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 2014. 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 2014.

2. Changes In Accounting Policies

a) The Group adopted the following Amendments/Improvement to Standards effective as of 1 January 2015:-

Amendments/Improvement to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above Amendments to MFRSs 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 *
MFRS 15	Revenue from Contracts with Customers **
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations ***
MFRS 7	Financial Instruments: Disclosures ***
MFRS 10	Consolidated Financial Statements ***
MFRS 11	Joint Arrangements ***
MFRS 12	Disclosures of Interests in Other Entities ***
MFRS 101	Presentation of Financial Statements ***
MFRS 116	Property, Plant and Equipment ***
MFRS 119	Employee Benefits ***
MFRS 127	Separate financial statements ***
MFRS 128	Investments in Associates and Joint Ventures ***
MFRS 138	Intangible Assets ***
MFRS 141	Agriculture ***

**Effective for financial periods beginning on or after – 1 January 2018*
*** Effective for financial periods beginning on or after – 1 January 2017*

*** *Effective for financial periods beginning on or after – 1 January 2016*

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 and MFRS 15 Revenue from Contracts with Customers described below, for which the financial effects are still being assessed by the Group.

(i) MFRS 9 Financial Instruments

This final version of MFRS 9 replacing MFRS 139. MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held with two measurement at amortised cost or fair value. For impairment, MFRS 9 introduces expected-loss impairment model that will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 Revenue from Contracts with Customers established a new five-step model which will apply to recognition of revenue arising from contracts with customers.

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 31 March 2015.

5. Changes In Estimates

There were no significant changes in estimates that had a material effect on the results for the financial period ended 31 March 2015.

6. Debts And Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2015.

7. Dividends Paid

There were no dividends paid during the financial period ended 31 March 2015.

8. Segmental Information

	Individual Period		Cumulative Period	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31 March 2015 RM'000	**31 March 2014 RM'000**	**31 March 2015 RM'000**	**31 March 2014 RM'000**
Segment Revenue				
Revenue from continuing operations				
Drilling	43,940	-	43,940	-
Production	-	-	-	-
Marine vessels	12,790	10,870	12,790	10,870
Others	-	-	-	-
Total revenue	**56,730**	**10,870**	**56,730**	**10,870**
Segment Results				
Results from continuing operations				
Drilling	5,294	-	5,294	-
Production	(7,687)	(6,991)	(7,687)	(6,991)
Marine vessels	7,473	6,284	7,473	6,284
Others	(8,512)	(8,987)	(8,512)	(8,987)
Share of results in associates	1,402	937	1,402	937
Share of results in joint ventures	13,233	8,810	13,233	8,810
Total results	**11,203**	**53**	**11,203**	**53**

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial period ended 31 March 2015.

10. Subsequent Events

There were no material events subsequent to the financial period ended 31 March 2015.

11. Changes In Composition Of The Group

There were no changes to the composition of the Group during the financial period ended 31 March 2015.

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 31 March 2015.

Corporate Guarantee of RM505.6 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 31 March 2015.

14. 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 31 March 2015.

	RM'Million
Capital expenditure	
Approved and contracted for:	
Construction of two (2) jack-up drilling rigs	1,243

15. Significant Related Party Transactions

Save as disclosed below, there were no significant related party transactions during the financial period ended 31 March 2015.

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

	Individual Period		Cumulative Period	
	Current Year Quarter 31 March 2015 RM'000	Preceding Year Corresponding Quarter 31 March 2014 RM'000	Current Year To Date 31 March 2015 RM'000	Preceding Year Corresponding Period 31 March 2014 RM'000
Revenue				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	3,580	3,852	3,580	3,852
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	9,210	7,018	9,210	7,018
Secondment of personnel to Victoria Production Services Sdn Bhd^	39	74	39	74
Expenses				
Vessel maintenance expenses charged by Emas Offshore Services (M) Sdn Bhd*	-	144	-	144
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	45	45
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	-	45	-
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	28	28	28

*The transactions above involve Emas Offshore Pte Ltd, Emas Offshore (M) Sdn Bhd and Emas Offshore Services (M) Sdn Bhd which are direct wholly owned subsidiaries of EMAS Offshore Limited formerly known as EOC Limited ("EMAS Offshore"). EMAS Offshore and HCM Logistics Limited ("HCM") are major shareholders of Perisai. Emas Offshore is a 72.5% subsidiary of Ezra Holding Limited ('Ezra") whereas HCM is a wholly-owned subsidiary of Ezra.

^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 Datuk Zainol Izzet Bin Mohamed Ishak ("Datuk Izzet") is a substantial shareholder of LPSSB, LESSB and POSB. Datuk 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.

16. 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 *	8,217	-	8,217	-

There were no transfers between Level 1 and Level 2 during the period ended 31 March 2015 and the Group does not have any financial instruments classified as Level 3 as at 31 March 2015.

* 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 current quarter and period ended 31 March 2015, the Group generated total revenue of RM56.73million, an increase of RM45.86million when compared to the amount of RM10.87million in the corresponding quarter and period ended 31 March 2014.

The increase in revenue was mainly due to the commencement of drilling operations in August 2014 with the new build jack-up drilling rig, Perisai Pacific 101 ("PP 101").

Profit before tax ("PBT") from the current quarter and period ended 31 March 2015 amounted to RM11.20million, an increase of RM11.15million when compared to the PBT amount of RM0.05million attained in the corresponding quarter and period ended 31 March 2014.

The increase in PBT was mainly due to:
(i) the commencement of drilling operations in August 2014 with the new build jack-up drilling rig, Perisai Pacific 101 ("PP 101");
(ii) a higher share of contributions from the results of the joint ventures particularly from the Floating, Production, Storage and Offloading unit (FPSO), Perisai Kamelia;
(iii) a higher share of contributions from the results of associates; and
(iv) higher foreign exchange gain as reflected in other income and higher finance cost (i.e the rig financing cost and MTN interest).

Total profit net of tax for the current quarter and period ended 31 March 2015 amounted to RM10.95 million, an increase of RM10.76million when compared to the amount of RM0.19 million attained in the corresponding quarter and period ended 31 March 2014. The increase is mainly due to the same reasons as mentioned in the immediate paragraph above.

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

For the current financial quarter ended 31 March 2015, the Group recorded a PBT of approximately RM11.20million against a PBT of RM17.16 million attained in the preceding quarter.

The decrease in PBT arose mainly due to lower interest cost being capitalised and lower foreign exchange gain recognised as compared to the preceding quarter.

3. Future Prospects

The first jack up drilling rig of Perisai, Perisai Pacific 101 commenced its 3-year contractual deployment in early August 2014.

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 contracted until August 2015 and were extended for a further duration of two (2) years until August 2017 and the latest acquired vessel contracted until September 2021.

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

The demand for the offshore assets within South East Asia has shown signs of softening due to the recent decline in crude oil prices. Thus any potential charters for the Company's second and third jack-up drilling rigs, expected to be delivered in the 2nd quarter of 2015 and 3rdquarter of 2016 respectively would be dependent on the prevailing market conditions thereat. The Company is also exploring with the shipyard of the possibility of deferring taking delivery of the second jack up rig pending for the securement of the rig contract.

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 31 March 2015.

5. Income Tax Expense

	Individual Period		Cumulative Period	
	Current Year Quarter 31 March 2015 RM'000	**Preceding Year Corresponding Quarter 31 March 2014 RM'000**	**Current Year To Date 31 March 2015 RM'000**	**Preceding Year Corresponding Period 31 March 2014 RM'000**
Based on result for the year from continuing operations				
- Current year provision	(252)	(20)	(252)	(20)
- Overprovision for taxation in prior year	2	154	2	154
- Deferred taxation	-	-	-	-
	(250)	**134**	**(250)**	**134**

The effective tax rate for the current quarter and financial period ended 31 March 2015 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

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

7. Borrowings And Debt Securities

The Group's borrowings and debt securities as at 31 March 2015 are as follows:

	Short Term RM'000	**Long Term RM'000**
Secured		
- Term loan	142,965	702,562
- Revolving credit	12,592	-
- Overdraft	1,189	-
- Hire purchase	115	247
MTN	-	331,713
Total	**156,861**	**1,034,522**

The Group borrowings are denominated in the following currencies:

	Short Term RM'000 Equivalent	Long Term RM'000 Equivalent
Ringgit Malaysia	1,304	247
US Dollar	155,557	702,562
SG Dollar	-	331,713
Total	**156,861**	**1,034,522**

8. Prepayment

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

9. Changes In Material Litigation

There was no litigation for the financial period ended 31 March 2015.

10. Dividends Payable

There was no dividend declared for the financial period ended 31 March 2015.

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 period, excluding treasury shares held by the Company.

(a) Basic Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 31 March 2015 RM'000	Preceding Year Corresponding Quarter 31 March 2014 RM'000	Current Year To Date 31 March 2015 RM'000	Preceding Year Corresponding Period 31 March 2014 RM'000
Profit/(loss) attributable to owners of the Company net of tax	7,032	(2,989)	7,032	(2,989)
Weighted average number of ordinary shares in issue ('000)	1,192,725	1,084,223	1,192,725	1,084,223
Basic earnings per share (sen):	0.01	(0.28)	0.01	(0.28)

(b) Diluted Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31 March 2015 RM'000	**31 March 2014 RM'000**	**31 March 2015 RM'000**	**31 March 2014 RM'000**
		(Restated)		
Profit/(loss) attributable to owners of the company net of tax	7,032	(2,989)	7,032	(2,989)
Weighted average number of ordinary shares in issue ('000)	1,192,725	1,084,223	1,192,725	1,084,223
Effect of dilution ('000)				
- Share options	-	16,048	-	16,048
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,192,725	1,100,271	1,192,725	1,100,271
Diluted earnings per share (sen):	0.01	(0.27)	0.01	(0.27)

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 31 March 2015 RM'000**	**As at 31 December 2014 RM'000**
- realised profit	323,855	289,365
- unrealised profit	1,416	19,494
	325,271	308,858
Associates		
- realised profit	(14,850)	(16,272)
- unrealised profit	(358)	64
	(15,208)	(16,208)
Joint ventures		
- realised profit	61,874	48,210
- unrealised profit	23	455
	61,897	48,665
Less: Group consolidated adjustments	(65,230)	(41,617)
Total Group retained earnings as per unaudited consolidated financial statements	**306,730**	**299,698**

14. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 3 months 31 March 2015 RM'000	**Current Year Todate 3 months 31 March 2015 RM'000**
Profit before tax is arriving at after charging/(crediting):		
Interest income	(71)	(71)
Other income	(269)	(269)
Interest expenses	11,353	11,353
Depreciation and amortisation	17,425	17,425
Realised foreign exchange gain	(680)	(680)
Unrealised foreign exchange gain	(1,346)	(1,346)

15. Financial Instruments

(a) Details of derivative financial instruments outstanding as at 31 March 2015 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	61,923	8,217
-More than 3 years	Nil	Nil

There have been no changes since the end of the previous financial year ended 31 December 2014 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 31 March 2015, the Group has on re-measuring the fair value of the derivative financial instrument, recognized derivative financial liabilities of RM8.217million, an increase of RM3.527million from the previous financial year ended 31 December 2014. The corresponding decrease has been included in equity in the cashflow hedging reserve of which RM2.38million for the financial year was transferred to the income statement to offset the unrealized gain of RM2.38million which arose from the strengthening of the SGD against the USD. This has resulted in an increase in the cash flow hedging reserve as at 31 March 2015 by the amount of RM1.146million to RM2.524million as compared to the preceding financial year ended 31 December 2014.

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 13 May 2015.

By Order of the Board
Perisai Petroleum Teknologi Bhd

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