NOTES TO THE ACCOUNTS

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

1. Basis Of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Perisai Petroleum Teknologi Bhd ("Perisai" or the "Company") and its subsidiaries ("Group") since the financial year ended 31 December 2013.

2. Changes In Accounting Policies

a) The Group adopted the following Amendments/Improvement to Standards and new IC Interpretations ("IC Int") effective as of 1 January 2014:-

Amendments/Improvement to MFRSs

MFRS 10	Consolidated Financial Statements: Investment Entities
MFRS 12	Disclosure of Interest in Other Entities: Investment Entities
MFRS 127	Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
MFRS 136	Impairment of Assets – Recoverable amount Disclosures for Non-Financial Asset
MFRS 139	Novation of Derivatives and Condition of Hedged Accounting

New IC Int

IC Interpretation 21 Levies

The adoption of the above Amendments to MFRSs and new IC Int did not have any material effect on the financial statements of the Group.

b) At the date of this report, the following new MFRs and Amendments/Improvements to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)*
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)*
MFRS 9	Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 and MFRS 7)*
MFRS 9	Financial Instruments: (Hedged 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 Disclosure

Amendments to MFRS 119 Defined Benefit Plan: Employee Contribution**
Annual Improvements to MFRSs 2010 – 2012 Cycle**
Annual Improvements to MFRSs 2011 – 2013 Cycle**

**Effective for financial periods beginning on or after – to be announced by the Malaysian Accounting Standard Board*
** Effective for financial periods beginning on or after – 1 July 2014
****Applies when MFRS 9 is applied*

The Group will adopt the above new MFRS and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods. The adoption of the above mentioned amendments to MFRSs are not expected to have any material effect to the financial statements of the Group upon initial recognition, except MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued and effective.

3. Seasonal Or Cyclical Factors

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

4. Unusual Items Due To Their Nature, Size Or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the financial period ended 30 September 2014.

5. Changes In Estimates

There were no significant changes in estimates that had a material effect on the results for the financial period ended 30 September 2014.

6. Debts And Equity Securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 30 September 2014:

i. New ordinary shares of RM0.10 each issued pursuant to the exercise of options granted under the Employee Share Option Scheme at the option price of RM0.785 per ordinary share were as follows :-

Quarter ended	**Number of ordinary shares**	**Exercise Price**	**RM**
31 March 2014	172,000	RM0.785	135,020
30 June 2014	5,000	RM0.785	3,925
30 September 2014	Nil	Nil	Nil

ii. On 10 April 2014, Perisai completed the listing and quotation of a private placement of 10% of the issued and paid up share capital as follows:-

Number of Ordinary shares	**Issue Price**	**RM**
108,419,998	RM1.53	165,882,597

iii. On 19 August 2013, Perisai Capital (L) Inc. (the Issuer), a wholly owned subsidiary of the Company had established the SGD700 million multicurrency medium term note programme (MTN Programme). This is to be on-lent and/or paid and/or advanced by the Issuer to the Company for the general corporate purposes of the Company and its subsidiaries (the "Group"), including to finance potential acquisitions, strategic expansion, general working capital, capital expenditure and investments of the Group and to refinance existing borrowings of the Group.

As at 30 September 2014, a total of SGD125 million had been drawn down under the MTN Programme.

iv. As at 30 September 2014, 400,000 shares of RM0.10 each were held as treasury shares in accordance with the requirements of section 67A of the Companies Act, 1965.

7. Dividends Paid

There were no dividends paid during the financial period ended 30 September 2014.

8. Segmental Information

	Individual Period		Cumulative Period	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	30 September 2014 RM'000	**30 September 2013 RM'000**	**30 September 2014 RM'000**	**30 September 2013 RM'000**
Segment Revenue				
Revenue from continuing operations				
Drilling	33,839	-	33,839	-
Production	-	21,040	-	60,233
Marine vessels	10,881	12,642	32,527	36,263
Others	-	454	-	1,322
Total revenue	**44,720**	**34,136**	**66,366**	**97,818**
Segment Results				
Results from continuing operations				
Drilling	5,068	-	5,021	-
Production	(6,645)	12,984	(20,418)	36,636
Marine vessels	6,843	6,718	20,898	18,448
Others	(10,205)	(5,784)	(28,096)	(16,252)
Share of results in associates	938	-	3,101	-
Share of results in joint ventures	10,494	-	30,198	-
Total results	**6,493**	**13,918**	**10,704**	**38,832**

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial period ended 30 September 2014.

10. Subsequent Events

There were no material events subsequent to the financial period ended 30 September 2014.

11. Changes In Composition Of The Group

Save as disclosed below, there were no changes to the composition of the Group during the financial period ended 30 September 2014.

a) On 19 March 2014, the Company incorporated a new associate company, Larizz Energy Services Sdn. Bhd ("Larizz Energy"), in which the Company holds 40% equity interest whilst the remaining 60% is held by Zainol Izzet bin Mohamed Ishak, the managing director of the Company.

The incorporation of Larizz Energy is in furtherance to the Company's future strategic plans.

b) On 22 April 2014, Perisai Drilling Holdings Sdn Bhd, a wholly-owned subsidiary of Perisai incorporated two (2) new wholly-owned subsidiary companies in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act 1990, the particulars of which are set out in the table below :-

Name of Company	Issued and Paid-up Share capital
Perisai Pacific 102 (L) Inc	USD1,000 divided into 1,000 ordinary shares of USD1.00 each
Perisai Pacific 103 (L) Inc	USD1,000 divided into 1,000 ordinary shares of USD1.00 each

The incorporation of these two (2) wholly-owned subsidiaries is for the purposes of asset ownership within its drilling division.

c) On 22 August 2014, the Company obtained approval from the Labuan Financial Services Authority dated 7 August 2014 for the transfer of the Company's 100% equity interest in Garuda Energy (L) Inc ("Garuda") to its wholly-owned subsidiary, Perisai Production Holdings Sdn Bhd ("PPHSB") for a total cash consideration of RM220,076,060 ("Internal Re-organisation").

Following the Internal Re-organisation, Garuda became an indirect wholly-owned subsidiary of the Company.

d) On 28 August 2014, the Company transferred its 100% equity interest in Perisai Drilling Sdn Bhd ("Perisai Drilling") to its wholly-owned subsidiary, Perisai Drilling Holdings Sdn Bhd to its wholly-owned subsidiary, Perisai Drilling Holdings Sdn Bhd for a total cash consideration of RM828,000 ("Internal Re-organisation").

Following the Internal Re-organisation, Perisai Drilling became the indirect wholly-owned subsidiary of the Company.

e) On 24 September 2014, the Company obtained approval from Labuan Financial Services Authority dated 23 September 2014 for the transfer of the Company's 100% equity interest in Perisai Pacific 101 (L) Inc (formerly known as Perisai (L) Inc)* ("Perisai Pacific 101 (L) Inc") to its wholly-owned subsidiary, Perisai Drilling Holdings Sdn Bhd for a total cash consideration of RM3,800 ("Internal Re-organisation").

Following the Internal Re-organisation, Perisai Labuan became the indirect wholly-owned subsidiary of the Company.

* Perisai (L) Inc had changed its name to Perisai Pacific 101 (L) Inc. with effect from 17 October 2014 as stipulated in the Certificate of Incorporation on Change of Name of A Labuan Company, issued by the Labuan Financial Services Authority.

12. Changes In Contingent Liabilities

Save as disclosed below, the Directors are not aware of any material contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group during the financial period ended 30 September 2014.

Corporate Guarantee of RM498.4 million issued by the Group for banking facilities granted to its joint ventures.

13. Changes In Contingent Assets

The Directors are not aware of any material contingent assets, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group during the financial period ended 30 September 2014.

14. Discontinued Operations

On 26 December 2013, the Company completed the disposal of 49% of its equity interest in SJR Marine (L) Ltd ("SJR Marine") as mentioned in Note A15 and B6 of the Bursa quarterly announcement for the financial quarter ended 31 December 2013. The results of this subsidiary prior to the completion date of the disposal are presented separately on the consolidated statement of profit or loss and other comprehensive income as "profit for the financial year from discontinued operations" in accordance with MFRS 5 "Non- Current Assets Held For Sale and Discontinued Operations".

Subsequent to the disposal, the results of the Company's remaining 51% equity interest in SJR Marine was reflected under the caption of share of results of joint ventures.

15. Material Commitments

Save as disclosed below, the Group is not aware of any material commitments incurred or known to be incurred by the Group which upon becoming enforceable may have a material impact on the profit or net asset value of the Group as at 30 September 2014.

	RM'Million
Capital expenditure	
Approved and contracted for:	
Construction of two (2) jack-up drilling rigs	1,101

16. Significant Related Party Transactions

Save as disclosed below, there were no significant related party transactions during the financial period ended 30 September 2014.

The recurrent related party transactions with the Group and the Company are as follows:-

	Individual Period		**Cumulative Period**	
	Current Year Quarter **30 September 2014 RM'000**	**Preceding Year Corresponding Quarter** **30 September 2013 RM'000**	**Current Year To Date** **30 September 2014 RM'000**	**Preceding Year Corresponding Period** **30 September 2013 RM'000**
<u>Revenue</u>				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	3,218	3,857	10,778	11,042
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	7,662	7,028	21,749	20,120
Secondment of personnel to Victoria Production Services Sdn Bhd^	74	-	233	-
<u>Expenses</u>				
Vessel maintenance expenses charged by Emas Offshore Services Pte. Ltd*	-	3	-	168
Vessel maintenance expenses charged by Emas Offshore Services (M) Sdn Bhd*	-	396	235	739
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	135	135
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	30	-	30	-
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	-	83	-

*The transactions above involve Emas Offshore Pte Ltd, Emas Offshore (M) Sdn Bhd, Emas Offshore Services (M) Sdn Bhd and Emas Offshore Services Pte Ltd which are indirect wholly owned subsidiaries of EMAS Offshore Limited ("EMAS") (formerly known as EOC Limited) which in turn is a subsidiary of Ezra Holdings Limited ("Ezra"). EMAS is a major shareholder of the Company. Ezra is an indirect major shareholder of Perisai holding its Perisai shares through its wholly owned subsidiary, HCM Logistics Limited and EMAS.

^The transactions above involving Victoria Production Services Sdn Bhd, a Joint Venture between Perisai and EMAS.

#Agency fees charged by Larizz Petroleum Services Sdn Bhd ("LPSSB"), Larizz Energy Services Sdn Bhd ("LESSB") and Perisai Offshore Sdn Bhd ("POSB") is a recurrent related party transaction as Encik Zainol Izzet Bin Mohamed Ishak ("Izzet") is a substantial shareholder of LPSSB, LESSB and POSB. Izzet holds 60% equity interest in both LPSSB and LESSB and 49% equity interest in POSB. He is also a director of Perisai and holds 5.53% equity interest in Perisai.

17. Fair Value Measurements

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, the lowest level input that is significant to the fair value measurement as a whole.

(a) Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs 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); and

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provided the fair value measurement hierarchy of the Group's assets and liabilities:

Liabilities measured at fair value

	Amount	Level 1	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
Group				
Derivative financial instruments -cross currency interest rate swaps *	1,856	-	1,856	-

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2014 and the Group does not have any financial instruments classified as Level 3 as at 30 September 2014.

* The valuation technique used to derive the Level 2 is as disclosed in Note B15.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR

1. Performance Review

For the financial period ended 30 September 2014, the Group generated total revenue from continuing operations of RM66.37million, a decrease of RM31.45million when compared to the amount of RM97.82million in the corresponding financial period ended 30 September 2013.

Despite the new build jack-up drilling rig, Perisai Pacific 101 ("PP 101") commencing drilling operations in August 2014, total revenue generated for the period ended 30 September 2014 was lower mainly due to the absence of charter for the Mobile Offshore Production Unit ("MOPU"), Rubicone.

Profit before tax ("PBT") from continuing operations for the financial period ended 30 September 2014 amounted to RM10.70million, a decrease of RM28.13million when compared to the PBT amount of RM38.83million attained in the corresponding financial period ended 30 September 2013.

This decrease was mainly due to lower revenue as mentioned in the second paragraph above and higher finance cost (including MTN interest of RM5.12million). The amount of decrease was however mitigated by the share of contributions from the results of the joint ventures from the Floating Production, Storage and Offloading unit (FPSO), Perisai Kamelia and associates and the gain on disposal of two cold-stacked vessels as reflected in other income.

Total profit net of tax for the current financial period ended 30 September 2014 amounted to RM10.14 million, a decrease of RM68.68 million when compared to the amount of RM78.82 million attained in the corresponding financial period ended 30 September 2013. The decrease is mainly due to the same reasons as mentioned in the fourth paragraph above.

For the current quarter ended 30 September 2014, the Group generated total revenue from continuing operations of RM44.72million, an increase of RM10.58million when compared to the amount of RM34.14million attained in the corresponding quarter ended 30 September 2013.

The increase is mainly due to the revenue generated by the PP101.

PBT from continuing operations for the current quarter ended 30 September 2014 amounted to RM6.49million, a decrease of RM7.43million when compared to the amount of RM13.92million attained in the previous corresponding quarter ended 30 September 2013.

Despite PP 101 commencing drilling operations in August 2014, PBT was lower mainly due to the absence of charter for the MOPU and higher finance cost (including MTN interest of RM3.1million). The amount of decrease was however mitigated by the share of contributions from the results of the joint ventures from FPSO and associates

The total profit net of tax for the current quarter ended 30 September 2014 amounted to RM5.79 million which represent a decrease of RM20.28million as compared to RM26.07million in the corresponding quarter ended 30 September 2013. The decrease was mainly due to the same reasons as mentioned in the immediate paragraph above.

The result from SJR Marine which owns the Enterprise 3 was reflected under profit from discontinued operation prior to its disposal. Subsequent to its 49% equity interest disposal on 26 December 2013, the result of the remaining 51% equity interest was captured under the caption of share of results of joint ventures.

2. Material Change in Profit Before Tax ("PBT") In Comparison to the Preceding Quarter

For the current financial quarter ended 30 September 2014, the Group recorded a PBT of approximately RM6.49million against a PBT of RM4.16 million attained in the preceding quarter.

The increase in PBT arose mainly from drilling operations which started in August 2014.

3. Future Prospects

The first jack up drilling rig of Perisai, Perisai Pacific 101 commenced its 3-year contractual deployment in early August 2014. It is expected to continue to contribute positively to the profits of Perisai during the term of its contract.

The FPSO Perisai Kamelia, continues to perform its 3-year contract, which commenced in November 2013. All of the nine (9) offshore support vessels of the Intan Group are on long term charter with eight (8) of the vessels contracted until August 2015 and the latest acquired vessel contracted until September 2021.

Perisai is exploring various opportunities for its Derrick Pipe Lay Barge, Enterprise 3 and MOPU. Perisai Group's results would be improved in the event new charters are secured for these two (2) assets.

The contractual award secured for the Perisai Pacific 101 actualises Perisai's entry into the offshore drilling segment.

The demand for the offshore assets within South East Asia is seen to be relatively stable despite the recent decline in the crude oil prices. Thus the demand for the Company's upcoming second and third jack-up drilling rigs, expected to be delivered in the second quarter of 2015 and July 2016 respectively is not expected to be materially affected.

4. Profit Forecast and Profit Guarantee

The Group did not announce or disclose any profit forecast or profit guarantee in any public documents for the financial period ended 30 September 2014.

5. Income Tax Expense

	Individual Period		Cumulative Period	
	Current Year Quarter 30 September 2014 RM'000	**Preceding Year Corresponding Quarter 30 September 2013 RM'000**	**Current Year To Date 30 September 2014 RM'000**	**Preceding Year Corresponding Period 30 September 2013 RM'000**
Based on result for the period from continuing operations				
- Current period provision	701	1	721	41
- Overprovision for taxation in prior year	-		(154)	-
- Deferred taxation	-	-	-	-
	701	**1**	**567**	**41**

The effective tax rate for the current quarter and financial period ended 30 September 2014 was lower than the statutory tax rate arising mainly from certain subsidiaries being subject to fixed tax rates under the Labuan Business Activity Tax Act, 1990.

6. Corporate Proposal

(a) There were no corporate proposals announced but not completed as at the reporting date.

(b) Status of Utilisation of Proceeds

The proceeds raised during the private placement were approved for the following activities and status on the funds utilised as at 31October 2014 are summarised below:

Purpose	**Approved Utilisation RM' Million**	**Amount Utilised RM' Million**	**Amount Unutilised RM' Million**	**Expected Time Frame For The Full Utilisation**
Repayment of bank borrowings and/or capital investment for jack-up drilling rig(s) and/or MOPU	105.0	(105.0)	-	Fully utilised
Working capital:				
- Drilling and/or MOPU operational expenses	45.0	(45.0)	-	Fully utilised
- Management and administrative expenses of the Perisai Group	13.0	(10.5)	2.5	Within one (1) year
Estimated listing expenses	2.9	(2.9)	-	Fully utilised
Total	**165.9**	**(163.4)**	**2.5**	

7. Borrowings And Debt Securities

The Group's borrowings and debt securities as at 30 September 2014 are as follows:

	Short Term RM'000	**Long Term RM'000**
Secured		
- Term loan	127,193	685,256
- Hire purchase	114	305
MTN	-	316,301
Total	**127,307**	**1,001,862**

The Group borrowings are denominated in the following currencies:

	Short Term RM'000 Equivalent	**Long Term RM'000 Equivalent**
Ringgit Malaysia	114	305
US Dollar	127,193	685,256
SG Dollar	-	316,301
Total	**127,307**	**1,001,862**

8. Prepayment

Prepayment consists of the deposits paid for the design, construction, equipping, commissioning and delivery of the second (2nd) and third (3rd) jack up drilling rigs.

9. Changes In Material Litigation

There was no litigation for the financial period ended 30 September 2014 save for the development of the arbitration below:

On 20 August 2014, SJR Marine (L) Ltd ("SJR Marine") and Superior Energy Services, L.L.C. ("Superior Energy") entered into a Deed of Settlement ("Deed of Settlement").

The Deed of Settlement settled fully and finally the arbitration proceedings between SJR Marine and Superior Energy in London pertaining to a Bareboat Charterparty dated 13 July 2006, a Vessel Purchase Agreement dated 13 July 2006, and a Settlement Agreement entered into on or about 19 June 2008 all of which were entered into between themselves ("Arbitration"), in the following manner:-

(a) SJR discontinued its claim against Superior Energy in the Arbitration; and
(b) Superior Energy discontinued its counterclaim against SJR Marine.

The settlement of the Arbitration was on a "drop hands" basis with each party bearing its own costs of the Arbitration, including all legal costs, its arbitrator's fees and fees and disbursements arising out of the Arbitration.

SJR Marine is a 51% joint venture of the Company.

10. Dividends Payable

There was no dividend declared for the financial period ended 30 September 2014.

11. Earnings Per Share ("EPS")

Basic earnings per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

(a) Basic Earnings Per Share

	Individual Period		**Cumulative Period**	
	Current Year Quarter 30 September 2014 RM'000	**Preceding Year Corresponding Quarter 30 September 2013 RM'000**	**Current Year To Date 30 September 2014 RM'000**	**Preceding Year Corresponding Period 30 September 2013 RM'000**
Profit from continuing operations	2,232	11,286	204	31,157
Profit from discontinued operation	-	12,153	-	40,025
Profit attributable to owners of the Company net of tax	2,232	23,439	204	71,182
Weighted average number of ordinary shares in issue ('000)	1,192,724	1,003,409	1,154,172	950,017
Basic earnings per share (sen):				
- from continuing operations	0.19	1.12	0.02	3.28
- from discontinued operation	-	1.21	-	4.21
Total (sen)	0.19	2.33	0.02	7.49

(b) Diluted Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 30 September 2014 RM'000	**Preceding Year Corresponding Quarter 30 September 2013 RM'000**	**Current Year To Date 30 September 2014 RM'000**	**Preceding Year Corresponding Period 30 September 2013 RM'000**
Profit from continuing operations	2,232	11,286	204	31,157
Profit from discontinued operation	-	12,153	-	40,025
Profit attributable to owners of the company net of tax	2,232	23,439	204	71,182
Weighted average number of ordinary shares in issue ('000)	1,192,724	1,003,409	1,154,172	950,017
Effect of dilution ('000)				
- Share options	12,751	11,751	12,183	11,880
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,205,475	1,015,160	1,166,355	961,897
Diluted earnings per share (sen):				
- from continuing operations	0.19	1.11	0.02	3.24
- from discontinued operation	-	1.20	-	4.16
Total (sen)	0.19	2.31	0.02	7.40

12. Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the latest audited financial statements was not qualified.

13. Realised and Unrealised Retained Earnings

Total retained earnings	**As at 30 September 2014 RM'000**	**As at 31 December 2013 RM'000**
- realised profit	285,655	299,198
- unrealised profit	965	334
	286,620	299,532
Associates		
- realised profit	3,108	711
- unrealised (loss)/profit	(285)	167
	2,823	878
Joint ventures		
- realised profit	36,260	6,079
- unrealised profit	20	2
	36,280	6,081
Less: Group consolidated adjustments	(39,547)	(20,519)
Total Group retained earnings as per unaudited consolidated financial statements	**286,176**	**285,972**

14. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 3 months 30 September 2014 RM'000	Current Year Todate 9 months 30 September 2014 RM'000
Profit before tax is arriving at after charging/(crediting):		
Interest income	27	381
Other income	239	1,039
Interest expenses	(8,249)	(15,234)
Depreciation and amortisation	(12,792)	(31,207)
Realised foreign exchange gain	509	509
Gain on disposal of plant and equipment	-	1,428
Unrealised foreign exchange gain	60	965
Realised foreign exchange loss	429	-
Unrealised foreign exchange loss	11	-

15. Financial Instruments

(a) Details of derivative financial instruments outstanding as at 30 September 2014 are set out below;-

Type of derivative	Contract/Notional Amount	Fair value liabilities
	RM'000	RM'000
Cross Currency Interest Rate Swaps ("CCRIS")		
-less than 1 year	Nil	Nil
-1 year to 3 years	59,216	1,856
-More than 3 years	Nil	Nil

There have been no changes since the end of the previous financial year ended 31 December 2013 in respect of the following:-

i. the credit risk and market risks associated with the derivatives;
ii. the cash requirements of the derivatives
iii. the policies in place for mitigating or controlling the risk associated with the derivatives; and
iv. the related accounting policies.

(b) Disclosure of gains and/losses arising from fair value changes of financial liabilities

The Group determines the fair value of the derivative financial liabilities relating to the CCIRS using valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair value is calculated as the present value of the estimated future cash flow using an appropriate market based yield curve.

As at 30 September 2014, the Group has recognized derivative financial liabilities of RM1.856million, an increase of RM0.413million from the previous financial year ended 31 December 2013, on re-measuring the fair value of the derivative financial instrument. The corresponding decrease has been included in equity in the cashflow hedging reserve of which RM0.326million for the financial period was transferred to the income statement to offset the unrealized gain of RM0.326million which arose from the strengthening of SGD against USD. This has resulted an increase in the cash flow hedging reserve as at 30 September 2014 by RM0.087million to RM0.718million from the preceding financial year ended 31 December 2013.

The cashflow hedging reserve represents the deferred fair value losses relating to the CCIRS. As the Group intends to hold the MTN and associated derivative instrument to maturity, any changes to the fair value of the derivative instrument will not impact the income statement.

16. Authorised For Issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the Board of Directors dated 5 November 2014.

By Order of the Board
Perisai Petroleum Teknologi Bhd

Finton Tuan Kit Ming (LS 0008941)
Hooi Sook Han (MAICSA No: 7026472)
Company Secretaries