



PETRA ENERGY

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 SEPTEMBER 2013**

19 NOVEMBER 2013

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PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 9 months ended</i>	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		115,016	159,846	333,392	463,659
Cost of sales		(101,191)	(135,463)	(276,004)	(377,565)
Gross profit		13,825	24,383	57,388	86,094
Other income		1,830	1,302	2,529	3,058
Administrative expenses		(15,493)	(18,603)	(46,891)	(52,695)
Finance costs		(3,643)	(3,370)	(8,734)	(10,050)
Share of results of associate		1	-	(9)	-
Negative goodwill		-	-	12,835	-
(Loss)/Profit before taxation	13	(3,480)	3,712	17,118	26,407
Income tax expense	14	(575)	1,447	(4,335)	(5,142)
(Loss)/Profit net of tax, representing total comprehensive (loss)/income for the period		(4,055)	5,159	12,783	21,265
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(4,082)	5,097	12,815	21,354
Non-controlling interests		27	62	(32)	(89)
		(4,055)	5,159	12,783	21,265
(Loss)/Earnings per share attributable to owners of the parent (sen per share)					
Basic	15	(1.27)	2.38	3.98	9.96

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

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Financial Position

		30 September 2013 Unaudited RM'000	31 December 2012 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		460,339	425,475
Trade and other receivables		13,207	13,207
Investment in associate		5,991	-
Amount due from associate		22,416	-
Deferred tax assets		522	548
		502,475	439,230
Current assets			
Inventories		32,707	39,632
Trade and other receivables		176,381	205,364
Amount due from customers on contracts		13,948	16,996
Tax recoverable		5,146	6,263
Cash and bank balances	16	112,107	102,689
		340,289	370,944
Total Assets		842,764	810,174
EQUITY AND LIABILITIES			
Share capital		160,875	107,250
Share premium		138,934	69,880
Merger reserve		(31,000)	(31,000)
Forex translation reserve		762	-
Retained earnings		211,705	201,035
		481,276	347,165
Non-controlling interests		480	512
Total equity		481,756	347,677
Non-current liabilities			
Loans and borrowings	17	22,064	19,391
Hire purchase liabilities		94	10
Deferred taxation		40,842	38,708
		63,000	58,109
Current liabilities			
Loans and borrowings	17	121,181	174,898
Hire purchase liabilities		10	15
Trade and other payables		174,455	228,655
Provisions		209	223
Amount due to customers on contracts		-	564
Income tax payable		2,153	33
		298,008	404,388
Total liabilities		361,008	462,497
Total equity and liabilities		842,764	810,174
Net assets per share of RM0.50 each		1.50	1.62

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

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Condensed Consolidated Statements of Changes in Equity

	← Attributable to Equity Holders of the Company →					Total	Non-controlling interests	Total Equity
	← Non-distributable →		Distributable					
	Share Capital	Share Premium	Merger Reserve	Exchange Translation Reserve	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2013	107,250	69,880	(31,000)	-	201,035	347,165	512	347,677
Total comprehensive income for the period	-	-	-	-	12,815	12,815	(32)	12,783
Appropriation:								
Interim dividend in respect of the financial year ended 31 December 2012	-	-	-	-	(2,145)	(2,145)	-	(2,145)
Rights shares issued	53,625	69,712	-	-	-	123,337	-	123,337
Share issue expenses	-	(658)	-	-	-	(658)	-	(658)
Foreign currency translation	-	-	-	762	-	762	-	762
Balance as at 30 September 2013	160,875	138,934	(31,000)	762	211,705	481,276	480	481,756
As at 1 January 2012	107,250	69,880	(31,000)	-	194,639	340,769	554	341,323
Final dividend for year ended 31 December 2011					(1,073)	(1,073)	-	(1,073)
Total comprehensive income								
Total comprehensive income for the period	-	-	-	-	21,354	21,354	(89)	21,265
Balance as at 30 September 2012	107,250	69,880	(31,000)	-	214,920	361,050	465	361,515

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

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Cash Flows

	<i>9 months ended</i>	
	30 September 2013 Unaudited RM'000	30 September 2012 Unaudited RM'000
Operating Activities		
Profit before tax	17,118	26,407
Adjustments for:		
Interest income	(1,541)	(591)
Finance costs	8,734	10,050
Unrealised foreign exchange loss/(gain)	931	(1,260)
Depreciation of property, plant and equipment	22,394	19,811
Loss on disposal of property, plant and equipment	(6)	68
Write off of property, plant and equipment	130	-
Share of results of associate	9	-
Negative goodwill	(12,835)	-
Total adjustments	17,816	28,078
Operating cash flows before changes in working capital	34,934	54,485
Changes in working capital		
Inventories	6,925	(15,654)
Trade and other receivables	34,269	1,344
Trade and other payables	(73,320)	(40,429)
Amount due from associate	(22,416)	-
Total changes in working capital	(54,542)	(54,739)
Cash flows used in operations	(19,607)	(254)
Income tax refund, net	1,019	(812)
Net cash flows used in operating activities	(18,588)	(1,066)
Investing activities		
Acquisition of interest in an associate company	(6,000)	-
Acquisition of a subsidiary	(3,000)	-
Purchase of property, plant and equipment	(7,588)	(21,262)
Proceeds from disposal of property, plant and equipment	6	34
Interest received	1,541	591
Net cash flows used in investing activities	(15,041)	(20,637)
Financing activities		
Dividends paid on ordinary shares	(2,145)	(1,073)
Proceeds from issuance of shares	123,337	-
Share issue expenses	(658)	-
(Repayment)/drawdown of bank borrowings, net	(39,304)	1,048
Repayment of obligations under finance lease	(27,725)	(9,201)
Repayment of obligations under hire purchase	79	(35)
Interest paid	(8,734)	(10,050)
Net cash flows generated from/(used in) financing activities	44,850	(19,311)
Net changes in cash and cash equivalents	11,221	(41,014)
Net changes in cash restricted in use	15,303	(9,785)
Effects of exchange rate changes	762	-
Cash and cash equivalents at 1 January	68,843	88,649
Cash and cash equivalents at 30 September (Note 16)	96,129	37,850

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

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2012.

The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with MFRS.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2012.

The Group adopted the following new and revised FRSs, Amendments to FRSs and IC Interpretations which are applicable to its financial statement effective for annual periods beginning on or after 1 July 2012 and 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
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above did not have any material impact on the financial statements of the Group and the Company in the period of initial application.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

		Effective date
Amendments to MFRS 132	Financial Instruments: Presentation	1 January 2014
Amendments to MFRS 136	Impairment of Assets – Recoverable Amount	
	Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
MFRS 9	Financial instruments - classification and measurement of financial assets and financial liabilities	1 January 2015

The above pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2012 was not qualified.

3. Seasonal or Cyclical Factors

Seasonal and cyclical factors do not have any material impact on the Group's business operations except for severe weather conditions.

4. Unusual and Extraordinary Items

On 16 May 2013, the Company completed its acquisition of PE Ship Management Sdn Bhd (formerly known as KAS Ship Management Sdn Bhd) ("PE Ship") and the transaction resulted in the recognition of a provisional negative goodwill amounting to RM12,835,000. Information on the acquisition is disclosed in Note 8(iv).

Save as disclosed above, there were no unusual and extraordinary items affecting assets, liabilities, equity, net income or cash flows during the quarter and nine months ended 30 September 2013.

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current interim results.

6. Issuance and Repayment of Debts and Equity Securities

As at 9 April 2013, the issued and paid-up share capital has been increased from RM107,250,000 to RM160,875,000 by the allotment of 107,250,000 new ordinary shares of RM0.50 each pursuant to the Company's Rights Issue.

Save as disclosed above, there were no issuance, repurchase and repayment of debts and equity securities during the quarter and nine months ended 30 September 2013.

7. Dividends

No interim ordinary dividend has been declared for the financial period ended 30 September 2013 (30 September 2012: Nil).

8. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial period under review except as stated below :

- i. On 17 January 2013, Petra Energy Development Sdn Bhd ("PED") formerly known as Petra AWT Sdn Bhd, a wholly owned subsidiary, completed its 30% share subscription of the enlarged equity interest in Coastal Energy KBM Sdn Bhd ("CEKSB") representing 6,000,000 new ordinary shares of RM1.00 each for total cash consideration of RM6,000,000. As a result, CEKSB is now an associate company of the Group.
- ii. On 28 February 2013, Petra Marine Sdn Bhd, a wholly owned subsidiary, incorporated Petra Marine Ltd with 100% shareholding, a company limited by shares under the Labuan Companies Act 1990, representing share capital of USD1.00 comprising one (1) ordinary share.

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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

8. Changes in Composition of the Group (cont'd)

- iii. On 28 June 2013, the Company acquired the entire issued shares of PE Ventures Sdn Bhd ("PEV"), an investment holding company for a cash consideration of RM2.00, representing share capital of RM2.00.
- iv. The Company had on 17 January 2013 entered into a conditional Sale of Shares Agreement ("SSA") with Shorefield Offshore Services Sdn Bhd, Ahmadi bin Yusoff, Hafitz bin Khalid and Kamarul Baharin bin Albakri to acquire 200,000 shares of RM1.00 each in PE Ship, representing 100% equity interest in PE Ship for a total purchase consideration of RM3.0 million.

On 16 May 2013, the acquisition was completed in accordance with the terms of the SSA. The acquisition resulted in the recognition of a provisional negative goodwill by the Group amounting to RM12,835,000.

The provisional fair value of the net assets of PE Ship and its subsidiary as at the date of acquisition was:

	Fair value recognized on acquisition RM'000
Assets	
Plant and equipment	46,279
Trade and other receivables	1,999
Cash and bank balances	3,136
	51,414
Liabilities	
Trade and other payables	(11)
Borrowings	(17,378)
Amount due to corporate shareholder	(18,146)
Taxation	(44)
	(35,579)
Share of net assets acquired	15,835
Negative goodwill arising from acquisition	(12,835)
Total cost of business consideration	3,000
Cash consideration	3,000

The condensed consolidated interim financial statements include the results of PE Ship and its subsidiary for four and half month period from the date of acquisition. PE Ship and its subsidiary have contributed RM1,232,000 to the profit after tax of the Group from the date of acquisition.

- v. On 28 June 2013, PEV a newly wholly owned subsidiary of the Company entered into Subscription and Shareholders' Agreement with Farid Khan Bin Kaim Khan ("FKKK"), Raziah Bibi Binti Aurange Zeb ("RBAZ") and Bumi Subsea Sdn Bhd ("BSSB") to subscribe 312,245 new ordinary shares of RM1.10 each in BSSB at a cash consideration of RM343,469.50, representing 51% of the enlarged shares of BSSB ("Proposed Share Subscription").

The Proposed Share Subscription was completed on 27 August 2013 in accordance with the terms of the SSA. The acquisition had no material effect on the Group's financial performance and position on acquisition date.

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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

8. Changes in Composition of the Group (cont'd)

- vi. On 10 September 2013, Petra Energy Development Sdn Bhd ("PED"), a wholly owned subsidiary, incorporated PE Development Ltd with 100% shareholding, a company limited by shares under the Labuan Companies Act 1990, representing share capital of USD1.00 comprising one (1) ordinary share.
- vii. On 17 October 2013, the Company incorporated PE Marine Capital Sdn Bhd with 100% shareholding, a private company limited by shares under the Companies Act, 1965, representing share capital of RM3.00 comprising three (3) ordinary shares.
- viii. On 24 October 2013, Petra Marine Sdn Bhd, a wholly owned subsidiary, incorporated PE Challenger Ltd with 100% shareholding, a company limited by shares under the Labuan Companies Act 1990, representing share capital of USD1.00 comprising one (1) ordinary share.

9. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the current quarter ended 30 September 2013 except for the vessel's upward fair value adjustment of RM5,494,000 following the completion of the acquisition of PE Ship as disclosed in Note 8 (iv).

10. Contingencies

The Company has given corporate guarantees to licensed financial institutions for banking facilities granted to certain subsidiary companies. As at 30 September 2013, the Company is contingently liable for the amount utilised by its subsidiary companies of approximately RM170.8 million.

PED, a wholly owned subsidiary of the Company has also provided parental guarantee to PETRONAS to ensure performance of contract by CEKSB, an associate company based on PED's proportionate interest.

Save as disclosed above, there were no other contingencies as at the end of the reporting period.

11. Commitments

	30 September 2013 RM'000
Capital expenditure	
Approved and contracted for:	
- Property, plant and equipment	2,726
Approved but not contracted for:	
- Property, plant and equipment	26,186
	<u>28,912</u>

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

(i) Current Quarter ended 30 September 2013 (3 months)

	Integrated Brownfield, Maintenance and Engineering Services		Onshore Civil Engineering Services		Marine Offshore Support Services		Design, Fabrication, Supply and Installation Services		Investment Holding and Others		Adjustments and eliminations		Group	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Revenue (RM'000)														
External customers	101,572	127,364	-	-	6,177	19,816	7,267	12,666	-	-	-	-	115,016	159,846
Inter-segment	28,426	22,285	-	-	-	-	1,043	1,791	840	840	(30,309)	(24,916)	-	-
Total revenue	129,998	149,649	-	-	6,177	19,816	8,310	14,457	840	840	(30,309)	(24,916)	115,016	159,846
Results (RM'000)														
Segment results	3,890	9,347	(31)	1,953	1,651	(912)	(680)	(2,094)	(1,707)	388	(2,961)	(1,600)	162	7,082
Finance costs	(6,352)	(6,005)	-	-	(466)	(250)	(505)	(179)	-	-	3,680	3,064	(3,643)	(3,370)
Share of results of associate	-	-	-	-	-	-	-	-	1	-	-	-	1	-
Segment (loss)/profit before tax	(2,462)	3,342	(31)	1,953	1,185	(1,162)	(1,185)	(2,273)	(1,706)	388	719	1,464	(3,480)	3,712

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd)

(ii) Current Year-to-Date ended 30 September 2013 (9 months)

	Integrated Brownfield, Maintenance and Engineering Services		Onshore Civil Engineering Services		Marine Offshore Support Services		Design, Fabrication, Supply and Installation Services		Investment Holding and Others		Adjustments and eliminations		Group	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Revenue (RM'000)														
External customers	284,474	378,697	-	-	21,615	55,052	27,303	29,910	-	-	-	-	333,392	463,659
Inter-segment	47,284	66,543	-	-	-	-	4,638	5,071	2,520	12,520	(54,442)	(84,134)	-	-
Total revenue	331,758	445,240	-	-	21,615	55,052	31,941	34,981	2,520	12,520	(54,442)	(84,134)	333,392	463,659
Results (RM'000)														
Segment results	11,872	39,990	12,120	8,519	2,443	72	(91)	(2,833)	(4,472)	8,760	(8,846)	(18,051)	13,026	36,457
Finance costs	(15,403)	(17,012)	-	(33)	(765)	(847)	(1,564)	(614)	-	-	8,998	8,456	(8,734)	(10,050)
Share of results of associate	-	-	-	-	-	-	-	-	(9)	-	-	-	(9)	-
Negative goodwill	-	-	-	-	12,835	-	-	-	-	-	-	-	12,835	-
Segment (loss)/profit before tax	(3,531)	22,978	12,120	8,486	14,513	(775)	(1,655)	(3,447)	(4,481)	8,760	152	(9,595)	17,118	26,407

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

12. Segment Information (cont'd)

Current quarter compared with the corresponding quarter of the preceding year (three-month)

For the current quarter under review, the Group recorded revenue of RM115.0 million, a decrease by 28.0% as compared with RM159.8 million reported in the corresponding quarter of the preceding year. Correspondingly, the Group recorded loss before taxation of RM3.5 million as compared with profit before taxation of RM3.7 million in the preceding year's corresponding quarter, mainly due to lower contribution from Integrated Brown Field Maintenance and Engineering Services Segment.

- Integrated Brown Field Maintenance and Engineering Services Segment

The segment revenue for the current quarter decreased by 20.3% from RM127.4 million in the corresponding quarter of preceding year to RM101.6 million in the current quarter. The reduction was principally due to lesser baseline scheduled for the Top-side Major Maintenance/Hook-up Construction and Commissioning (TMM/HuCC) contract from Sarawak & Sabah Shell Petroleum Co. Ltd ("SSB"), in line with the client's activities planned as well as lower activities executed from the umbrella Hook-up, Construction and Commissioning (HuCC) contract and completion of certain projects with PETRONAS Carigali Sdn Bhd ("PCSB"). Moreover, works for PCSB's Pan Malaysia HuCC awarded in May 2013 are at early stage of development thus low revenue was recorded for the current quarter.

The segment recorded loss before taxation of RM2.5 million as compared with profit before taxation of RM3.3 million in the corresponding quarter of preceding year, in line with the lower activities executed from both TMM/HuCC contracts with SSB and PCSB as outlined above.

- Onshore Civil Engineering Services Segment

There was no revenue contribution from Onshore Civil Engineering Services segment following completion of Kumang project in prior year. Marginal loss before taxation recorded for the current quarter was related to operational costs.

- Marine Offshore Support Services Segment

The segment revenue for the current quarter decreased by RM13.6 million or 68.8%, following the expiry of charter contracts in prior year.

Despite the decrease in revenue, the segment recorded a profit before taxation of RM1.2 million as compared with loss before taxation of RM1.2 million in the corresponding quarter of preceding year, due to contribution from PE Ship that was acquired in May 2013 as mentioned in Note 8 (iv).

- Design, Fabrication, Supply and Installation Services Segment

The segment revenue for the current quarter decreased by RM5.4 million or 42.6% due to lower activities performed from both Fabrication and Boilers divisions during the current quarter.

The segment recorded a lower loss before taxation of RM1.2 million as compared with loss before taxation of RM2.3 million in the corresponding quarter of preceding year, mainly due to final settlement claims incurred in prior year of RM1.1 million.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

12. Segment Information (cont'd)

Current period compared with the corresponding period of the preceding year (nine-month)

For the current financial period under review, the Group recorded revenue of RM333.4 million, a decrease by 28.1% as compared with RM463.7 million reported in the corresponding period of the preceding year. The Group recorded profit before taxation of RM17.1 million for the current financial period as compared with RM26.4 million in the preceding year's corresponding period, primarily due to the recognition of a provisional negative goodwill arising from the acquisition of a wholly-owned subsidiary in the Marine Offshore Support Services Segment as mentioned in Note 8(iv). The Group profit before taxation excluding the provisional negative goodwill stood at RM4.3 million, mainly due to lower contribution from Integrated Brown Field Maintenance and Engineering Services Segment.

- Integrated Brown Field Maintenance and Engineering Services Segment

The segment revenue for the current financial period decreased by 24.9% from RM378.7 million in the corresponding period of preceding year to RM284.5 million in the current financial period. The reduction was largely due to lesser baseline scheduled for the Top-side Major Maintenance/Hook-up Construction and Commissioning (TMM/HuCC) contract from Sarawak & Sabah Shell Petroleum Co. Ltd ("SSB"), in line with the client's activities planned as well as lower activities executed from the umbrella Hook-up, Construction and Commissioning (HuCC) contract and completion of certain projects with PETRONAS Carigali Sdn Bhd ("PCSB").

The segment recorded loss before taxation of RM3.5 million, as compared with profit before tax of RM23.0 million recorded in the corresponding period of preceding year, in line with the lower activities executed from both TMM/HuCC contracts with SSB and PCSB as outlined above.

- Onshore Civil Engineering Services Segment

There was no revenue contribution from Onshore Civil Engineering Services segment following completion of Kumang project in prior year. However, the segment recorded higher profit before taxation of RM12.1 million in the current financial period, principally due to the recognition of final settlement and contract closure for the Kumang project.

- Marine Offshore Support Services Segment

The segment revenue decreased by RM33.4 million or 60.7%, following the expiry of charter contracts in prior year. In spite of this, the segment recorded a significant profit before taxation of RM14.5 million for the current financial period, principally due to the recognition of a provisional negative goodwill arising from acquisition of PE Ship as mentioned in Note 8(iv).

- Design, Fabrication, Supply and Installation Services Segment

The segment revenue for the current financial period decreased by RM2.6 million or 8.7% as compared with corresponding period of the preceding year, mainly due to lower activities performed from both Fabrication and Boilers divisions during the financial period.

The segment recorded a lower loss before taxation of RM1.7 million as compared with loss before taxation of RM3.4 million in the corresponding period of the preceding year, mainly due to legal and arbitration fee and final settlement claims incurred in prior year of RM2.8 million and RM1.1 million respectively.

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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

13. Profit before taxation

Included in the profit before taxation are the following items:

	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 9 months ended</i>	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Interest income	(434)	(186)	(1,541)	(591)
Interest expense	3,643	3,370	8,734	10,050
Loss on foreign exchange - realised	188	-	611	230
Loss/(Gain) on foreign exchange – unrealized	542	(636)	931	(1,260)
(Gain)/Loss on disposal of property, plant and equipment	(6)	62	(6)	68
Write off of property, plant and equipment	130	-	130	-
Depreciation of property, plant and Equipment	8,167	6,085	22,394	19,811

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

14. Income tax expense

	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 9 months ended</i>	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Current tax:				
Malaysian income tax	959	(2,829)	2,201	1,256
Deferred tax	(384)	1,382	2,134	3,886
	575	(1,447)	4,335	5,142

The effective tax for the current quarter and financial period were higher than the statutory tax rate principally due to expenses which are not deductible for tax purposes and losses of certain companies within the Group which cannot be set off against profit.

15. Earnings per share

Basic earnings per share are calculated by dividing profit for the period, net of tax, attributable to owners of the parent of RM12,815,000 (2012: RM21,354,000) by the weighted average number of ordinary shares outstanding during the financial period of 321,750,000 (2012: 214,500,000). The Group has no potential ordinary shares in issue as at reporting date and therefore diluted earnings per share has not been presented.

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16. Cash and bank balances

	30 September 2013 RM'000	31 December 2012 RM'000
Short term deposits with licensed banks	91,868	51,949
Cash at banks and on hand	20,239	50,740
	112,107	102,689

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	30 September 2013 RM'000	31 December 2012 RM'000
Cash and bank balances	112,107	102,689
Less: Bank overdrafts	(340)	(2,905)
Cash and cash equivalents	111,767	99,784
Less: Cash restricted in use		
- Debt Service Reserve Account	(15,298)	(30,601)
- Fixed deposits pledged for borrowing	(340)	(340)
Net cash and cash equivalents	96,129	68,843

17. Loans and borrowings

All borrowings are denominated in Ringgit Malaysia except for obligations under finance lease, which is denominated in US Dollar ("USD")

Short term borrowings

	30 September 2013 RM'000	31 December 2012 RM'000
Secured	90,492	107,141
Unsecured	8,215	18,729
Finance lease commitment – unsecured	22,474	49,028
	121,181	174,898

Long term borrowings

Secured	22,064	19,391
	143,245	194,289

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18. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 30 September 2013 and 30 September 2012:

	30 September 2013 RM'000	30 September 2012 RM'000
Rental of vessels and rendering of services from a related company of a Corporate Shareholder	-	15,004
Rental of buildings paid to parties related to a Corporate Shareholder	437	92

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

On 3 September 2012, the Corporate Shareholder of a related company in relation to rental of vessels and services had ceased to be a substantial shareholder of the Company.

19. Material Events After the Reporting Period

There was no material event subsequent to the end of the interim period reported which has not been reflected in the financial statements.

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20. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 12.

21. Comment on material change in profit before taxation for the quarter reported as compared with immediate preceding quarter

The Group recorded loss before taxation of RM3.5 million in the third quarter, 2013 as compared with profit before taxation of RM4.1 million in the second quarter, 2013, after excluding the recognition of a provisional negative goodwill arising from the acquisition of a wholly owned subsidiary in the Marine Offshore Support Services Segment. The loss before taxation in the third quarter, 2013 was largely due to lesser baseline scheduled for SSB's TMM/HuCC contract, in line with the client's activities planned as well as lower activities executed from PCSB's umbrella HuCC contract in the Integrated Brown Field Maintenance and Engineering Services Segment. Moreover, works for PCSB's Pan Malaysia HuCC awarded in May 2013 are at early stage of development thus low contribution was recorded for the current quarter.

22. Commentary on prospects

The oil and gas industry is slated for sustained growth over the next 3 - 5 years in both the offshore and onshore sectors. The Government's focus on the domestic oil and gas production by enhancing oil recovery, developing small fields and increasing exploration activities to locate new fields are one of the key growth areas that would positively impact Petra Energy Group, moving forward.

Whilst maintaining its focus on integrated brown field services activities, the Group continuously enhances its capabilities to expand into relevant market sectors.

23. Profit Forecast

No profit forecast or profit guarantee has been issued by the Group.

24. Corporate Proposals

a) Status of corporate proposal announced but not completed

On 13 February 2013, Petra Resources Sdn Bhd ("PRSB"), a wholly owned subsidiary of the Company entered into a Memorandum of Agreement with Koi Marine Ltd, a company incorporated in Marshall Islands, to acquire Otto 3, an accommodation work barge vessel, at a purchase consideration of USD14.1 million (equivalent to approximately RM42.3 million). The completion of this transaction has been further extended up to end of 2013.

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

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24. Corporate Proposals (cont'd)

b) Status of utilisation of proceeds

On 9 April 2013, the Rights Issue was completed with the listing on the Main Market of Bursa Securities. As at 19 November 2013, the utilisation status of the proceeds raised is as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation
	RM'000	RM'000	
i) Development and production of Kapal, Banang and Meranti fields under risk service contract	100,000	53,049	12 months
ii) Other upstream oil and gas activities	20,000	20,000	12 months
iii) General working capital	2,338	2,338	12 months
iv) Expenses related to Rights Issue	1,000	1,000	1 month
Total	<u>123,338</u>	<u>76,387</u>	

25. Derivative Financial Instruments

The Group did not enter into any derivatives during the period ended 30 September 2013 nor the previous financial year ended 31 December 2012.

26. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2012.

27. Changes in Material Litigations

As at 30 September 2013, there was no material litigation against the Group.

28. Dividend payable

There is no dividend proposed in respect of the current quarter ended 30 September 2013.

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29. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group, into realised and unrealised earnings, is as follows:

	Current Period Ended RM'000	Previous financial year ended RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	255,907	240,039
- Unrealised	(41,492)	(37,923)
	214,415	202,116
Less: Consolidated adjustments	(2,710)	(1,081)
Retained earnings as per financial statements	211,705	201,035

30. Authorisation For Issue

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 19 November 2013.