisition adjustment	–	(257,749)	–	–	(257,749)
Fair value adjustments on property, plant and equipment	–	176,385	–	–	176,385
Amortisation of revalued property, plant and equipment	–	(11,853)	–	–	(11,853)
Elimination of unrealised profits	–	–	(37,214)	(23,536)	(60,750)
Carrying amount in the statement of financial position	1,707,981	3,307,406	409,426	606,213	6,031,026
Group's share of results					
Year ended 31 December					
Group's share of profit after taxation	852,096	121,749	103,078	92,951	1,169,874
Group's share of other comprehensive income	–	47,964	7,268	99,114	154,346
Group's share of total comprehensive income	852,096	169,713	110,346	192,065	1,324,220
Other information					
Dividends received	–	–	18,794		

17. Investments in joint ventures (cont'd.)

Group

	2012				
	GKL RM'000	**VTTI B.V. RM'000**	**MDFT RM'000**	**Other individually immaterial joint ventures RM'000**	**Total RM'000**
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	933,915	1,840,318	329,593	676,102	3,779,928
Goodwill	–	1,159,216	–	12,802	1,172,018
Pre-acquisition adjustment	–	(244,925)	–	–	(244,925)
Fair value adjustments on property, plant and equipment	–	164,188	–	–	164,188
Amortisation of revalued property, plant and equipment	–	(9,700)	–	–	(9,700)
Elimination of unrealised profits	(82,520)	–	(40,293)	(25,723)	(148,536)
Carrying amount in the statement of financial position	851,395	2,909,097	289,300	663,181	4,712,973
Group's share of results					
Year ended 31 December					
Group's share of (loss)/profit after taxation	(84,806)	107,567	84,285	166,635	273,681
Group's share of other comprehensive income	–	17,577	4,086	8,887	30,550
Group's share of total comprehensive (loss)/income	(84,806)	125,144	88,371	175,522	304,231
Other information					
Dividends received	–	–	6,656		

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17. Investments in joint ventures (cont'd.)

	Group	
	2013 RM'000	2012 RM'000
Contingent liabilities		
Bank guarantees extended to third party	**221,897**	192,521

Included in the carrying amount of investment in joint ventures is goodwill of RM1,245,329,000 arising from the acquisition of VTTI B.V. ("VTTI") in 2010. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing the carrying amount of VTTI to the recoverable amount, based on value in use. The recoverable amount exceeds the carrying amount by RM3,143,000,000. The value in use is most sensitive to the following key assumptions:

1. The applied discount rate is 5.93%. It reflects the current market assessment of the risks specific to VTTI.

2. Terminal value and growth rate – the terminal value is based on expected cash flows for year 2023 into perpetuity with terminal year growth rate of 2%.

Based on the above assumptions, there is no impairment to the investment in VTTI. The management believes that there are no reasonable foreseeable changes in key assumptions that would cause the carrying value of the unit to exceed its recoverable amount.

Details of the joint ventures are disclosed in Note 39.

18. Other financial assets and financial liabilities

(a) Other non-current financial assets

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Available-for-sale:				
Non-current unquoted equity investments	**39,335**	36,636	**38,957**	36,263
Non-current quoted equity investments	**338,613**	400,636	**338,613**	400,636
Total available-for-sale	**377,948**	437,272	**377,570**	436,899

18. Other financial assets and financial liabilities (cont'd.)

(a) Other non-current financial assets (cont'd.)

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Loans and receivables:				
Long term receivables	**124,256**	70,388	–	–
Loans and advances:				
Subsidiaries	–	–	**3,646,173**	1,943,284
Joint ventures	**315,269**	163,578	**297,174**	144,909
Associates	**4,057**	4,018	**1,974**	1,838
	319,326	167,596	**3,945,321**	2,090,031
Less:				
Impairment on loans to:				
Subsidiary	–	–	**(55,416)**	(51,549)
Associates	**(3,750)**	(3,614)	**(1,974)**	(1,838)
Joint ventures	–	(6,266)	–	(6,266)
	(3,750)	(9,880)	**(57,390)**	(59,653)
Net loans and advances	**315,576**	157,716	**3,887,931**	2,030,378
Total other non-current financial assets	**817,780**	665,376	**4,265,501**	2,467,277

Non-current quoted equity instruments are held as long-term strategic investments. The Group has no intention to dispose its interest in these companies.

Long term receivables relate to lease rental income of a subsidiary during the vessels construction period which is payable by the lessee progressively over a 20-year time charter period.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 1.5% to 5.26% (2012: 1.81% to 5.9%) per annum.

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18. Other financial assets and financial liabilities (cont'd.)

(b) Derivative assets/liabilities

	Group	
	2013 RM'000	**2012 RM'000 Restated**
Derivative assets		
Currency hedge – effective hedges	**1,344**	–
Derivative liabilities		
Current:		
Interest rate swaps ("IRS") – effective hedges representing total other financial liabilities (IRS 1 (i))	–	52,886
Currency hedge – effective hedges	–	169
	–	53,055
Non-current:		
Interest rate swaps ("IRS") – effective hedges representing total other financial liabilities – IRS 2 (ii)	**4,230**	6,940

(i) The Group raised USD1.075 billion term loans from two separate facilities, namely the USD1.0 billion Single Currency Term Facility and the USD75 million Single Currency Term Facility. Drawdowns from these facilities were made in September 2008, October 2008 and November 2008. These loans were subjected to floating interest rates and to protect against adverse movements in interest rates, the Group entered into an Interest Rate Swap (IRS) Agreement on 4 March 2009. The Group had in November 2012 terminated the Interest Rate Swap (IRS) Agreement in relation to certain loans following early repayment of corresponding loans amounting to RM995,312,000 (USD325,000,000). On the maturity date of these facilities in September 2013, the remaining balance of the loan amounting to RM2,296,875,000 (USD750,000,000) was fully paid. Correspondingly, the IRS Agreement of the loan also matured on the same day.

The Group paid fixed interest rates ranging from 2.48% to 2.81% (2012: 2.48% to 2.81%) per annum and received floating interest on each repayment date until maturity of loan.

(ii) On 27 May 2011, the Group entered into an interest rate swap hedging arrangement to hedge 90% of its subsidiary's syndicated term loan facility with a notional amount of RM183,431,000 (2012: RM217,168,000). Under this arrangement, the Group pays fixed interest rate of 1.85% (2012: 1.85%) per annum and receives cash flows at floating rates.

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Short term borrowings				
Secured:				
Term loans				
Fixed rate	**184,943**	172,274	**–**	–
Floating rate	**112,436**	101,657	**–**	–
Hire purchase	**3,993**	4,025	**–**	–
	301,372	277,956	**–**	–
Unsecured:				
Revolving credit	**290,000**	91,875	**–**	–
Term loans				
Floating rate*	**–**	2,293,305	**–**	–
US Dollar Guaranteed Notes	**2,301,252**	–	**–**	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**500,000**	–	**500,000**	–
Loans from subsidiary	**–**	–	**–**	2,345,368
	3,091,252	2,385,180	**500,000**	2,345,368
	3,392,624	2,663,136	**500,000**	2,345,368

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18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Long term borrowings				
Secured:				
Term loans				
Fixed rate	**267,129**	423,013	**–**	–
Floating rate	**840,049**	886,621	**–**	–
Hire purchase	**15,641**	19,632	**–**	–
	1,122,819	1,329,266	**–**	–
Unsecured:				
Term loans				
Floating rate*	**3,258,386**	–	**–**	–
US Dollar Guaranteed Notes	**–**	2,139,015	**–**	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**800,000**	1,300,000	**800,000**	1,300,000
Revolving credit from holding company**	**1,645,000**	1,531,250	**1,645,000**	1,531,250
Loans from subsidiary	**–**	–	**2,436,954**	13,115
	5,703,386	4,970,265	**4,881,954**	2,844,365
	6,826,205	6,299,531	**4,881,954**	2,844,365

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Total borrowings				
Term loans	**4,662,943**	3,876,870	**–**	–
Hire purchase	**19,634**	23,657	**–**	–
US Dollar Guaranteed Notes	**2,301,252**	2,139,015	**–**	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**1,300,000**	1,300,000	**1,300,000**	1,300,000
Revolving credit	**290,000**	91,875	**–**	–
Loans from subsidiary	**–**	–	**2,436,954**	2,358,483
Revolving credit from holding company	**1,645,000**	1,531,250	**1,645,000**	1,531,250
	10,218,829	8,962,667	**5,381,954**	5,189,733

* The Group raised USD1.075 billion term loans from two separate facilities, namely the USD1.0 billion Single Currency Term Facility and the USD75 million Single Currency Term Facility. Drawdowns from these facilities were made in September 2008, October 2008 and November 2008. These loans were subjected to floating interest rates of 6 months LIBOR + 1. The Group made an early repayment of loans amounting to RM995,312,000 (USD325,000,000) in November 2012. On the maturity date of these facilities in September 2013, the remaining balance of RM2,293,305,000 (USD750,000,000) was fully paid. The Group raised USD1.0 billion Term Loan Facility in September 2013 and drew USD750,000,000 and USD250,000,000 in September 2013 and November 2013 respectively. This loan is subject to floating interest rates of 3 months LIBOR + 1.05. In the current financial year, the Group paid floating interest rates of 1.30%.

** The revolving credit from holding company will be due and payable on 31 January 2016.

Included in the outstanding borrowings are loans obtained from the financial institutions related to the Government of Malaysia amounting to RM51,481,000 (2012: RM61,607,000).

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18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

The secured term loans are secured by mortgages over certain ships, offshore floating assets and other property, plant and equipment together with charter agreements and insurance of the relevant assets. The carrying values of the ships, offshore floating assets and other property, plant and equipment pledged are stated in Note 12(a).

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	2013 %	**2012 %**	**2013 %**	**2012 %**
Fixed rate				
Term loans	**4.54-5.20**	4.54-5.20	–	–
Hire purchase	**2.85**	2.40-4.00	–	–
US Dollar Guaranteed Notes	**6.13**	6.13	–	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**3.48-3.75**	3.25-3.71	**3.48-3.75**	3.25-3.71
Revolving credit	**3.65-3.75**	–	–	–
Loans from subsidiaries	–	–	–	2.48-6.13
Floating rate				
Term loans				
– before interest rate swap	**1.30-3.04**	1.55-3.20	–	–
– after interest rate swap	**1.30-4.65**	1.85-5.09	–	–
Revolving credit	–	1.44-1.76	–	–
Loans from subsidiary	–	–	**1.30**	0.74
Revolving credit from holding company	**2.00**	1.16	**2.00**	1.16

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group and the Corporation's financial instruments.

At 31 December 2013	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	**184,943**	**148,534**	**92,762**	**21,921**	**3,912**	**–**	**452,072**
Hire purchase	**3,993**	**3,993**	**3,991**	**3,993**	**3,664**	**–**	**19,634**
US Dollar Guaranteed Notes	**2,301,252**	**–**	**–**	**–**	**–**	**–**	**2,301,252**
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**500,000**	**200,000**	**300,000**	**300,000**	**–**	**–**	**1,300,000**
Revolving credit	**290,000**	**–**	**–**	**–**	**–**	**–**	**290,000**
	3,280,188	**352,527**	**396,753**	**325,914**	**7,576**	**–**	**4,362,958**
Floating rate							
Term loans	**112,436**	**169,739**	**173,705**	**124,520**	**3,365,982**	**264,489**	**4,210,871**
Revolving credit from holding company	**–**	**–**	**1,645,000**	**–**	**–**	**–**	**1,645,000**
	112,436	**169,739**	**1,818,705**	**124,520**	**3,365,982**	**264,489**	**5,855,871**
Total borrowings	**3,392,624**	**522,266**	**2,215,458**	**450,434**	**3,373,558**	**264,489**	**10,218,829**
Corporation							
Fixed rate							
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**500,000**	**200,000**	**300,000**	**300,000**	**–**	**–**	**1,300,000**
Floating rate							
Loans from subsidiary	**–**	**–**	**–**	**–**	**2,436,954**	**–**	**2,436,954**
Revolving credit from holding company	**–**	**–**	**1,645,000**	**–**	**–**	**–**	**1,645,000**
	–	**–**	**1,645,000**	**–**	**2,436,954**	**–**	**4,081,954**
Total borrowings	**500,000**	**200,000**	**1,945,000**	**300,000**	**2,436,954**	**–**	**5,381,954**

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18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 December 2012	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	172,274	172,600	138,733	86,842	20,926	3,912	595,287
Hire purchase	4,025	3,993	3,993	3,991	3,993	3,662	23,657
US Dollar Guaranteed Notes	–	2,139,015	–	–	–	–	2,139,015
Islamic Private Debt Securities Al Murabahah Medium Term Notes	–	500,000	200,000	300,000	300,000	–	1,300,000
	176,299	2,815,608	342,726	390,833	324,919	7,574	4,057,959
Floating rate							
Term loans	2,394,962	154,738	158,001	161,694	115,910	296,278	3,281,583
Revolving credit	91,875	–	–	–	–	–	91,875
Revolving credit from holding company	–	1,531,250	–	–	–	–	1,531,250
	2,486,837	1,685,988	158,001	161,694	115,910	296,278	4,904,708
Total borrowings	2,663,136	4,501,596	500,727	552,527	440,829	303,852	8,962,667
Corporation							
Fixed rate							
Islamic Private Debt Securities Al Murabahah Medium Term Notes	–	500,000	200,000	300,000	300,000	–	1,300,000
Loans from subsidiaries	2,293,305	13,115	–	–	–	–	2,306,420
	2,293,305	513,115	200,000	300,000	300,000	–	3,606,420
Floating rate							
Loans from subsidiary	52,063	–	–	–	–	–	52,063
Revolving credit from holding company	–	1,531,250	–	–	–	–	1,531,250
	52,063	1,531,250	–	–	–	–	1,583,313
Total borrowings	2,345,368	2,044,365	200,000	300,000	300,000	–	5,189,733

18. Other financial assets and financial liabilities (cont'd.)

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group.

	Group	
	2013 RM'000	**2012 RM'000**
Minimum lease receivables:		
Not later than 1 year	**180,764**	173,681
Later than 1 year and not later than 2 years	**181,658**	173,681
Later than 2 years and not later than 5 years	**548,304**	521,519
Later than 5 years	**1,538,977**	1,537,624
	2,449,703	2,406,505
Less: Future finance income	**(1,002,738)**	(926,825)
Present value of finance lease assets	**1,446,965**	1,479,680
Present value of finance lease receivables:		
Not later than 1 year	**59,124**	59,956
Later than 1 year and not later than 2 years	**66,961**	66,145
Later than 2 years and not later than 5 years	**258,933**	245,186
Later than 5 years	**1,061,947**	1,108,393
	1,446,965	1,479,680
Analysed as:		
Due within 12 months (Note 20)	**59,124**	59,956
Due after 12 months	**1,387,841**	1,419,724
	1,446,965	1,479,680

The effective interest rate of the Group's finance lease receivables is between 6.19% to 16.37% (2012: 5.00% to 15.97%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM83,517,500.

In the previous financial year, a gain of RM283,185,000 was recognised upon disposal of assets through a finance lease arrangement.

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19. Inventories

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
At cost				
Bunkers, lubricants and consumable stores	**198,134**	228,017	**35,162**	51,028
Spares	**52,168**	65,920	**21,085**	30,096
Raw materials	**12,598**	11,622	**–**	–
	262,900	305,559	**56,247**	81,124

20. Trade and other receivables

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Trade receivables				
Third parties	**672,879**	715,108	**65,079**	103,923
Subsidiaries	**–**	–	**71,431**	88,672
Holding company	**6,051**	35,209	**3,491**	22,880
Fellow subsidiaries	**58,372**	182,421	**17,166**	10,385
Associates	**372**	240	**30**	28
Joint ventures	**305,138**	128,820	**274,913**	16,617
Finance lease (Note 18(d))	**59,124**	59,956	**–**	–
Due from customers on contracts (Note 21)	**1,284,807**	1,308,203	**–**	–
	2,386,743	2,429,957	**432,110**	242,505
Less: Impairment loss on trade receivables:				
Third parties	**(110,643)**	(99,000)	**(55,093)**	(51,283)
Associates	**–**	–	**–**	–
Joint ventures	**(17,816)**	(16,550)	**(17,779)**	(16,550)
Subsidiaries	**–**	–	**(3,619)**	(3,369)
Fellow subsidiaries	**(3,420)**	(3,496)	**–**	–
	(131,879)	(119,046)	**(76,491)**	(71,202)
Trade receivables, net	**2,254,864**	2,310,911	**355,619**	171,303

20. Trade and other receivables (cont'd.)

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Other receivables				
Amount due from related parties:				
Subsidiaries	**–**	–	**166,102**	1,512,366
Fellow subsidiaries	**–**	3,639	**–**	–
Associates	**118**	83	**–**	–
Joint ventures	**72,232**	7,276	**69,022**	2,860
	72,350	10,998	**235,124**	1,515,226
Amount due from a joint venture partner	**19,948**	4,493	**–**	–
Deposits	**8,687**	33,883	**2,721**	2,125
Prepayments	**100,281**	123,414	**22,530**	31,542
Others	**394,088**	713,842	**110,853**	263,644
	595,354	886,630	**371,228**	1,812,537
Less: Impairment loss on other receivables:				
Subsidiaries	**–**	–	**(24,719)**	(23,008)
Associates	**(293)**	(258)	**–**	–
Joint ventures	**(210)**	(210)	**–**	–
	(503)	(468)	**(24,719)**	(23,008)
Other receivables, net	**594,851**	886,162	**346,509**	1,789,529
Total trade and other receivables	**2,849,715**	3,197,073	**702,128**	1,960,832
Add: Cash, deposits and bank balances (Note 22)	**4,747,735**	3,972,744	**2,107,345**	2,145,223
Add: Net loans and advances (Note 18(a))	**315,576**	157,716	**3,887,931**	2,030,378
Add: Long term receivables (Note 18(a))	**124,256**	70,388	**–**	–
Less: Prepayments	**(100,281)**	(123,414)	**(22,530)**	(31,542)
Less: Due from customers on contracts (Note 21)	**(1,284,807)**	(1,308,203)	**–**	–
Total loans and receivables	**6,652,194**	5,966,304	**6,674,874**	6,104,891

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20. Trade and other receivables (cont'd.)

The ageing of trade receivables as at the reporting date were as follows:

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Neither past due nor impaired	**409,716**	451,081	**253,307**	54,465
Past due but not impaired				
1-30 days	**166,528**	125,682	**2,600**	27,027
31-60 days	**67,020**	124,698	**5,611**	6,426
61-90 days	**30,960**	29,348	**6,966**	3,243
more than 90 days	**236,709**	211,943	**87,135**	80,142
	910,933	942,752	**355,619**	171,303
Impaired	**131,879**	119,046	**76,491**	71,202
	1,042,812	1,061,798	**432,110**	242,505

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group and the Corporation.

Receivables that are past due but not impaired

The Group and the Corporation have trade receivables that are past due at the reporting date but not impaired amounting to RM501,217,000 (2012: RM491,671,000) and RM102,312,000 (2012: RM116,838,000) respectively. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

20. Trade and other receivables (cont'd.)

Receivables that are impaired

The Group and Corporation's trade receivables that are impaired at the reporting date are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Trade receivables				
– nominal amounts	**131,879**	119,046	**76,491**	71,202
Less: Allowance for impairment	**(131,879)**	(119,046)	**(76,491)**	(71,202)
	–	–	**–**	-

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days ageing of trade receivable balances) are considered indicators that the trade receivable is impaired. Individual debtor is written off when management deemed the amount to be not collectible.

Trade receivables that were impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At 1 January	**119,046**	150,270	**71,202**	93,721
Impairment loss recognised:				
Third parties	**12,816**	10,002	**–**	3,369
Write-back of impairment loss:				
Third parties	**(4,136)**	(30,233)	**–**	–
Bad debts written off:				
Third parties	**–**	(18,921)	**–**	(18,921)
Currency translation differences	**4,153**	7,928	**5,289**	(6,967)
At 31 December	**131,879**	119,046	**76,491**	71,202

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20. Trade and other receivables (cont'd.)

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where advance payments are normally required. The Group's normal trade credit terms range from 7 to 90 days (2012: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) Amounts due from Group companies

The trade amounts due from holding company, fellow subsidiaries and subsidiaries are unsecured with credit terms ranging from 15 to 30 days (2012: 15 to 30 days).

(c) Amounts due from associates and joint ventures

The trade amounts due from associates and joint ventures are unsecured and have normal credit terms ranging from 15 to 30 days (2012: 15 to 30 days). The non-trade balances are repayable on demand and are non-interest bearing.

21. Due from/(to) customers on contracts

	Group	
	2013 RM'000	**2012 RM'000**
Construction contract costs incurred and recognised profits to date	**12,698,519**	9,999,622
Less: Progress billings	**(11,423,177)**	(8,775,638)
	12,698,519	1,223,984
Due from customers on contracts (Note 20)	**1,284,807**	1,308,203
Due to customers on contracts (Note 24)	**(9,465)**	(84,219)
	1,275,342	1,223,984
Advances received on contracts (Note 24)	**–**	(1,792)

22. Cash, deposits and bank balances

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Cash with PETRONAS Integrated Financial Shared Services Centre	**2,414,069**	–	**2,039,763**	–
Cash and bank balances	**286,098**	69,193	**3,339**	881
Deposits with licensed banks	**2,047,568**	3,903,551	**64,243**	2,144,342
	4,747,735	3,972,744	**2,107,345**	2,145,223

Beginning 1 July 2013, the Group and the Corporation's cash and bank balances are held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC") to allow more efficient cash management for the Group and the Corporation.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made for varying periods between 1 to 103 days (2012: 1 to 182 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.03% to 8.50% (2012: 0.0004% to 8.00%) per annum and 0.05% to 3.05% (2012: 0.03% to 3.03%) per annum respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 35.

23. Non-current assets classified as held for sale

The Group and the Corporation have reclassified certain ships and land and building previously presented as property, plant and equipment to non-current assets classified as held for sale as disclosed below:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Non-current assets held for sale				
Ships	**185,776**	322,358	**91,018**	–
Containers	**32,495**	52,057	**32,494**	52,057
Leasehold building	**3,457**	–	**3,457**	–
	221,728	374,415	**126,969**	52,057

Notes to the Financial Statements
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23. Non-current assets classified as held for sale (cont'd.)

The movement during the financial year relating to non-current assets held for sale are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At 1 January	**374,415**	519,688	**52,057**	41,852
Addition	**6,211**	–	–	–
Written down	**(20,271)**	(81,803)	**(10,709)**	–
Transfer from property, plant and equipment (Note 12)	**152,809**	544,105	**91,018**	530,770
Transfer from prepaid lease payments on land and buildings (Note 13)	**3,457**	–	**3,457**	–
Disposals	**(308,326)**	(595,468)	**(11,592)**	(523,654)
Currency translation differences	**13,433**	(12,107)	**2,738**	3,089
At 31 December	**221,728**	374,415	**126,969**	52,057

24. Trade and other payables

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Trade payables				
Third parties	**606,178**	381,137	**3,256**	49,518
Subsidiaries	**–**	–	**371,349**	388,566
Holding company	**2,399**	148	**–**	–
Fellow subsidiaries	**13,597**	200,514	**–**	47,698
Associates	**53**	35	**53**	35
Joint ventures	**36**	4,505	**–**	169
Accruals	**2,182,002**	3,049,011	**486,387**	882,006
Construction contracts:				
Due to customers (Note 21)	**9,465**	84,219	**–**	–
Advances received (Note 21)	**–**	1,792	**–**	–
	2,813,730	3,721,361	**861,045**	1,367,992
Other payables				
Amount due to related parties:				
Subsidiaries	**–**	–	**427,386**	393,784
Associates	**2,124**	2,124	**–**	–
Joint ventures	**84,844**	57,960	**–**	–
Accruals	**284,441**	346,604	**73,729**	68,353
Provisions	**226,599**	286,776	**224,024**	248,197
Others	**182,528**	175,553	**117,149**	50,856
	780,536	869,017	**842,288**	761,190
Total trade and other payables	**3,594,266**	4,590,378	**1,703,333**	2,129,182
Add: Total borrowings (Note 18(c))	**10,218,829**	8,962,667	**5,381,954**	5,189,733
Total financial liabilities carried at amortised cost	**13,813,095**	13,553,045	**7,085,287**	7,318,915

Notes to the Financial Statements
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24. Trade and other payables (cont'd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 14 to 90 days (2012: 14 to 90 days).

(b) Amounts due to Group companies

The trade amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured and repayable in accordance to the credit terms granted. The non-trade balances are repayable on demand and are non-interest bearing.

(c) Amounts due to associates and joint ventures

The trade amounts due to associates and joint ventures have normal credit terms ranging from 15 to 30 days (2012: 15 to 30 days) and are non-interest bearing. The non-trade balances are repayable on demand.

(d) Provisions

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Current	**226,599**	286,776	**224,024**	248,197
Non-current:				
Later than 1 year but not later than 2 years	**125,818**	115,532	**125,818**	115,532
Later than 2 years but not later than 5 years	**308,136**	286,078	**308,136**	286,078
More than 5 years	**169,019**	216,808	**168,328**	216,808
	602,973	618,418	**602,282**	618,418
	829,572	905,194	**826,306**	866,615

The provisions include the termination of leases and contractual obligations and employee related costs associated with the exit of the Liner Business as disclosed in Note 40(a)(ii).

25. Share capital and share premium

(a) Share capital

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised				
Ordinary shares				
At 1 January and 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Authorised				
Preference share	**– (i)**	– (i)	**– (i)**	– (i)
Issued and fully paid				
Ordinary shares				
At 1 January	**4,463,794**	4,463,794	**4,463,794**	4,463,794
At 31 December	**4,463,794**	4,463,794	**4,463,794**	4,463,794
Preference share	**– (i)**	– (i)	**– (i)**	– (i)

(i) Preference share

The Group has one authorised and issued special preference share of RM1.

The preference share, which may only be held by the Ministry of Finance ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided by Article 3B of the Corporation's Articles of Association. Certain matters, in particular the alterations of specified Articles of Association, require the prior approval of the holder of the preference share.

The holder of the preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

(b) Share premium

	Group and Corporation	
	2013 RM'000	2012 RM'000
At 1 January and 31 December	**4,459,468**	4,459,468

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26. Other reserves

	Other capital reserve RM'000 26(c)	Capital reserve RM'000 26(b)	Revaluation reserve RM'000 26(a)
Group			
At 1 January 2012, restated	41,415	435,284	1,357
Currency translation differences: Group	–	–	–
Associates	–	–	–
Joint ventures	–	–	–
Fair value loss on non-current investments	–	–	–
Fair value gain on cash flow hedges: Group	–	–	–
Joint ventures	–	–	–
Reclassification to income statement on termination of hedging arrangements	–	–	–
At 31 December 2012, restated	41,415	435,284	1,357
At 1 January 2013, restated	**41,415**	**435,284**	**1,357**
Currency translation differences: Group	–	–	–
Associates	–	–	–
Joint ventures	–	–	–
Fair value loss on non-current investments	–	–	–
Fair value gain on cash flow hedges: Group	–	–	–
Joint ventures	–	–	–
Reclassification to income statement on maturity of hedging arrangements	–	–	–
At 31 December 2013	**41,415**	**435,284**	**1,357**

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Statutory reserve RM'000 26(d)	Capital redemption reserve RM'000 26(e)	Fair value reserve RM'000 26(f)	Hedging reserve RM'000 26(g)	Currency translation reserve RM'000 26(h)	Total RM'000
1,966	59,715	203,307	(209,779)	(745,829)	(212,564)
–	–	–	–	(607,488)	(607,488)
–	–	–	–	(71)	(71)
–	–	–	–	(28,908)	(28,908)
–	–	49,487	–	–	49,487
–	–	–	65,495	–	65,495
–	–	–	6,702	–	6,702
–	–	–	21,435	–	21,435
1,966	59,715	252,794	(116,147)	(1,382,296)	(705,912)
1,966	**59,715**	**252,794**	**(116,147)**	**(1,382,296)**	**(705,912)**
–	**–**	**–**	**–**	**1,388,562**	**1,388,562**
–	**–**	**–**	**–**	**83**	**83**
–	**–**	**–**	**–**	**90,298**	**90,298**
–	**–**	**(62,040)**	**–**	**–**	**(62,040)**
–	**–**	**–**	**29,199**	**–**	**29,199**
–	**–**	**–**	**27,925**	**–**	**27,925**
–	**–**	**–**	**26,717**	**–**	**26,717**
1,966	**59,715**	**190,754**	**(32,306)**	**96,647**	**794,832**

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26. Other reserves (cont'd.)

	Fair Value reserve RM'000	Currency translation reserve RM'000	Total RM'000
Corporation			
At 1 January 2012	203,307	(1,347,832)	(1,144,525)
Currency translation differences	–	(518,103)	(518,103)
Fair value gain on non-current investments	49,487	–	49,487
At 31 December 2012	252,794	(1,865,935)	(1,613,141)
At 1 January 2013	**252,794**	**(1,865,935)**	**(1,613,141)**
Currency translation differences	**–**	**1,467,823**	**1,467,823**
Fair value loss on non-current investments	**(62,040)**	**–**	**(62,040)**
At 31 December 2013	**190,754**	**(398,112)**	**(207,358)**

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) Capital reserve

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) Other capital reserve

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) Statutory reserve

Statutory reserve is maintained by overseas subsidiaries and joint ventures in accordance with the laws of the country of operations.

(e) Capital redemption reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

26. Other reserves (cont'd.)

(f) Fair value reserve

This reserve records changes in available-for-sale financial assets until they are disposed or impaired.

(g) Hedging reserve

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of joint ventures.

(h) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations whose functional currencies are different from that of the Group's presentation currency.

27. Deferred tax

	Group	
	2013 RM'000	**2012 RM'000 Restated**
At 1 January	**2,476**	40,319
Recognised in income statement:		
In Malaysia	**(49,730)**	(38,268)
Outside Malaysia	**2,011**	496
	(47,719)	(37,772)
Currency translation differences	**(36)**	(71)
At 31 December	**(45,279)**	2,476
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(65,422)**	(14,179)
Deferred tax liabilities	**20,143**	16,655
	(45,279)	2,476

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27. 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:

	Accelerated capital allowances RM'000 Restated
At 1 January 2012	46,336
Recognised in income statement:	
In Malaysia	21,461
Outside Malaysia	(1,122)
At 31 December 2012	66,675
At 1 January 2013	**66,675**
Recognised in income statement:	
In Malaysia	**971**
Outside Malaysia	**2,022**
At 31 December 2013	**69,668**

Deferred tax assets of the Group:

	Other payables RM'000 Restated	Tax losses, tax investment, and unabsorbed capital allowances RM'000 Restated	Others RM'000 Restated	Total RM'000 Restated
At 1 January 2012	(5,198)	(200)	(587)	(5,985)
Recognised in income statement:				
In Malaysia	(1,102)	(45,022)	(10,920)	(57,044)
Outside Malaysia	56	–	(269)	(213)
Currency translation differences	–	(228)	(729)	(957)
At 31 December 2012	(6,244)	(45,450)	(12,505)	(64,199)

27. Deferred tax (cont'd.)

Deferred tax assets of the Group (cont'd.):

	Other payables RM'000	Tax losses, tax investment, and unabsorbed capital allowances RM'000 Restated	Others RM'000	Total RM'000
At 1 January 2013	**(6,244)**	**(45,450)**	**(12,505)**	**(64,199)**
Recognised in income statement:				
In Malaysia	**1,580**	**(55,258)**	**2,977**	**(50,701)**
Outside Malaysia	**(11)**	**–**	**–**	**(11)**
Currency translation differences	**(36)**	**–**	**–**	**(36)**
At 31 December 2013	**(4,711)**	**(100,708)**	**(9,528)**	**(114,947)**

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

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Unused tax losses	**3,864,655**	3,839,082	**3,831,882**	3,806,150
Unabsorbed capital allowances	**29,859**	28,547	**–**	–
Others	**13,680**	13,864	**–**	–
	3,908,194	3,881,493	**3,831,882**	3,806,150

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM3,864,655,000 (2012: RM3,839,082,000) and RM29,859,000 (2012: RM28,547,000) respectively, are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

Deferred tax assets have not been recognised for certain subsidiaries as these subsidiaries have a recent history of losses.

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28. Cash flows from investing activities

	Group		Corporation	
	2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000
Purchase of ships, offshore floating assets and other property, plant and equipment	**(2,271,255)**	(3,125,791)	**(953,989)**	(1,214,450)
Purchase of additional shares in a subsidiary	**–**	–	**(636,394)**	–
Acquisitions of associates and joint ventures	**–**	(2,546)	**–**	(2,277)
Cash advances from a joint venture	**–**	103,167	**–**	–
Issuance of loans to subsidiaries net of repayment	**–**	–	**(988,238)**	(395,070)
Dividend received from:				
Quoted equity investments	**7,663**	56,990	**7,663**	56,990
Subsidiaries	**–**	–	**1,038,194**	895,468
Associates and joint ventures	**77,897**	68,885	**38,071**	56,794
Repayment of loans due from associates and joint ventures	**81,287**	692,082	**–**	–
Proceeds from disposal of a subsidiary	**–**	934,346	**–**	934,346
Proceeds from disposal of ships, other property, plant and equipment and held for sale assets	**594,479**	4,565,850	**165,625**	4,406,897
Proceeds from disposal of joint ventures	**–**	1,750	**–**	–
Acquisition of a business	**–**	(393,500)	**–**	–
Interest received	**39,536**	105,443	**6,434**	84,352
Loans to associates and joint ventures	**(172,844)**	(93,419)	**–**	–
Net cash (used in)/generated from continuing operations	**(1,643,237)**	2,913,257	**(1,322,634)**	4,823,050
Net cash generated from discontinued operations (Note 40(b))	**15,063**	574,719	**12,115**	559,222
Net cash (used in)/generated from investing activities	**(1,628,174)**	3,487,976	**(1,310,519)**	5,382,272

29. Cash flows from financing activities

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Drawdown of term loans	**3,154,740**	91,428	**–**	–
Drawdown of Islamic Private Debt Securities	**–**	500,000	**–**	500,000
Drawdown of revolving credit	**290,000**	–	**–**	–
Drawdown of revolving credit from holding company	**–**	1,081,183	**–**	1,081,183
Drawdown of loans from subsidiaries	**–**	–	**2,362,298**	–
Repayment of term loans	**(2,603,340)**	(1,252,846)	**–**	–
Repayment of revolving credit	**(145,997)**	(988,510)	**–**	–
Repayment of loan from holding company	**–**	(2,316,821)	**–**	(2,316,821)
Repayment of loan due to subsidiaries	**–**	–	**(2,415,843)**	(1,621,771)
Repayment of Islamic Private Debt Securities	**–**	(1,450,000)	**–**	(1,450,000)
Acquisition of subsidiary	**(500)**	–	**–**	–
Dividend paid to minority shareholders of subsidiaries	**(132,671)**	(90,896)	**–**	–
Interest paid	**(391,783)**	(481,092)	**(257,670)**	(257,137)
Net cash generated from/(used in) continuing operations	**170,449**	(4,907,554)	**(311,215)**	(4,064,546)
Net cash generated from/(used in) financing activities	**170,449**	(4,907,554)	**(311,215)**	(4,064,546)

30. Related party disclosures

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

As the ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

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30. Related party disclosures (cont'd.)

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
(a) Income from fellow subsidiaries				
Freight and charter hire revenue	**2,495,261**	2,384,478	**664,678**	580,774
Forwarding charges	**44,496**	58,804	**–**	–
Warehouse service	**6,843**	7,779	**–**	–
Haulage service	**55,471**	59,999	**–**	–
Fabrication service	**495,614**	1,009,295	**–**	–
Offshore and maintenance service	**55,190**	93,012	**–**	–
(b) Purchase from fellow subsidiaries				
Purchase of bunkers, lubricants, spare parts and other materials	**(295,065)**	(140,815)	**(223,794)**	(106,507)
Purchase of information technology services	**(7,727)**	(11,654)	**(7,727)**	(11,654)
Purchase of service for rental of premises	**(17,481)**	(18,236)	**(17,481)**	(18,236)
Purchase of insurance	**(1,126)**	(3,909)	**(1,126)**	(3,909)
Fees for representation in the Board of Directors*	**(185)**	(328)	**(185)**	(328)
(c) Purchase of service for repairs, conversion of ships and drydocking from a subsidiary	**–**	–	**(984,117)**	(1,035,280)
(d) Finance lease arrangement with fellow subsidiary:				
– Disposal of offshore floating asset	**–**	(744,093)	**–**	(767,808)
– Finance lease income	**115,786**	38,895	**–**	–

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

30. Related party disclosures (cont'd.)

	Group 2013 RM'000	Group 2012 RM'000 Restated	Corporation 2013 RM'000	Corporation 2012 RM'000
(e) Disposal of an offshore floating asset to a joint venture	**–**	(6,112,304)	**–**	(6,295,565)
(f) Disposal of a freehold building to a fellow subsidiary	**(5,707)**	–	**–**	–
(g) Finance lease income from a joint venture of fellow subsidiary	**93,070**	80,488	**–**	–
(h) Income on fabrication services provided to a joint venture	**250,000**	–	**250,000**	–
(i) Purchase of fabrication services from a subsidiary	**–**	–	**(250,000)**	–
(j) Government of Malaysia's related entities				
(i) Provision of shipping and shipping related services				
Freight revenue	**83,358**	24,516	**83,358**	24,516
(ii) Rental income				
Rental of yard	**–**	78,155	**–**	–
(iii) Purchase of goods and services				
Utilities	**(36,155)**	(37,566)	**(1,053)**	(1,740)
Port services	**(5,585)**	(38,666)	**–**	–

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30. Related party disclosures (cont'd.)

(k) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

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

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Short-term employee benefits	**28,481**	26,112	**8,756**	9,060
Defined contribution plans	**3,294**	3,468	**2,230**	2,252
	31,775	29,580	**10,986**	11,312

Included in the total key management personnel are:

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Director's remuneration (Note 7)	**2,847**	2,674	**2,417**	2,233

31. Commitments

(a) Capital commitments

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**704,915**	1,286,995	**365,920**	653,385
Information and communication technology	**675**	2,424	**675**	2,424
Share of capital commitments in joint ventures	**309,581**	485,547	**–**	–
	1,015,171	1,774,966	**366,595**	655,809
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**2,410,636**	8,268,712	**465,461**	6,029,300
Information and communication technology	**12,377**	11,214	**11,727**	11,174
Share of capital commitments in joint ventures	**77,670**	39,453	**–**	–
	2,500,683	8,319,379	**477,188**	6,040,474

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31. Commitments (cont'd.)

(b) Non-cancellable operating lease commitments – Group as lessee

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Future minimum rentals payable:				
Not later than 1 year	**180,466**	211,484	**154,139**	145,689
Later than 1 year and not later than 5 years	**1,110,972**	1,114,069	**403,685**	440,817
Later than 5 years	**1,452,389**	2,204,162	**326,361**	331,332
	2,743,827	3,529,715	**884,185**	917,838

(c) Non-cancellable operating lease commitments – Group as lessor

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Future minimum rentals receivable:				
Not later than 1 year	**3,036,839**	2,987,159	**1,011,260**	891,618
Later than 1 year and not later than 5 years	**8,494,709**	9,717,158	**3,572,811**	3,486,990
Later than 5 years	**13,595,934**	15,632,857	**9,133,392**	8,806,929
	25,127,482	28,337,174	**13,717,463**	13,185,537

32. Contingent liabilities

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Secured				
Bank guarantee extended to a third party	**53,400**	53,400	**–**	–
Unsecured				
Bank guarantees extended to third parties	**404,584**	372,938	**135,389**	131,138
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**–**	–	**5,979,865**	4,989,629

33. Segment information

(a) Business segments

For management purposes, the Group is organised on a worldwide basis into three major business segments:

(i) Energy related shipping – the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

(ii) Other energy businesses – operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works; and

(iii) Non-shipping and others – integrated logistic (i.e. haulage, trucking and warehousing), marine education and training, and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

The Group officially ceased operations of its liner business on 30 June 2012. Accordingly, the liner business has been classified as discontinued operations in the previous financial year. The breakdown of the results of the discontinued operations for the year ended 31 December 2013 and prior year ended 31 December 2012 are disclosed in Note 40.

The results of the remaining integrated logistics business which is still in operation are included as part of non-shipping and others as its contribution to the Group is not material.

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33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2013	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	6,143,806	2,428,810	418,420	8,991,036	(19,231)		8,971,805
Inter-segment	7,140	983,449	34,938	1,025,527	(1,025,527)	A	–
	6,150,946	3,412,259	453,358	10,016,563	(1,044,758)		8,971,805
Results							
Segment results	1,026,545	308,691	(62,213)	1,273,023	(56,447)	A	1,216,576
Net gain on disposal of ships	11,606	–	–	11,606	–		11,606
Other operating income	40,309	133,743	1,294,648	1,468,700	(1,169,379)	A	299,321
Finance income	2,665	21,472	383,871	408,008	(371,321)	A	36,687
Impairment provisions	(34,341)	(63,562)	–	(97,903)	–		(97,903)
Finance costs	(302,797)	(28,269)	(436,498)	(767,564)	359,173		(408,391)
Share of profit/(loss) of associates	3	–	(46)	(43)	–		(43)
Share of (loss)/profit of joint ventures	(5,638)	1,175,512	–	1,169,874	–		1,169,874
Profit before taxation							2,227,727
Taxation							(2,509)
Profit after taxation							2,225,218
Non-controlling interests							(144,153)
Net profit attributable to equity holders of the Corporation							2,081,065
Assets							
Ships	18,910,167	–	38,567*	18,948,734	–		18,948,734
Offshore floating assets	–	1,888,439	–	1,888,439	–		1,888,439
Intangible assets	750,191	150,472	870	901,533	–		901,533
Investments in joint ventures	175,916	5,855,231	(121)	6,031,026	–		6,031,026
Other assets (unallocated)	–	–	–	–	–	B	12,462,499
Liabilities							
Interest-bearing loans and borrowings	1,937,822	598,520	10,993,072	13,529,414	(3,310,585)		10,218,829
Other liabilities (unallocated)	–	–	–	–	–	C	4,256,033

* Net book value of Navy Auxiliary Vessels owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2012 (restated)	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	5,901,736	2,685,390	485,540	9,072,666	(22,353)		9,050,313
Inter-segment	11,581	1,191,576	30,576	1,233,733	(1,233,733)	A	–
	5,913,317	3,876,966	516,116	10,306,399	(1,256,086)		9,050,313
Results							
Segment results	827,876	209,892	(82,387)	955,381	24,137	A	979,518
Disposal of a subsidiary	–	–	–	–	100,742		100,742
Disposal of assets through finance lease	283,185	–	–	283,185	–		283,185
Net loss on disposal of ships	(7,412)	–	–	(7,412)	–		(7,412)
Other operating income	57,117	148,785	1,100,338	1,306,240	(864,547)	A	441,693
Finance income	15,270	49,460	385,472	450,202	(353,969)	A	96,233
Impairment provisions	(295,561)	–	–	(295,561)	–		(295,561)
Finance costs	(298,069)	(30,171)	(380,426)	(708,666)	353,280		(355,386)
Share of profit of associates	–	–	28	28	–		28
Share of (loss)/profit of joint ventures	(10,288)	283,969	–	273,681	–		273,681
Profit before taxation							1,516,721
Taxation							27,600
Profit after taxation							1,544,321
Non-controlling interests							(151,214)
Net profit attributable to equity holders of the Corporation							1,393,107
Assets							
Ships	17,505,950	–	45,550*	17,551,500	–		17,551,500
Offshore floating assets	–	1,343,865	–	1,343,865	–		1,343,865
Intangible assets	717,837	148,220	870	866,927	–		866,927
Investments in joint ventures	167,784	4,544,913	276	4,712,973	–		4,712,973
Other assets (unallocated)	–	–	–	–	–	B	12,004,344
Liabilities							
Interest-bearing loans and borrowings	1,396,164	481,215	9,689,233	11,566,612	(2,603,945)		8,962,667
Other liabilities (unallocated)	–	–	–	–	–	C	5,312,949

* Net book value of Navy Auxiliary Vessels owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

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33. Segment information (cont'd.)

(b) Business segments (cont'd.)

Note

A Inter-segment revenues and transactions are eliminated on consolidation.

B Other assets comprise the following items:

	2013 RM'000	2012 RM'000 Restated
Other property, plant and equipment	**1,854,313**	1,789,039
Prepaid lease payments on land and buildings	**251,750**	264,232
Investments in associates	**1,971**	2,003
Other non-current financial assets	**817,780**	665,376
Finance lease receivables	**1,387,841**	1,419,724
Deferred tax assets	**65,422**	14,179
Inventories	**262,900**	305,559
Trade and other receivables	**2,849,715**	3,197,073
Cash, deposits and bank balances	**4,747,735**	3,972,744
Derivative assets	**1,344**	–
Non current assets classified as held for sale	**221,728**	374,415
	12,462,499	12,004,344

C Other liabilities comprise the following items:

	2013 RM'000	2012 RM'000 Restated
Trade and other payables	**3,594,266**	4,590,378
Provision for taxation	**34,421**	27,503
Deferred tax liabilities	**20,143**	16,655
Derivative liabilities	**4,230**	59,995
Provisions	**602,973**	618,418
	4,256,033	5,312,949

33. Segment information (cont'd.)

(c) Geographical segments

Although the Group's three major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise energy related shipping, other energy businesses and non-shipping and others.

The Group also operates energy related shipping in other global regions as follows:

- Asia and Africa
- Europe
- Australasia
- The Americas

The following table provides an analysis of the Group's revenue and carrying amount of segment assets by geographical segments:

	Malaysia RM'000	Asia and Africa RM'000	Europe RM'000	Australasia RM'000	The Americas RM'000	Consolidated RM'000
31 December 2013						
Revenue	**5,370,012**	**580,206**	**376,595**	**60,658**	**2,584,334**	**8,971,805**
Segment assets	**29,706,875**	**7,440**	**7,134**	**2**	**10,510,780**	**40,232,231**
31 December 2012 (Restated)						
Revenue	5,306,427	580,926	346,550	60,836	2,755,574	9,050,313
Segment assets	26,801,631	88,525	8,783	7,103	9,573,567	36,479,609

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33. Segment information (cont'd.)

(d) Information about major customers

Breakdown of revenue from major customers are as follows:

	2013 RM'000	2012 RM'000
Fellow subsidiaries:		
– Petronas Carigali Turkmenistan Sdn. Bhd.	**8,916**	231,356
– Malaysia LNG Sdn. Bhd.	**1,955,534**	1,861,371
– Petronas Carigali Sdn. Bhd.	**280,177**	196,755
	2,244,627	2,289,482
Third parties:		
– Exxon Mobil Corporation	**277,188**	429,024
– ConocoPhillips	**82,724**	189,300
– Royal Dutch Shell plc	**260,675**	358,850
– Wilmar International Limited	**29,670**	102,102
– Koch Petroleum Group	**203,591**	122,710
– Talisman Energy	**59,764**	59,745
	913,612	1,261,731

34. Fair value disclosures

Fair value information

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

The different levels have been defined as follows:

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

(b) 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)

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

		Fair value of assets and liabilities carried at fair value			
Group	**Note**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
At 31 December 2013					
Financial assets:					
Non-current quoted equity investments	18(a)	**338,613**	**–**	**–**	**338,613**
Forward exchange contract	18(b)	**–**	**1,344**	**–**	**1,344**
		338,613	**1,344**	**–**	**339,957**
Non-financial assets:					
Non-current assets classified as held for sale	23	**–**	**–**	**221,728**	**221,728**
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	**–**	**(4,230)**	**–**	**(4,230)**

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34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Group	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2012					
Financial assets:					
Non-current quoted equity investments	18(a)	400,636	–	–	400,636
Non-financial assets:					
Non-current assets classified as held for sale	23	–	–	374,415	374,415
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	–	(59,826)	–	(59,826)
Forward exchange contracts	18(b)	–	(169)	–	(169)
		–	(59,995)	–	(59,995)

Group	Note	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2013						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	**39,335**
Long term receivables	18(a)	–	–	**83,607**	**83,607**	**124,256**
Finance lease receivables	18(d)	–	–	**1,446,965**	**1,446,965**	**1,446,965**
		–	–	**1,530,572**	**1,530,572**	**1,610,556**

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Group	Note	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2013						
Financial liabilities:						
Term loans	18(c)	–	**(4,575,379)**	–	**(4,575,379)**	**(4,662,943)**
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	–	**(1,202,740)**	–	**(1,202,740)**	**(1,300,000)**
US Dollar Guaranteed Notes	18(c)	**(2,352,900)**	–	–	**(2,352,900)**	**(2,301,252)**
Revolving credit from holding company		–	**(1,645,000)**	–	**(1,645,000)**	**(1,645,000)**
		(2,352,900)	**(7,423,119)**	–	**(9,776,019)**	**(9,909,195)**

Group	Note	Fair value of financial instruments not carried at fair value RM'000	Carrying amount RM'000
At 31 December 2012			
Financial assets:			
Non-current unquoted equity investments	18(a)	*	36,636
Long term receivables	18(a)	52,627	70,388
Finance lease receivables	18(d)	1,479,680	1,479,680
		1,532,307	1,586,704
Financial liabilities:			
Term loans	18(c)	(3,914,393)	(3,876,870)
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	(1,206,608)	(1,300,000)
US Dollar Guaranteed Notes	18(c)	(2,271,570)	(2,139,015)
Revolving credit from holding company	18(c)	(1,531,250)	(1,531,250)
		(8,923,821)	(8,847,135)

* The investments in unquoted equity are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

Comparative figures have not been analysed by levels, by virtue of transitional provision given in MFRS 13.

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34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Corporation	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2013					
Financial assets:					
Non-current quoted equity investments	18(a)	**338,613**	**–**	**–**	**338,613**
Non-financial assets:					
Non-current assets classified as held for sale	23	**–**	**–**	**126,969**	**126,969**
At 31 December 2012					
Financial assets:					
Quoted equity investments	18(a)	400,636	–	–	400,636
Non-financial assets:					
Non-current assets classified as held for sale	23	–	–	52,057	52,057

Corporation	Note	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2013						
Financial assets:						
Non-current unquoted equity investments	18(a)	**–**	**–**	*****	*****	**38,957**
Loans to subsidiaries	35(a)	**–**	**644,094**	**–**	**644,094**	**873,632**
		–	**644,094**	*****	**644,094**	**912,589**

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Corporation	Note	Fair value of financial instruments not carried at fair value (cont'd.) Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2013						
Financial liabilities:						
Loans from subsidiaries	18(c)	–	**(2,436,954)**	–	**(2,436,954)**	**(2,436,954)**
Revolving credit from holding company	18(c)	–	**(1,645,000)**	–	**(1,645,000)**	**(1,645,000)**
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	–	**(1,202,740)**	–	**(1,202,740)**	**(1,300,000)**
		–	**(5,284,694)**	–	**(5,284,694)**	**(5,381,954)**

	Note	Fair value of financial instruments not carried at fair value RM'000	Carrying amount RM'000
At 31 December 2012			
Financial assets:			
Non-current unquoted equity investments	18(a)	*	36,263
Loans to subsidiaries	35(a)	218,854	173,299
		218,854	209,562
Financial liabilities:			
Loans from subsidiaries	18(c)	(2,475,538)	(2,358,483)
Revolving credit from holding company	18(c)	(1,531,250)	(1,531,250)
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	(1,206,608)	(1,300,000)
		(5,213,396)	(5,189,733)

* The investments in unquoted investments are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

Comparative figures have not been analysed by levels, by virtue of transitional provision given in MFRS 13.

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34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

Level 1 fair value measurements

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets that the entity can assess at the measurement date.

Level 2 fair value measurements

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts and forward exchange 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 the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Non-derivative financial liabilities

The fair value of the loan and borrowings which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

Level 3 fair value measurements

Level 3 fair value is estimated using unobservable inputs that are not based on observable market data.

34. Fair value disclosures (cont'd.)

Fair value information (cont'd).

Level 3 fair value measurements (cont'd.)

The following table shows the information about fair value measurements using significant unobservable inputs within Level 3 of the fair value hierarchy:

	Group Fair value at 31 December 2013 RM'000	Corporation Fair value at 31 December 2013 RM'000	Valuation techniques	Unobservable inputs
Non-current assets classified as held for sale				
Ships				
– Petroleum	**94,759**	**–**	Market comparable approach	Market report on secondhand tanker price adjusted based on management's assumptions for difference in key attributes such as size and age
– Chemical	**91,017**	**91,017**	Market comparable approach	Contracted price
Containers	**32,495**	**32,495**	Market comparable approach	Recent sales transaction
Leasehold building	**3,457**	**3,457**	Market comparable approach	Price per square foot of comparable properties adjusted based on management's assumptions for key attributes such as property size
	221,728	**126,969**		

An increase in market values of comparable assets used in the above valuation would result in an increase in the fair values and vice versa.

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35. Financial risk management objectives and policies

The Group is exposed to various risks that are related to its core business of shipowning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Finance Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

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 risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk, equity price risk and bunker price risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group and the Corporation to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit Malaysia ("RM") and United States Dollar ("USD"), (which are its main borrowing currencies). The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group manages this by keeping 42.7% (2012: 45.3%) of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount.

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM183,431,000 (2012: RM2,514,043,000). The fixed interest rates relating to interest rate swaps at the reporting date is 1.85% (2012: 1.85%) per annum.

35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively.

	Increase/ (Decrease) in LIBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on equity (Decrease)/ Increase RM'000
As at 31 December 2013			
Group			
USD – 3 Months LIBOR	**+10**	**(3,187)**	**(4,352)**
USD – 3 Months LIBOR	**–10**	**3,187**	**4,352**
Corporation			
USD – 3 Months LIBOR	**+10**	**(1,597)**	**–**
USD – 3 Months LIBOR	**–10**	**1,597**	**–**
As at 31 December 2012			
Group			
USD – 3 Months LIBOR	+20	(9,824)	(13,509)
USD – 6 Months LIBOR	+40	–	(11,277)
USD – 3 Months LIBOR	–20	9,824	13,509
USD – 6 Months LIBOR	–40	–	11,277
Corporation			
USD – 3 Months LIBOR	+20	(6,267)	–
USD – 3 Months LIBOR	–20	6,267	–

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35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

As at 31 December 2013, the Group and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries, associates and joint ventures, interest bearing loans and borrowings and loans from subsidiaries, associates and joint ventures.

The interest rate profile of the Group and of the Corporation's interest-bearing financial instruments based on carrying amount, as at reporting date were as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000 Restated**
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	**2,047,568**	3,903,551	**64,243**	2,144,342
Deposits with IFSSC	**2,414,069**	–	**2,039,763**	–
Loans to:				
Subsidiaries	**–**	–	**873,632**	173,299
Joint ventures	**–**	122,127	**–**	120,304
Financial liabilities				
Fixed rate borrowings	**4,362,958**	4,057,959	**1,300,000**	1,300,000
Floating rate borrowings (swapped to fixed rate)#	**183,431**	2,510,473	**–**	–
Loans from subsidiaries	**–**	–	**–**	2,306,420
Floating rate instruments				
Financial assets				
Cash and bank balances	**286,098**	69,193	**3,339**	881
Loans to:				
Subsidiaries	**–**	–	**2,717,125**	1,718,436
Joint ventures	**297,174**	18,339	**297,174**	18,339
Financial liabilities				
Floating rate borrowings	**5,672,440**	2,302,360	**1,645,000**	1,531,250
Loans from subsidiaries	**–**	–	**2,436,954**	52,063

The Group had entered into interest rate swap ("IRS") arrangements on certain loans and borrowings as disclosed in Note 18(b).

35. Financial risk management objectives and policies (cont'd.)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RM and USD. Approximately 9.27% (2012: 10.92%) of the Group's sales are denominated in currencies other than the Group's functional currency by the operating unit making the sale, whilst almost 87.70% (2012: 86.30%) of costs are denominated in the Group's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments, except for the following:

At 31 December 2013, the Group held forward currency contracts designated as hedges of expected future receipts denominated in USD and Singapore Dollar. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The cash flow hedges of the expected future receipts which are expected to occur within the next 12 months, were assessed to be highly effective and a net unrealised gain of RM1,295,000 (2012: RM3,490,000), which represents the effective portion of the hedging relationship, is included in other comprehensive income.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates.

	2013		2012	
	Change in currency rate %	Effect on profit before taxation (Decrease)/ Increase RM'000	Change in currency rate %	Effect on profit before taxation (Decrease)/ Increase RM'000
Group				
USD/RM	**+5%**	**104,355**	+5%	(218)
	-5%	**(104,355)**	-5%	218
Corporation				
USD/RM	**+5%**	**79,550**	+5%	(7,592)
	-5%	**(79,550)**	-5%	7,592

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35. Financial risk management objectives and policies (cont'd.)

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

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies						
	Ringgit Malaysia RM'000	United States Dollar RM'000	Sterling Pound RM'000	Australian Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Total RM'000
Functional currency of Group entities							
At 31 December 2013							
Ringgit Malaysia	**–**	**153,243**	**(4,994)**	**(2)**	**(9,750)**	**22,706**	**161,203**
United States Dollar	**1,933,859**	**–**	**(1,099)**	**80**	**25,094**	**23,992**	**1,981,926**
	1,933,859	**153,243**	**(6,093)**	**78**	**15,344**	**46,698**	**2,143,129**
At 31 December 2012 (Restated)							
Ringgit Malaysia	–	(4,361)	(959)	–	52	(2,403)	(7,671)
United States Dollar	106,042	–	15,240	(1,824)	15,243	18,471	153,172
	106,042	(4,361)	14,281	(1,824)	15,295	16,068	145,501
Functional currency of Corporation							
At 31 December 2013							
United States Dollar	**1,591,000**	**–**	**(709)**	**82**	**16,315**	**10,123**	**1,616,811**
At 31 December 2012							
United States Dollar	(151,833)	–	1,339	(1,822)	18,605	16,674	(117,037)

35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group and the Corporation's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM4,747,735,000 (2012: RM3,972,744,000) and RM2,107,345,000 (2012: RM2,145,223,000) respectively. As at 31 December 2013, the Group and the Corporation have unutilised credit lines of RM1.2 billion (2012: RM2.2 billion) and RM1.2 billion (2012: RM2.2 billion) respectively, which could be used for working capital purposes.

Notes to the Financial Statements
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35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and Corporation's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000
At 31 December 2013		
Group		
Interest-bearing loans and borrowings	**10,218,829**	**10,862,240**
Trade and other payables	**3,358,202**	**3,358,202**
	13,577,031	**14,220,442**
Corporation		
Interest-bearing loans and borrowings	**5,381,954**	**5,699,825**
Trade and other payables	**1,479,309**	**1,479,309**
	6,861,263	**7,179,134**
At 31 December 2012		
Group (Restated)		
Interest-bearing loans and borrowings	8,962,667	9,617,083
Trade and other payables	4,219,383	4,219,383
	13,182,050	13,836,466
Corporation		
Interest-bearing loans and borrowings	5,189,733	5,482,926
Trade and other payables	1,880,985	1,880,985
	7,070,718	7,363,911

Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000
3,634,932	**661,805**	**2,313,390**	**537,847**	**3,437,364**	**276,902**
3,358,202	**–**	**–**	**–**	**–**	**–**
6,993,134	**661,805**	**2,313,390**	**537,847**	**3,437,364**	**276,902**
605,909	**291,397**	**1,997,710**	**338,875**	**2,465,934**	**–**
1,479,309	**–**	**–**	**–**	**–**	**–**
2,085,218	**291,397**	**1,997,710**	**338,875**	**2,465,934**	**–**
2,890,332	4,751,046	562,588	598,360	510,076	304,681
4,219,383	–	–	–	–	–
7,109,715	4,751,046	562,588	598,360	510,076	304,681
2,489,466	2,130,490	229,340	322,380	311,250	–
1,880,985	–	–	–	–	–
4,370,451	2,130,490	229,340	322,380	311,250	–

Notes to the Financial Statements
– 31 December 2013

35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group entered into interest rate swaps to hedge the cash flow risk in relation to the floating interest rate on the term loans of RM183,431,000 (2012: RM2,514,043,000). The interest rate swaps with nominal value of RM183,431,000 (2012: RM2,514,043,000) are settled every quarter, consistent with the interest repayment schedule of the loan.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000
At 31 December 2013							
Net cash outflows	**4,230**	**(4,648)**	**(2,462)**	**(1,567)**	**(619)**	**–**	**–**
At 31 December 2012							
Net cash outflows	59,826	(43,753)	(39,609)	(2,195)	(1,397)	(552)	–

The Group's hedging activities on the interest rate swaps are tested to be effective. During the year, the Group recognised in other comprehensive income a gain of RM22,199,000 (2012: RM65,495,000) on the interest rate swaps of its subsidiaries.

The Group had, in prior year terminated some of its IRS arrangement following early repayment of certain loans prior to its maturity. As a result, the cumulative loss on the IRS of RM21,435,000 has been reclassified from equity into income statement. During the year, some of the IRS arrangement had reached its maturity. As a result, the cumulative loss on the IRS of RM26,717,000 has been reclassified from equity into income statement

The Group's share of its joint ventures' unrealised gain on IRS during the year was RM27,925,000 (2012: RM6,702,000).

35. 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 exposure to credit risk arises primarily from its operating activities (mainly for trade receivables) and from its finance activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 18(a), 20 and 22 and is recognised in the statements of financial position.

The Group does not hold any collateral as security.

Trade receivables

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables due from third parties at the reporting date are as follows:

	Group		Corporation	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Energy related shipping	**248,204**	232,234	**1,215**	11,455
Other energy businesses	**1,464,986**	1,531,576	**510**	3,043
Non-shipping and others	**133,853**	160,501	**8,261**	38,142
	1,847,043	1,924,311	**9,986**	52,640

At reporting date, approximately:

16.8% (2012: 12.4%) of the Group's trade and other receivables were due from related parties while 79.2% (2012: 82.2%) of the Corporation's trade and other receivables were due from related parties.

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35. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Effective from 1 July 2013, cash and bank balances were held in the In-House Account managed by PETRONAS Integrated Financial Shared Services Centre ("IFFSC"). The centralisation of fund management allows more effective cash visibility, fund management for the Group and minimise exposure to counter party credit risk. The beneficiary of these financial assets remain with the Corporation. PETRONAS IFSSC, which functions as treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

(e) Equity price risk

Equity price risk arises from the Group's investments in quoted equity shares listed on Bursa Malaysia.

At the reporting date, the exposure to listed equity securities at fair value was RM338,613,000 (2012: RM400,636,000).

The following table demonstrates the indicative effects on the Group and the Corporation's equity applying reasonably foreseeable market movements in the following index rates:

Group and Corporation	Carrying value RM'000	Weighted average change in index rate %	Effect on equity Increase/ (Decrease) RM'000
2013			
Malaysian quoted equity shares	**338,613**	**+15**	**50,792**
Malaysian quoted equity shares	**338,613**	**–15**	**(50,792)**
2012			
Malaysian quoted equity shares	400,636	+15	60,095
Malaysian quoted equity shares	400,636	–15	(60,095)

This analysis assumes all other variables remain constant and that the price of the Group's quoted investments are perfectly correlated to the market index.

36. Capital management

Capital management is defined as the process of managing the composition of the Group's debt and equity to ensure it maintains a strong credit rating and healthy capital ratios that support its businesses and maximise its shareholder value. The Group's approach in managing capital is set out in the Group Corporate Financial Policy.

The Group and the Corporation monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt agreements.

The debt to equity ratios of the Group and of the Corporation as at 31 December 2013 and 31 December 2012 are as follows:

		Group		**Corporation**	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Short term borrowings	18(c)	**3,392,624**	2,663,136	**500,000**	2,345,368
Long term borrowings	18(c)	**6,826,205**	6,299,531	**4,881,954**	2,844,365
Total debts		**10,218,829**	8,962,667	**5,381,954**	5,189,733
Total equity		**24,712,929**	21,123,978	**17,772,883**	15,021,632
Gross debt equity ratio		**0.41**	0.42	**0.30**	0.35

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37. Subsidiaries and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	**100**	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	**100**	100
MISC Ship Management Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-liquidation	**100**	100
MISC Properties Sdn. Bhd.	Malaysia	Dormant	**100**	100
Malaysia Marine and Heavy Engineering Holdings Berhad^	Malaysia	Investment holding	**66.5**	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd.	Malaysia	Provision of oil and gas engineering and construction works, and marine conversion and repair services	**66.5**	66.5
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Provision of repair services and dry docking of LNG carriers	**46.6**	46.6
Techno Indah Sdn. Bhd.	Malaysia	Sludge disposal management	**66.5**	66.5
Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.	Malaysia	Dormant	**66.5**	66.5
MISC Agencies Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Agencies (Sarawak) Sdn. Bhd.	Malaysia	Shipping agent	**–**	65
MISC Agencies (Netherlands) B.V.*	Netherlands	Dormant	**100**	100
Misan Logistics B.V.*	Netherlands	Haulage brokerage, liner merchant and carrier haulage	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
MISC Agencies (Australia) Pty. Ltd.#	Australia	Liquidated	**–**	100
MISC Agencies (U.K.) Ltd.*	United Kingdom	Dormant	**100**	100
MISC Agencies India Private Limited*	India	Shipping agent	**60**	60
MISC Agencies (Japan) Ltd.*	Japan	In-liquidation	**100**	100
MISC Agencies (Singapore) Pte. Ltd.*	Singapore	Dormant	**100**	100
Leo Launches Pte. Ltd.*	Singapore	Liquidated	**–**	51
MISC Agencies (New Zealand) Limited#	New Zealand	Liquidated	**–**	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services	**100**	100
MISC Haulage Services Sendrian Berhad	Malaysia	Dormant	**100**	100
MISC Trucking and Warehousing Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MILS Cold Chain Logistics Sdn. Bhd. (formerly known as MILS – Seafrigo Sdn. Bhd.)	Malaysia	Owner of a cold storage logistics hub	**100**	67
MILS Cold Hub Sdn. Bhd. (formerly known as MILS – Seafrigo Cold Chain Logistics Sdn. Bhd.	Malaysia	Dormant	**100**	100
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	**51**	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Shipowning and ship management	**51**	51
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	**100**	100
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	**100**	100

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37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	**100**	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC Tanker Holdings (Bermuda) Limited	Bermuda	Investment holding	**100**	100
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	**100**	100
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Shipowning	**100**	100
AET Shipmanagement (Malaysia) Sdn. Bhd.	Malaysia	Shipping management	**100**	100
AET Shipmanagement (Singapore) Pte. Ltd.#	Singapore	Shipping management	**100**	100
AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	**100**	100
AET Inc. Limited	Bermuda	Shipowning and operations	**100**	100
AET Shipmanagement (India) Pte. Ltd.#	India	Ship management	**100**	100
AET Lightering Services LLC	The United States of America	Lightering	**100**	100
AET Tankers Pte. Ltd.#	Singapore	Commercial operation and chartering	**100**	100
AET UK Ltd.#	United Kingdom	Commercial operation and chartering	**100**	100
AET Offshore Services Inc.	The United States of America	Lightering	**100**	100
AET Agencies Inc.	The United States of America	Property owning	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2013	**2012**
AET Tankers India Pte. Ltd.[#]	India	Shipowning	**100**	100
AET Azerbaijan Ltd.	Azerbaijan	Dormant	**100**	100
AET Tankers Kazakhstan LLP	Kazakhstan	Dormant	**100**	100
AET Shipmanagement (USA) LLC	The United States of America	Ship management	**100**	100
AET Tankers (Suezmax) Pte. Ltd.	Singapore	Own, manage and operate ships	**100**	100
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Own, manage and operate ships	**100**	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	**100**	100
AET MCV Alpha LLC	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Beta LLC	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Gamma LLC	Republic of Marshall Islands	Chartering and operations	**100**	100
AET MCV Alpha Pte. Ltd.	Singapore	Dormant	**100**	100
AET MCV Beta Pte. Ltd.	Singapore	Dormant	**100**	100
AET Brasil Servicos Maritimos Ltda.	Brazil	Crew management services	**100**	100
AET Brasil Servicos STS Ltda.	Brazil	Lightering support services	**100**	100
AET Sea Shuttle AS	Norway	Owning and operating DP shuttle	**97.5**	97.5
MISC International (L) Ltd.	Malaysia	Investment holding	**100**	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100
MISC Capital (L) Ltd.	Malaysia	Special purpose vehicle for US Dollar Financing Arrangement	**100**	100

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37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
M.I.S.C. Nigeria Ltd.*	Nigeria	Dormant	**60**	60
FPSO Ventures Sdn. Bhd.	Malaysia	Operating and maintaining FPSO terminals	**51**	51
Bunga Kasturi (L) Pte. Ltd.	Malaysia	Dormant	**100**	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore production unit owner	**100**	80
MTTI Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC PNG Shipping (L) Ltd.	Malaysia	Investment holding	**100**	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG floating storage units	**100**	100
MISC Agencies (Thailand) Co. Ltd.#	Thailand	Liquidated	**–**	100
MISC Offshore Floating Terminals Dua (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100
GK O & M (L) Limited ß	Malaysia	Operating and maintaining Gumusut-Kakap semi-submersible floating production system	**100**	–

* Audited by firms of auditors other than Ernst & Young
ß Incorporated during the year
\# Audited by affiliates of Ernst & Young Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

38. Associates and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2013	**2012**
BLG MILS Logistics Sdn. Bhd.**	Malaysia	Automotive solutions and related integrated logistic services	**60**	60
Rais – Mils Logistic FZCO	United Arab Emirates	In-liquidation	**50**	50
MISC Agencies Lanka Pte. Ltd.	Sri Lanka	In-liquidation	**40**	40
Trans-ware Logistics (Pvt.) Ltd.	Sri Lanka	Inland container depot	**25**	25
Nikorma Transport Limited	Nigeria	LNG transportation	**30**	30
Eagle Star Crew Management Corp.	Philippines	Recruitment and provision of manpower for maritime vessels	**24**	24

** Although the Group holds 60% effective interest in BLG MILS Logistics Sdn. Bhd. ("BML"), BML is deemed to be an associate as the Group is unable to exercise control over the financial and operating policies of the economic activities of BML.

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39. Joint arrangements and activities

(a) Joint ventures and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
Malaysia Vietnam Offshore Terminal (L) Ltd.****	Malaysia	FSO owner	**51**	51
Vietnam Offshore Floating Terminal (Ruby) Ltd.***	Malaysia	FPSO owner	**40**	40
Paramount Tankers Corporation	Republic of the Marshall Island	Shipowning and ship operator	**50**	50
MMHE-TPGM Sdn. Bhd.***	Malaysia	Provision of engineering, procurement, construction, installation and commissioning	**40**	40
MMHE-ATB Sdn. Bhd.***	Malaysia	Manufacturing works of pressure vessels and tube heat exchangers	**27**	27
Technip MHB Hull Engineering Sdn. Bhd.***	Malaysia	Building and developing hull engineering and engineering project management capacities	**33.3**	33.3
SL-MISC International Line Co. Ltd.***	Sudan	In-liquidation	**49**	49
SBM Systems Inc.***	Switzerland	FPSO owner	**49**	49
FPSO Brasil Venture S.A.***	Switzerland	Investment and offshore activities	**49**	49
SBM Operacoes Ltda.***	Brazil	Operating and maintaining FPSO terminals	**49**	49
Operacoes Maritamas em Mar Profundo Brasileiro Ltda.***	Brazil	Operating and maintaining FPSO	**49**	49
Brazilian Deepwater Floating Terminals Ltd.***	Bermuda	Construction of FPSO	**49**	49

39. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
Brazilian Deepwater Production Ltd.***	Bermuda	Chartering of FPSO	**49**	49
Brazilian Deepwater Production Contractors Ltd.***	Bermuda	Operation and maintenance of FPSO	**49**	49
Centralised Terminals Sdn. Bhd.***	Malaysia	Own, manage, operate and maintain centralised tankage facility	**45**	45
Langsat Terminal (Three) Sdn. Bhd.***	Malaysia	Dormant	**45**	45
Langsat Terminal (Two) Sdn. Bhd.***	Malaysia	Provision of multi user petrochemical terminal facilities	**36**	36
Langsat Terminal (One) Sdn. Bhd.***	Malaysia	Provision of tank terminal activities	**36**	36
MISC Shipping Services (UAE) LLC ***	United Arab Emirates	Dormant	**49**	49
Western Pacific Shipping Ltd.****	Bermuda	Providing shipping solutions to meet LNG Project requirements and also supports other general shipping requirements of Papua New Guinea	**60**	60
VTTI B.V.	Netherlands	Owning (in whole or in part), operating and managing a network of oil product storage terminals and refineries	**50**	50

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39. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2013	2012
ELS Lightering Services S.A	Uruguay	Lightering activity	**50**	50
Akudel S.A***	Uruguay	Owning and operating workboats for lightering activity	**49**	49
Gumusut-Kakap Semi-Floating Production System (L) Limited	Malaysia	Asset ownership and leasing of semi-submersible floating production system	**50**	50
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.****	Malaysia	FPSO owner	**51**	51
Malaysia Deepwater Production Contractors Sdn. Bhd.****	Malaysia	Operating and maintaining FPSO terminals	**51**	51

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

The financial statements of the above joint ventures are coterminous with those of the Group, except for these joint ventures:

	Financial year end
Centralised Terminals Sdn. Bhd.	30 June
Langsat Terminal (One) Sdn. Bhd.	30 June
Langsat Terminal (Two) Sdn. Bhd.	30 June
Langsat Terminal (Three) Sdn. Bhd.	30 June

For the above entities, the audited financial statements up to the financial year ended 30 June 2013 and management accounts up to 31 December 2013 have been used to apply the equity method of accounting.

39. Joint arrangements and activities (cont'd.)

(b) Joint operation and activities

Details of the Group's joint operation is as follows:

Name	% of ownership interest held by the Group		Accounting model applied
	2013	2012	
Technip MMHE (Malikai) Joint Venture	**50%**	–	Proportionate consolidation method

Technip MMHE (Malikai) Joint Venture is an unincorporated joint venture between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to provide engineering, procurement and construction services for the TLP Malikai Deepwater Project.

40. Discontinued operations

The Group effectively ceased its Liner related business operations upon delivery of cargo under its final Perdana service voyage in June 2012. With the exception of returning leased containers that are expected to be completed in year 2014, all outstanding business cessation processes were completed in the fourth quarter ended 31 December 2012.

Financial statement disclosures

The results of the Liner related business for the financial years ended 31 December 2013 and 31 December 2012 have been presented separately in the income statement as "Profit/(loss) after taxation from discontinued operations". The net cash flows attributable to the Liner related business operations have also been presented separately in the statements of cash flows.

Notes to the Financial Statements
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40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(a) Income statements disclosures

The results of the Liner related business operations for the year ended 31 December are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Revenue	**585**	174,744	**6**	170,846
Cost of sales	**(25)**	(598,853)	**–**	(598,597)
Gross profit/(loss)	**560**	(424,109)	**6**	(427,751)
Other operating income	**1,375**	43,984	**522**	14,906
Net gain on disposal of:				
– Ships	**–**	20,662	**–**	20,662
– A subsidiary	**312**	–	**–**	–
Finance income	**135**	267	**–**	–
General and administrative expenses	**(6,854)**	(18,324)	**(2,399)**	(17,783)
Reversal of/(provision for) liner exit	**8,265**	(246,010)	**9,508**	(246,010)
	3,793	(623,530)	**7,637**	(655,976)
Share of (loss)/profit of joint ventures	**(10)**	166	**–**	–
Profit/(loss) before taxation from discontinued operations (Note 40(c))	**3,783**	(623,364)	**7,637**	(655,976)
Taxation	**527**	502	**–**	–
Profit/(loss) after taxation from discontinued operations	**4,310**	(622,862)	**7,637**	(655,976)

40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(a) Income statements disclosures (cont'd.)

Details of the Liner exit provisions are as follows:

		Group		Corporation	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Impairment provision	i				
– non-current assets held for sale written down		**10,709**	–	**10,709**	–
– other property, plant and equipment		**1,243**	25,552	**–**	25,552
– ships in operation		**–**	26,106	**–**	26,106
(Reversal of)/provision for termination of leases and contractual obligations	ii	**(20,217)**	194,352	**(20,217)**	194,352
		(8,265)	246,010	**(9,508)**	246,010

i. An impairment loss of RM11,952,000 was recognised during the year by the Group to reduce the carrying amount of the containers and other property, plant and equipment to its fair value less cost to sell. In the previous year, an impairment of RM51,658,000 was made for the ships and other property, plant and equipment. The fair values of the ships were determined with reference to market values provided by independent ship valuers.

ii. In the previous financial year, the Group and the Corporation recognised losses on onerous contracts for containers and in-chartered ships, where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be derived from the assets.

(b) Statements of cash flows disclosures

The cash flows attributable to the Liner related business operations for the year ended 31 December are as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Operating	**(68,828)**	(1,060,360)	**(68,628)**	(1,023,726)
Investing	**15,063**	574,719	**12,115**	559,222
Net cash outflows	**(53,765)**	(485,641)	**(56,513)**	(464,504)

Notes to the Financial Statements
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40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(c) Profit/(loss) before taxation from discontinued operations

The following amounts have been included in arriving at profit/(loss) before taxation from discontinued operations:

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	**10**	161	**–**	–
Slot and charter hire expenses	**6,634**	412,469	**6,634**	412,469
Exchange loss:				
Unrealised	**1,056**	2,228	**–**	–
Write-back of impairment loss on trade receivables:				
Third parties	**(706)**	(645)	**–**	–
Impairment loss on trade receivables:				
Third parties	**–**	5,587	**–**	–
Bad debts written off	**761**	12	**–**	–
Rental of equipment	**–**	78,680	**–**	78,316
Rental of land and buildings	**8**	161	**–**	–
Impairment loss on investment in a joint venture	**446**	–	**–**	–
Ships, offshore floating assets and other property, plant and equipment:				
– Depreciation	**193**	38,915	**–**	38,417
– Written off	**16**	–	**–**	–
Gain on disposal of:				
– Non-current assets held for sale	**523**	7,916	**523**	–
– Leasehold building	**–**	1,031	**–**	–
Staff costs (Note 40(d))	**1,179**	16,290	**655**	9,350

40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(d) Staff costs

	Group		Corporation	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Wages, salaries and bonuses	**491**	15,219	**176**	7,015
Contributions to defined contribution plans	**55**	1,003	**12**	1,003
Social security costs	**1**	68	**–**	29
Other staff related expenses	**632**	–	**467**	1,303
(Note 40(c))	**1,179**	16,290	**655**	9,350

41. Impact of the adoption of new standards

The Group has adopted MFRS 10 *Consolidated Financial Statements* and MFRS 11 *Joint Arrangements*. The effects of adopting MFRS 10 and MFRS 11 have been accounted for retrospectively in accordance with the transitional provision of the standard.

Upon adoption of MFRS 10 and MFRS 11, the subsidiaries namely Malaysia Deepwater Floating Terminal (Kikeh) Ltd. ("MDFT") and Malaysia Deepwater Production Contractors Sdn. Bhd. ("MDPC") were deconsolidated from the Group and treated as joint ventures. The adoption of MFRS 10 and MFRS 11 have resulted in an increase in retained profits and a decrease in non-controlling interest of the Group as at 31 December 2012 by RM47,819,000 and RM322,975,000 respectively.

Notes to the Financial Statements
– 31 December 2013

41. Impact of the adoption of new standards (cont'd.)

(i) Impact of the application of the above new standards on net assets and equity of the Group as at 1 January 2012 and 31 December 2012:

	1 January 2012 As previously reported RM'000	MFRS 10 adjustments RM'000	MFRS 11 adjustments RM'000	Amendments to MFRS 116 RM'000
Non-current assets				
Ships	18,572,664	–	–	–
Offshore floating assets	7,706,240	(1,103,543)	–	–
Other property, plant and equipment	1,522,684	–	–	33,903
Prepaid lease payments on land and buildings	78,369	–	–	–
Intangible assets	855,158	–	–	–
Investments in associates	2,322	–	–	–
Investments in joint ventures	3,538,305	–	232,424	–
Other non-current financial assets	1,159,995	–	–	–
Finance lease receivables	420,731	–	–	–
Deferred tax assets	5,241	(293)	–	–
	33,861,709	**(1,103,836)**	**232,424**	**33,903**
Current assets				
Inventories	434,995	–	–	(33,903)
Trade and other receivables	2,245,530	(56,324)	–	–
Cash, deposits and bank balances	4,155,139	(19,787)	–	–
Non-current assets classified as held for sale	519,688	–	–	–
	7,355,352	**(76,111)**	**–**	**(33,903)**
Total assets	**41,217,061**	**(1,179,947)**	**232,424**	**–**

1 January 2012 As restated RM'000	31 December 2012 As previously reported RM'000	MFRS 10 adjustments RM'000	MFRS 11 adjustments RM'000	Amendments to MFRS 116 RM'000	31 December 2012 As restated RM'000
18,572,664	17,551,500	–	–	–	17,551,500
6,602,697	2,523,441	(1,179,576)	–	–	1,343,865
1,556,587	1,758,497	–	–	30,542	1,789,039
78,369	264,232	–	–	–	264,232
855,158	866,927	–	–	–	866,927
2,322	2,003	–	–	–	2,003
3,770,729	4,420,576	–	292,397	–	4,712,973
1,159,995	586,112	–	79,264	–	665,376
420,731	1,419,724	–	–	–	1,419,724
4,948	14,504	(325)	–	–	14,179
33,024,200	**29,407,516**	**(1,179,901)**	**371,661**	**30,542**	**28,629,818**
401,092	336,101	–	–	(30,542)	305,559
2,189,206	3,278,165	(1,828)	(79,264)	–	3,197,073
4,135,352	4,023,351	(50,607)	–	–	3,972,744
519,688	374,415	–	–	–	374,415
7,245,338	**8,012,032**	**(52,435)**	**(79,264)**	**(30,542)**	**7,849,791**
40,269,538	**37,419,548**	**(1,232,336)**	**292,397**	**–**	**36,479,609**

Notes to the Financial Statements
– 31 December 2013

41. Impact of the adoption of new standards (cont'd.)

(i) Impact of the application of the above new standards on net assets and equity of the Group as at 1 January 2012 and 31 December 2012 (cont'd.):

	1 January 2012 As previously reported RM'000	MFRS 10 adjustments RM'000	MFRS 11 adjustments RM'000	Amendments to MFRS 116 RM'000
Equity attributable to equity holders of the Corporation				
Share capital	4,463,794	–	–	–
Share premium	4,459,468	–	–	–
Other reserves	(212,566)	44,295	(44,293)	–
Retained profits	12,086,371	(137,541)	186,957	–
	20,797,067	(93,246)	142,664	–
Non-controlling interests	1,288,723	(268,840)	–	–
Total equity	**22,085,790**	**(362,086)**	**142,664**	**–**
Non-current liabilities				
Interest-bearing loans and borrowings	8,332,604	(423,826)	–	–
Deferred tax liabilities	45,267	–	–	–
Derivatives liabilities	183,819	(39,491)	–	–
Other non-current financial liabilities	–	–	–	–
Provisions	647,331	–	–	–
	9,209,021	**(463,317)**	**–**	**–**
Current liabilities				
Trade and other payables	4,001,150	(66,562)	–	–
Derivative liabilities	2,327	–	–	–
Interest-bearing loans and borrowings	5,859,556	(197,689)	–	–
Provision for taxation	59,217	(533)	–	–
Liabilities of assets held for sale	–	–	–	–
	9,922,250	**(264,784)**	**–**	**–**
Total liabilities	**19,131,271**	**(728,101)**	**–**	**–**
Total equity and liabilities	**41,217,061**	**(1,090,187)**	**142,664**	**–**

1 January 2012 As restated RM'000	31 December 2012 As previously reported RM'000	MFRS 10 adjustments RM'000	MFRS 11 adjustments RM'000	Amendments to MFRS 116 RM'000	31 December 2012 As restated RM'000
4,463,794	4,463,794	–	–	–	4,463,794
4,459,468	4,459,468	–	–	–	4,459,468
(212,564)	(700,101)	44,585	(50,396)	–	(705,912)
12,135,787	12,858,809	(205,214)	253,033	–	12,906,628
20,846,485	21,081,970	(160,629)	202,637	–	21,123,978
1,019,883	1,402,990	(322,975)	–	–	1,080,015
21,866,368	**22,484,960**	**(483,604)**	**202,637**	**–**	**22,203,993**
7,908,778	6,507,057	(207,526)	–	–	6,299,531
45,267	16,655	–	–	–	16,655
144,328	25,831	(18,891)	–	–	6,940
–	76,156	(76,156)	–	–	–
647,331	618,418	–	–	–	618,418
8,745,704	**7,244,117**	**(302,573)**	**–**	**–**	**6,941,544**
3,934,588	4,745,024	(154,646)	–	–	4,590,378
2,327	53,055	–	–	–	53,055
5,661,867	2,864,873	(201,737)	–	–	2,663,136
58,684	27,519	(16)	–	–	27,503
–	–	–	–	–	–
9,657,466	**7,690,471**	**(356,399)**	**–**	**–**	**7,334,072**
18,403,170	**14,934,588**	**(658,972)**	**–**	**–**	**14,275,616**
40,269,538	**37,419,548**	**(1,142,576)**	**202,637**	**–**	**36,479,609**

Notes to the Financial Statements
– 31 December 2013

41. Impact of the adoption of new standards (cont'd.)

(ii) Impact on profit of the Group for the year of the application of the above new standards:

	31 December 2012		
	MFRS 10 adjustments RM'000	**MFRS 11 adjustments RM'000**	**Total adjustments RM'000**
Decrease in revenue	(433,690)	–	(433,690)
Decrease in cost of sales	228,707	–	228,707
Increase/(decrease) in other operating income	19,549	(20,559)	(1,010)
Increase in finance income	5,358	–	5,358
Decrease in general and administrative expenses	931	–	931
Decrease in finance costs	30,451	–	30,451
Increase in share of profit of joint ventures	–	86,635	86,635
Increase in taxation	1,268	–	1,268
(Decrease)/increase in profit after taxation	(147,426)	66,076	(81,350)
Increase/(decrease) in other comprehensive income	628	(6,110)	(5,482)
(Decrease)/increase in total comprehensive income	(146,798)	59,966	(86,832)
(Decrease)/increase in total comprehensive income for the year attributable to:			
Equity holders of the Corporation	(67,372)	59,966	(7,406)
Non-controlling interests	(79,426)	–	(79,426)
	(146,798)	59,966	(86,832)

(iii) Impact of the application of the above new standards on cash flow of the Group for the year:

	31 December 2012		
	MFRS 10 adjustments RM'000	**MFRS 11 adjustments RM'000**	**Total adjustments RM'000**
Net cash outflow from operating activities	(274,507)	–	(274,507)
Net cash inflow/(outflow) from investing activities	125,315	(52,303)	73,012
Net cash inflow from financing activities	170,246	–	170,246
Net cash inflow/(outflow)	21,054	(52,303)	(31,249)

41. Impact of the adoption of new standards (cont'd.)

Corporation

(i) Impact of the application of the above new standards on Corporation as at 1 January 2012 and 31 December 2012

	1 January 2012 As previously reported RM'000	MFRS 10/ MFRS 11 adjustments RM'000	1 January 2012 As restated RM'000
Investments in subsidiaries	8,089,403	(72,524)	8,016,879
Investments in joint ventures	138,843	72,524	211,367
	8,228,246	–	8,228,246

	31 December 2012 As previously reported RM'000	MFRS 10/ MFRS 11 adjustments RM'000	31 December 2012 As restated RM'000
Investments in subsidiaries	7,808,898	(72,524)	7,736,374
Investments in joint ventures	1,072,534	72,524	1,145,058
	8,881,432	–	8,881,432

42. Significant events

a. On 17 December 2013, the Corporation entered into an Agreement for Sale and Purchase of Shares with Global Process Systems Inc. ("GPS") for the acquisition of 20% of the remaining shareholding held by GPS in Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL"), divided into 20,000 ordinary shares of USD1.00 each and 7,200,066 Redeemable Convertible Preference Shares of USD1.00 each, for a purchase consideration of RM59,220,000 (USD18,000,000). Following the acquisition, MOMPL became a wholly-owned subsidiary of the Corporation.

b. On 27 May 2013, MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly-owned subsidiary of the Corporation, entered into an Agreement for Sale and Purchase of Shares with ETB Seafrigo ("Seafrigo") for the acquisition of 1,000,000 ordinary shares of par value RM1.00 each, representing 33% of the issued and paid-up capital of MILS Cold Chain Logistics Sdn. Bhd. (formerly known as MILS – Seafrigo Sdn. Bhd.), from Seafrigo, at a purchase consideration of RM500,000. Upon the completion of the transaction, MILS Cold Chain Logistic Sdn. Bhd. became a wholly-owned subsidiary of MILS.

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43. Supplementary information – breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Corporation as at 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared 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 Accountants, as follows:

	Group		Corporation	
	2013 RM'000	**2012 RM'000 Restated**	**2013 RM'000**	**2012 RM'000**
Total retained profits of MISC and its subsidiaries:				
– Realised	**15,825,477**	14,732,322	**9,168,640**	7,778,836
– Unrealised	**(59,965)**	(107,298)	**(111,661)**	(67,325)
	15,765,512	14,625,024	**9,056,979**	7,711,511
Total share of accumulated losses from associates:				
– Realised	**(2,251)**	(2,270)	**–**	–
– Unrealised	**(68)**	(49)	**–**	–
	(2,319)	(2,319)	**–**	–
Total share of retained profits from joint ventures:				
– Realised	**1,532,069**	596,866	**–**	–
– Unrealised	**22,865**	39,543	**–**	–
	1,554,934	636,409	**–**	–
Total retained profits	**17,318,127**	15,259,114	**9,056,979**	7,711,511
Less: Consolidation adjustments	**(2,323,292)**	(2,352,486)	**–**	–
Retained profits as per financial statements	**14,994,835**	12,906,628	**9,056,979**	7,711,511

/ Properties Owned by MISC Berhad and Its Subsidiaries as at 31 December 2013

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
1.	Lot 23, Lebuh Sultan Mohamad 1 Bandar Sultan Sulaiman 42008 Port Klang Selangor Darul Ehsan	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Leasehold/ 2105	2,232,950	Cargo cum Office Complex & Container Yard	23	66,966
2.	Lot 36, Seksyen 7 Fasa 1A, Pulau Indah Industrial Park (West Port) Pelabuhan Klang Selangor Darul Ehsan	Land, Office Building & Warehouse	Leasehold/ 2097	1,815,103	Logistics Hub	7	106,284
3.	Plot 2 P.T. 2113 Air Keroh Industrial Estate, Melaka	Land & Container Yard	Leasehold/ 2091	241,326	Office Building & Container Yard	22	3,243
4.	Lot 2939-2941, 2946-2954, 2978-2980 Mukim 16 Daerah Seberang Perai Utara, Pulau Pinang	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Freehold	752,752	Cargo cum Office Complex & Container Yard	22	29,978
5.	PTD 97072 Tebrau II Industrial Estate Johor Darul Takzim	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Leasehold/ 2023	894,287	Cargo cum Office Complex & Container Yard	21	19,416
6.	PLO 516, Jalan Keluli 3 Kaw. Perindustrian Pasir Gudang, Mukim Plentong Johor Darul Takzim	Land, Office Building & Container Yard	Leasehold/ 2025	217,800	Office Building & Container Yard	19	1,441

Properties Owned by MISC Berhad and Its Subsidiaries
as at 31 December 2013

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
7.	PTD 22805 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2072	13,115,306	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	34	51,719
8.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		38	1,008
9.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	30	2,577
10.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	30	2,169
11.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	30	474
12.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	30	627
13.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	30	1,381
14.	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on Land 7 and 8 above)	Warehouse, Workshops & Office Buildings	Leasehold/ 2072/2075	1,956,881	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	36	827,745
15.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 9 to 11 above)	4-storey Residential Flats	Leasehold/ 2044	383,559	Staff Quarters	35	3,207

Properties Owned by MISC Berhad and Its Subsidiaries
as at 31 December 2013

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
16.	PTD 101363 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	4	18,442
17.	PTD 71056 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	28	48,067
18.	PTD 109040 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, Ancillary Facilities & Site Office	20	7,194
19.	PTD 200290 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, Ancillary Facilities & Office Buildings	5	83,339
20.	PTD 22768 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	33	13,596
21.	Lot 51611 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary Facilities & Storage Area	17	5,470
22.	PTD 110760 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, Ancillary Facilities & Office Buildings	20	6,650
23.	PTD 110758 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin Office & Warehouse	20	2,017

Properties Owned by MISC Berhad and Its Subsidiaries

as at 31 December 2013

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
24.	Lot 76, Mukim Kuala Sungei Baru, Alor Gajah Melaka	Villas & Boathouse	Leasehold/ 2016	463,641	Akademi Laut Malaysia, Melaka Campus	5	1,934
25.	Lot 1516 Mukim Kuala Sungei Baru (Kampus ALAM, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru Melaka)	Post Sea Hostel	Leasehold/ 2016	24,210	Student Accommodation	3	3,271
26.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	22	2,361
27.	13, Town Quay Wharf Barking, Essex, London	Office Building	Leasehold/ 2990	10,000	Vacant (to be sold/ leased)	20	3,799
28.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	45	6,161
29.	Rivium 1e straat 42 2909 LE Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	16	5,934

/ List of Vessels and Assets
as at 31 December 2013

LNG CARRIERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aman Class	3	AMAN BINTULU	1993	20	NKK, Tsu, Japan	11,001	Malaysia
		AMAN SENDAI	1997	16	NKK, Tsu, Japan	10,957	Malaysia
		AMAN HAKATA	1998	15	NKK, Tsu, Japan	10,951	Malaysia
Tenaga Class	3	TENAGA DUA	1981	32	Societe Metallurgique Et Navale Dunkerque, France	71,580	Malaysia
		TENAGA TIGA	1981	32	Societe Metallurgique Et Navale Dunkerque, France	72,083	Malaysia
		TENAGA LIMA	1981	32	Chantiers De Nord Industrielle Marseile, France	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	19	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI DELIMA	1995	18	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI NILAM	1995	18	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI ZAMRUD	1996	17	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI FIRUS	1997	16	Chantiers de l'Atlantique, France	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	11	Mitsubishi Heavy Industries, Japan	75,849	Malaysia
		PUTERI DELIMA SATU	2002	11	Mitsui Engineering & Shipbuilding Co., Japan	76,190	Malaysia
		PUTERI NILAM SATU	2003	10	Mitsubishi Heavy Industries, Japan	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	9	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
		PUTERI FIRUS SATU	2004	9	Mitsubishi Heavy Industries, Japan	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	8	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	8	Samsung Heavy Industries Co. Ltd., South Korea	83,824	Malaysia
		SERI AMANAH	2006	7	Samsung Heavy Industries Co. Ltd., South Korea	83,400	Malaysia
		SERI ANGGUN	2006	7	Samsung Heavy Industries Co. Ltd., South Korea	83,395	Malaysia

List of Vessels and Assets
as at 31 December 2013

LNG CARRIERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Seri A Class (cont'd)		SERI ANGKASA	2006	7	Samsung Heavy Industries Co. Ltd., South Korea	83,403	Malaysia
		SERI AYU	2007	6	Samsung Heavy Industries Co. Ltd., South Korea	83,366	Malaysia
Seri B Class	5	SERI BAKTI	2007	6	Mitsubishi Heavy Industries, Japan	90,065	Malaysia
		SERI BEGAWAN	2007	6	Mitsubishi Heavy Industries, Japan	89,902	Malaysia
		SERI BIJAKSANA	2008	5	Mitsubishi Heavy Industries, Japan	89,953	Malaysia
		SERI BALHAF	2008	5	Mitsubishi Heavy Industries, Japan	91,201	Malaysia
		SERI BALQIS	2009	4	Mitsubishi Heavy Industries, Japan	91,198	Malaysia
TOTAL OWNED	27					**1,942,107**	

List of Vessels and Assets
as at 31 December 2013

PETROLEUM TANKERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	10	BUNGA KASTURI	2003	10	Universal Shipbuilding Corporation, Japan	299,999	Malaysia
		BUNGA KASTURI DUA	2005	8	Universal Shipbuilding Corporation, Japan	300,542	Malaysia
		BUNGA KASTURI TIGA	2006	7	Universal Shipbuilding Corporation, Japan	300,398	Malaysia
		BUNGA KASTURI EMPAT	2007	6	Universal Shipbuilding Corporation, Japan	300,325	Malaysia
		BUNGA KASTURI LIMA	2007	6	Universal Shipbuilding Corporation, Japan	300,246	Malaysia
		BUNGA KASTURI ENAM	2008	5	Universal Shipbuilding Corporation, Japan	299,319	Malaysia
		EAGLE VANCOUVER	2013	<1	Daewoo Shipbuilding and Marine Engineering, South Korea	311,922	Singapore
		EAGLE VARNA	2013	<1	Daewoo Shipbuilding and Marine Engineering, South Korea	311,922	Singapore
		EAGLE VERONA	2013	<1	Daewoo Shipbuilding and Marine Engineering, South Korea	311,922	Singapore
		EAGLE VERSAILLES	2013	<1	Daewoo Shipbuilding and Marine Engineering, South Korea	311,922	Singapore
Aframax	36	BUNGA KELANA DUA	1997	16	Hyundai Heavy Industries Corp. Ltd., South Korea	105,976	Malaysia
		EAGLE COLUMBUS	1997	16	Koyo Dockyard Co. Ltd., Japan	107,166	Singapore
		BUNGA KELANA 3	1998	15	Hyundai Heavy Industries Corp. Ltd., South Korea	105,784	Malaysia
		EAGLE PHOENIX	1998	15	Namura Shipbuilding Co. Ltd., Japan	106,127	Singapore
		EAGLE AUSTIN	1998	15	Samsung Heavy Industries Co. Ltd., South Korea	105,426	Singapore
		BUNGA KELANA 4	1999	14	Hyundai Heavy Industries Corp. Ltd., South Korea	105,815	Malaysia
		BUNGA KELANA 5	1999	14	Hyundai Heavy Industries Corp. Ltd., South Korea	105,788	Malaysia
		BUNGA KELANA 6	1999	14	Hyundai Heavy Industries Corp. Ltd., South Korea	105,815	Malaysia

List of Vessels and Assets
as at 31 December 2013

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		EAGLE AUGUSTA	1999	14	Samsung Heavy Industries Co. Ltd., South Korea	105,345	Singapore
		EAGLE ANAHEIM	1999	14	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE ATLANTA	1999	14	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE TACOMA	2002	11	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TOLEDO	2003	10	Imabari Shipbuilding Co. Ltd., Japan	107,092	Singapore
		EAGLE TRENTON	2003	10	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TUCSON	2003	10	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TAMPA	2003	10	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		BUNGA KELANA 7	2004	9	Samsung Heavy Industries Co. Ltd., South Korea	105,194	Malaysia
		BUNGA KELANA 8	2004	9	Samsung Heavy Industries Co. Ltd., South Korea	105,174	Malaysia
		BUNGA KELANA 9	2004	9	Samsung Heavy Industries Co. Ltd., South Korea	105,200	Malaysia
		BUNGA KELANA 10	2004	9	Samsung Heavy Industries Co. Ltd., South Korea	105,274	Malaysia
		EAGLE TORRANCE	2007	6	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TURIN	2008	5	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE KUCHING	2009	4	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KUANTAN	2010	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HANOVER	2010	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,014	Isle of Man
		EAGLE KANGAR	2010	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore

List of Vessels and Assets
as at 31 December 2013

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		PARAMOUNT HELSINKI	2010	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,014	Isle of Man
		PARAMOUNT HAMILTON	2010	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,014	Isle of Man
		EAGLE KLANG	2010	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HATTERAS	2010	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,164	Isle of Man
		PARAMOUNT HALIFAX	2010	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,164	Isle of Man
		PARAMOUNT HYDRA	2011	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., South Korea	114,164	Isle of Man
		EAGLE KINABALU	2011	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KINARUT	2011	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE LOUISIANA	2011	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE TEXAS	2011	2	Tsuneishi Holdings Corporation, Japan	107,481	Marshall Islands
Suezmax	4	EAGLE SAN ANTONIO	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	157,850	Singapore
		EAGLE SAN DIEGO	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	157,850	Singapore
		EAGLE SAN JUAN	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	157,850	Singapore
		EAGLE SAN PEDRO	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	157,850	Singapore

List of Vessels and Assets
as at 31 December 2013

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
DP Shuttle	2	EAGLE PARAIBA	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	105,153	Malaysia
		EAGLE PARANA	2012	1	Samsung Heavy Industries Co. Ltd., South Korea	105,153	Malaysia
Panamax	1	BUNGA KENANGA	2000	13	Samsung Heavy Industries Co. Ltd., South Korea	73,096	Malaysia
TOTAL OWNED	53					**7,845,934**	

PETROLEUM TANKERS (In-chartered)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	3	EAGLE VERMONT	2002	11	Hyundai Heavy Industries Corp. Ltd., South Korea	299,999	Singapore
		EAGLE VIRGINIA	2002	11	Hyundai Heavy Industries Corp. Ltd., South Korea	306,999	Singapore
		BLUE TOPAZ	2010	3	Daewoo Shipbuilding and Marine Engineering, South Korea	321,243	Marshall Islands
Aframax	14	EAGLE SUBARU	1994	19	Koyo Dockyard Co. Ltd., Japan	95,675	Singapore
		EAGLE OTOME	1994	19	Koyo Dockyard Co. Ltd., Japan	95,663	Singapore
		EAGLE BALTIMORE	1996	17	Samsung Heavy Industries Co. Ltd., South Korea	99,406	Singapore
		EAGLE BEAUMONT	1996	17	Samsung Heavy Industries Co. Ltd., South Korea	99,449	Singapore
		EAGLE BOSTON	1996	17	Samsung Heavy Industries Co. Ltd., South Korea	99,328	Singapore
		EAGLE BIRMINGHAM	1997	16	Samsung Heavy Industries Co. Ltd., South Korea	99,343	Singapore
		EAGLE SEVILLE	1999	14	Samsung Heavy Industries Co. Ltd., South Korea	104,556	Singapore
		EAGLE SIBU	1999	14	Samsung Heavy Industries Co. Ltd., South Korea	105,364	Singapore

List of Vessels and Assets
as at 31 December 2013

PETROLEUM TANKERS (In-chartered) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		EAGLE STEALTH	2001	12	Sumitomo Heavy Industries, Japan	99,976	Marshall Islands
		JAG LYALL	2006	7	Da Lian Shipping Industry Co. Ltd., China	110,537	India
		EAGLE SAPPORO	2008	5	Mitsui Engineering & Shipbuilding Co., Japan	110,448	Singapore
		EAGLE STAVANGER	2009	4	Sumitomo Heavy Industries, Japan	105,355	Panama
		EAGLE SYDNEY	2009	4	Sumitomo Heavy Industries, Japan	105,419	Panama
		STEALTH SKYROS	2011	2	Daewoo Shipbuilding and Marine Engineering, South Korea	116,337	Marshall Islands
CPP	5	EAGLE MIRI	2008	5	STX Offshore & Shipbuilding Co. Ltd., South Korea	46,195	Panama
		EAGLE MADRID	2008	5	STX Offshore & Shipbuilding Co. Ltd., South Korea	46,197	Panama
		EAGLE MILAN	2010	3	Naikai Zosen, Japan	46,549	Panama
		EAGLE MATSUYAMA	2010	3	Shin Kurishima Dockyard Co. Ltd., Japan	45,942	Panama
		EAGLE MELBOURNE	2011	2	Onomichi Dockyard Co. Ltd, Japan	50,079	Singapore
TOTAL IN-CHARTERED	22					**2,610,059**	
TOTAL	75					**10,455,993**	

List of Vessels and Assets
as at 31 December 2013

CHEMICAL TANKERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
A Class	7	BUNGA AKASIA	2009	4	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA ALAMANDA	2009	4	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA ALLIUM	2010	3	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA ANGSANA	2010	3	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA ANGELICA	2010	3	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA AZALEA	2010	3	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
		BUNGA ASTER	2010	3	STX Offshore & Shipbuilding Co. Ltd., South Korea	38,000	Malaysia
B Class	4	BUNGA BAKAWALI	2010	3	SLS Shipbuilding Co. Ltd., South Korea	45,000	Malaysia
		BUNGA BALSAM	2010	3	SLS Shipbuilding Co. Ltd., South Korea	45,000	Malaysia
		BUNGA BANYAN	2011	2	SLS Shipbuilding Co. Ltd., South Korea	45,000	Malaysia
		BUNGA BEGONIA	2011	2	SLS Shipbuilding Co. Ltd., South Korea	45,000	Malaysia
TOTAL OWNED	11					**446,000**	

List of Vessels and Assets
as at 31 December 2013

CHEMICAL TANKERS (In-chartered)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Bunga Kantan Class	3	BUNGA KANTAN SATU	2005	8	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN DUA	2005	8	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN TIGA	2005	8	Fukuoka Shipyard, Japan	19,774	Singapore
Bunga L Class	6	BUNGA LAUREL	2010	3	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LAVENDER	2010	3	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LILAC	2011	2	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LILY	2011	2	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LOTUS	2012	1	Fukuoka Shipyard, Japan	19,000	Singapore
		BUNGA LUCERNE	2012	1	Fukuoka Shipyard, Japan	19,000	Singapore
Other	2	BUNGA KEMBOJA	1998	15	Mitsubishi Heavy Industries, Japan	20,613	Marshall Islands
		LAUREL GALAXY	2004	9	Kitanihon Shipbuilding Co. Ltd., Japan	19,800	Panama
TOTAL IN-CHARTERED	11					**213,735**	
TOTAL	22					**659,735**	

List of Vessels and Assets
as at 31 December 2013

OFFSHORE FLOATING FACILITIES

Type	Total	Facility	Built	Yard	Design Production Capacity (bpd)	Storage Capacity (bbls)
Floating Production Storage and Offloading (FPSO)	5	FPSO BRASIL*	2002	Keppel Shipyard, Singapore	90,000	1,700,000
		FPSO BUNGA KERTAS	2004	Malaysia Marine and Heavy Engineering, Malaysia	30,000	619,000
		FPSO KIKEH*	2007	Malaysia Marine and Heavy Engineering, Malaysia	120,000	2,000,000
		FPSO ESPIRITO SANTO*	2009	Keppel Shipyard, Singapore	100,000	2,020,000
		FPSO RUBY II	2010	Malaysia Marine and Heavy Engineering, Malaysia	45,000	745,000
TOTAL					**385,000**	**7,084,000**

Floating Storage and Offloading (FSO)	5	FSO PUTERI DULANG	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO ANGSI	2005	Malaysia Marine and Heavy Engineering, Malaysia	–	472,631
		FSO CENDOR	2006	Malaysia Marine and Heavy Engineering, Malaysia	–	590,000
		FSO ABU	2007	Malaysia Marine and Heavy Engineering, Malaysia	–	617,200
		FSO ORKID**	2009	Malaysia Marine and Heavy Engineering, Malaysia	–	777,504
TOTAL					**–**	**3,331,182**

List of Vessels and Assets
as at 31 December 2013

OFFSHORE FLOATING FACILITIES (cont'd)

Type	Total	Facility	Built	Yard	Design Production Capacity (bpd)	Storage Capacity (bbls)
Mobile Offshore Production Unit (MOPU)	2	MOPU SATU	2010	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		MOPU DUA	2011	Malaysia Marine and Heavy Engineering, Malaysia	–	–
Floating Storage Unit (FSU)	2	FSU TENAGA SATU	2012	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		FSU TENAGA EMPAT	2012	Keppel Shipyard, Singapore	–	–
Semi Submersible Floating Production System	1	GUMUSUT-KAKAP SEMI-SUB FPS***	2013	Malaysia Marine and Heavy Engineering, Malaysia	–	–
TOTAL					–	–
TOTAL OFFSHORE FACILITIES	15					

* Jointly owned with Single Buoy Mooring ("SBM")
** Jointly owned with Petroleum Technical Services Corporation ("PTSC")
*** Jointly owned with E&P Venture Solutions Co Sdn. Bhd. ("EPV"), a wholly owned subsidiary of PETRONAS Carigali Sdn. Bhd. ("PCSB")

/ Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth (45th) Annual General Meeting of MISC Berhad ("the Company") will be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 20 May 2014 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.	**Resolution 1**
2. To declare a final tax exempt dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2013.	**Resolution 2**
3. To re-elect the following Directors who retire by rotation pursuant to Article 97 of the Company's Articles of Association:-	
i. Datuk Manharlal Ratilal	**Resolution 3**
ii. Mohd. Farid bin Mohd. Adnan	**Resolution 4**
4. To approve the payment of Directors' fees of RM476,000.00 for the financial year ended 31 December 2013.	**Resolution 5**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	**Resolution 6**
6. To transact any other ordinary business for which due notice has been given.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of members at the Forty-Fifth (45th) Annual General Meeting on 20 May 2014, a final tax exempt dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2013 will be paid on 18 June 2014 to the depositors whose names appear in the Record of Depositors on 22 May 2014.

A depositor shall qualify for entitlement to the dividend only in respect of:-

i. shares transferred into the depositor's securities account before 4.00 p.m. on 22 May 2014 in respect of ordinary transfers; and

ii. shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board
Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries
28 April 2014
Kuala Lumpur

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 14 May 2014 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company may appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

Notice of Annual General Meeting

4. Where a member of the Company is an exempt authorised nominee 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 an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

6. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

7. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Block D13, 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 the holding of the meeting or any adjournment thereof.

/ Statement Accompanying Notice of Annual General Meeting

Made Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities.

1. The Directors retiring pursuant to Articles 97 of the Company's Articles of Association and seeking re-election are as follows:-

   i. Datuk Manharlal Ratilal

   ii. Mohd. Farid bin Mohd. Adnan

2. The profiles of the above Directors who are standing for re-election are set out from page 26 and 31 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in page 82 of this Annual Report.

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MISC BERHAD
(Company No. 8178-H)

Proxy Form

CDS Account No.:	No. of Shares Held:

I/We ____
(Full name in block letters)

NRIC/Company No. :______________________ of ______________________

____
(Address in full)

telephone no. ______________________ being a member of **MISC BERHAD** ("the Company"),

hereby appoint ____
(Full name of proxy in block letters as per identity card/passport)

NRIC : ______________________ of ______________________

____
(Address in full)

and/or failing him/her ____
(Full name in block letters)

NRIC : ______________________ of ______________________

____
(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Forty-Fifth (45th) Annual General Meeting of the Company to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 20 May 2014 at 11.00 a.m. and at any adjournment thereof. My/our proxy(ies) is/are to vote as indicated below:

No.	Ordinary Resolutions	For	Against
1.	Adoption of Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.		
2.	Declaration of final tax exempt dividend of 5 sen per ordinary share in respect of the financial year ended 31 December 2013.		
3.	Re-election of Datuk Manharlal Ratilal as Director pursuant to Article 97 of the Company's Articles of Association.		
4.	Re-election of Mohd. Farid bin Mohd. Adnan as Director pursuant to Article 97 of the Company's Articles of Association.		
5.	To approve the payment of Directors' fees of RM476,000.00 for the financial year ended 31 December 2013.		
6.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		

(Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Dated this __________ day of ____________ 2014.

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Signature(s)/Common Seal of Member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies are as follows:

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 14 May 2014 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company may appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

4. Where a member of the Company is an exempt authorised nominee 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 an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

6. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

7. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Block D13, 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 the holding of the meeting or any adjournment thereof.

MISC Berhad
Annual General Meeting
20 May 2014

STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House, Block D13
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