



PETRA ENERGY

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

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
31 MARCH 2014**

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

Condensed Consolidated Statements of Comprehensive Income

		<i>Current quarter 3 months ended</i>	
		31 March 2014 Unaudited RM'000	31 March 2013 Unaudited RM'000
	Note		
Revenue		116,582	92,380
Cost of sales		(101,661)	(71,301)
Gross profit		14,921	21,079
Other income		-	293
Administrative expenses		(12,426)	(15,206)
Profit from operations		2,495	6,166
Finance income		582	240
Finance costs		(2,012)	(2,733)
Share of results of associate		(55)	(54)
Profit before taxation	13	1,010	3,619
Income tax expense	14	(9)	(1,469)
Profit for the financial period		1,001	2,150
<u>Other comprehensive loss:</u>			
Item that may be subsequently reclassified to profit or loss			
- Currency translation differences		(898)	-
Other comprehensive loss for the financial period, net of tax		(898)	-
Total comprehensive income for the financial period		103	2,150
Profit/(loss) for the financial period attributable to:			
Owners of the parent		1,115	2,201
Non-controlling interests		(114)	(51)
		1,001	2,150
Total comprehensive income/(loss) attributable to:			
Owners of the parent		217	2,201
Non-controlling interests		(114)	(51)
		103	2,150
Earnings per share attributable to owners of the parent (sen per share)			
Basic	15	0.35	1.03

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

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Condensed Consolidated Statements of Financial Position

	Note	31 March 2014 Unaudited RM'000	31 December 2013 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		437,374	445,245
Trade and other receivables		2,357	2,357
Investment in associate		5,926	5,980
Goodwill		168	168
		445,825	453,750
Current assets			
Inventories		33,273	21,154
Trade and other receivables		258,028	259,823
Amount due from customers on contracts		21,975	19,510
Tax recoverable		5,614	6,747
Cash and bank balances	16	88,008	112,754
		406,898	419,988
Total Assets		852,723	873,738
EQUITY AND LIABILITIES			
Share capital		160,875	160,875
Share premium		138,934	138,934
Merger reserve		(31,000)	(31,000)
Currency translation reserve		680	1,578
Retained earnings		209,522	211,625
		479,011	482,012
Non-controlling interests		369	483
Total equity		479,380	482,495
Non-current liabilities			
Loans and borrowings	17	98,549	104,771
Hire purchase liabilities		77	79
Deferred taxation		25,825	25,648
		124,451	130,498
Current liabilities			
Loans and borrowings	17	108,570	94,421
Hire purchase liabilities		16	19
Trade and other payables		136,565	165,718
Provisions		284	284
Amount due to customers on contracts		120	120
Income tax payable		119	183
Dividend payable		3,218	-
		248,892	260,745
Total liabilities		373,343	391,243
Total equity and liabilities		852,723	873,738
Net assets per share of RM0.50 each		1.49	1.50

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	Currency Translation Reserve	Retained Earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2014	160,875	138,934	(31,000)	1,578	211,625	482,012	483	482,495
Profit for the financial period	-	-	-	-	1,115	1,115	(114)	1,001
Other comprehensive income for the financial period	-	-	-	(898)	-	(898)	-	(898)
Total comprehensive income for the financial period	-	-	-	(898)	1,115	217	(114)	103
<u>Transactions with owners:</u>								
Interim dividend in respect of financial year ended 31 December 2013					(3,218)	(3,218)		(3,218)
As at 31 March 2014	160,875	138,934	(31,000)	680	209,522	479,011	369	479,380
As at 1 January 2013	107,250	69,880	(31,000)	-	201,035	347,165	512	347,677
Total comprehensive income for the period	-	-	-	-	2,201	2,201	(51)	2,150
As at 31 March 2013	107,250	69,880	(31,000)	-	203,236	349,366	461	349,827

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>3 months ended</i>	
	31 March 2014 Unaudited RM'000	31 March 2013 Unaudited RM'000
Operating Activities		
Profit before tax	1,010	3,619
Adjustments for:		
Finance income	(582)	(240)
Finance costs	2,012	2,733
Unrealised foreign exchange loss/(gain)	(39)	(42)
Depreciation of property, plant and equipment	8,212	7,270
Gain on disposal of property, plant and equipment	(7)	-
Share of results of associate	54	54
Total adjustments	9,650	9,775
Operating cash flows before changes in working capital	10,660	13,394
Changes in working capital		
Inventories	(12,119)	(5,303)
Trade and other receivables	39,945	32,420
Trade and other payables	(29,153)	(56,053)
Amount due from/(to) customers	(2,465)	-
Total changes in working capital	(3,792)	(28,936)
Cash flows generated from/(used in) operations	6,868	(15,542)
Income tax refund, net	1,237	1,567
Net cash flows generated from/(used in) operating activities	8,105	(13,975)
Investing activities		
Acquisition of interest in an associate company	-	(6,000)
Purchase of property, plant and equipment	(176)	(2,067)
Proceeds from disposal of property, plant and equipment	7	-
Interest received	582	240
Advances to an associate company	(38,111)	-
Net cash flows used in investing activities	(37,698)	(7,827)
Financing activities		
Drawdown/(repayment) of bank borrowings, net	15,665	(463)
Repayment of term loans	(6,169)	-
Repayment of obligations under finance lease	-	(24,267)
Repayment of obligations under hire purchase, net	(5)	(4)
Interest paid	(2,012)	(2,733)
Net cash flows generated from/(used in) financing activities	7,479	(27,467)
Net changes in cash and cash equivalents	(22,114)	(49,269)
Net changes in cash restricted in use	(2,012)	(4,089)
Effects of exchange rate changes	(1,063)	-
Cash and cash equivalents at 1 January	110,818	71,051
Cash and cash equivalents at 31 March (Note 16)	85,629	17,693

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

4. Unusual and Extraordinary Items

There were no unusual and extraordinary items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2014.

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

There were no issuance, repurchase and repayment of debts and equity securities during the quarter ended 31 March 2014.

7. Dividends

An interim tax exempt (single tier) dividend in respect of the financial year ended 31 December 2013, of 1.0 sen per ordinary share of RM0.50 each on 321,750,000 ordinary shares amounting to RM3,217,500 was paid on 15 May 2014.

8. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

9. Valuation of Property, Plant and Equipment

The Group states its property, plant and equipment at cost less any accumulated depreciation and any accumulated impairment losses, and does not adopt a policy to revalue its property, plant and equipment.

10. Contingencies

There were no contingencies as at the end of the reporting period.

11. Commitments

	31 March 2014 RM'000
Capital expenditure	
Property, plant and equipment:	
- Approved and contracted for	10,900
- Approved but not contracted for	16,627
	27,527

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

	Integrated Brownfield, Maintenance and Engineering Services		Onshore Civil Engineering Services		Marine Offshore Support Services		Design, Fabrication, Supply and Installation Services		Adjustments and eliminations		Group	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Revenue (RM'000)												
External customers	90,504	75,899	-	-	17,887	5,444	8,191	11,037	-	-	116,582	92,380
Inter-segment	11,173	7,638	-	-	-	-	-	906	(11,173)	(8,544)	-	-
Total revenue	101,677	83,537	-	-	17,887	5,444	8,191	11,943	(11,173)	(8,544)	116,582	92,380
Results (RM'000)												
Segment results	10,387	(2,692)	(97)	13,000	(3,750)	34	220	4	(3,683)	(3,940)	3,077	6,406
Finance costs	(3,852)	(4,658)	-	-	(138)	(1)	(426)	(227)	2,404	2,153	(2,012)	(2,733)
Share of results of associate	-	-	-	-	-	-	-	-	(55)	(54)	(55)	(54)
Segment profit/(loss) before tax	6,535	(7,350)	(97)	13,000	(3,888)	33	(206)	(223)	(1,334)	(1,841)	1,010	3,619

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 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 RM116.6 million, an increase by 26% as compared with RM92.4 million reported in corresponding quarter of the preceding year. Correspondingly, the Group recorded profit before taxation of RM1.0 million as compared with profit before taxation of RM3.6 million in the preceding year's corresponding quarter. Higher profit before taxation in the preceding year's corresponding quarter is mainly due to the recognition of final settlement and contract closure for Kumang project which amounted to RM13.0 million.

- Integrated Brown Field Maintenance and Engineering Services Segment

The segment revenue for the current quarter increased by 19% from RM75.9 million in the corresponding quarter of preceding year to RM90.5 million in the current quarter. Increase in revenue for the current quarter under review is due to higher activities executed for the Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract from PETRONAS Carigali Sdn Bhd ("PCSB").

The segment recorded profit before taxation of RM6.5 million as compared with loss before taxation of RM7.4 million in the corresponding quarter of preceding year, is mainly due to higher activities executed from the HuC/TMM contract during the current quarter under review.

- Onshore Civil Engineering Services Segment

There was no revenue contribution from Onshore Civil Engineering Services segment following completion of Kumang project in 2012. The profit before taxation of RM13.0 million recorded in preceding year's corresponding quarter was related to recovery of costs.

- Marine Offshore Support Services Segment

The segment loss for the current quarter decreased by RM3.9 million mainly due to additional cost incurred in relation to modification expenses incurred for a vessel to meet client's specifications in the current quarter under review.

- Design, Fabrication, Supply and Installation Services Segment

The segment loss for the current quarter of RM0.2 million has improved by 8% mainly due to better margin contribution from Fabrication division in the current quarter under review.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Profit before taxation

Included in the profit before taxation are the following items:

	<i>Current quarter 3 months ended</i>	
	31 March 2014 RM'000	31 March 2013 RM'000
Finance income	(582)	(240)
Finance expense	2,012	2,733
Loss on foreign exchange - realised	189	-
Gain on foreign exchange - unrealised	(39)	(42)
Gain on disposal of property, plant and equipment	(7)	-
Depreciation of property, plant and equipment	8,212	7,430

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

	<i>Current quarter 3 months ended</i>	
	31 March 2014 RM'000	31 March 2013 RM'000
Current tax:		
Malaysian income tax	(108)	-
Deferred tax	117	1,469
	9	1,469

15. Earnings per share

Basic earnings per share of 0.35 sen (2013: 1.03 sen) are calculated by dividing profit for the period, net of tax, attributable to owners of the parent of RM1,115,000 (2013: RM2,201,000) by the weighted average number of ordinary shares outstanding during the financial period of 321,750,000 (2013: 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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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

16. Cash and bank balances

	31 March 2014 RM'000	31 December 2013 RM'000
Short term deposits with licensed banks	19,954	70,606
Cash at banks and on hand	68,054	42,148
	88,008	112,754

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

	31 March 2014 RM'000	31 December 2013 RM'000
Cash and bank balances	88,008	112,754
Less: Bank overdrafts	-	(1,569)
Cash and cash equivalents	88,008	111,185
Less: Cash restricted in use		
- Debt Service Reserve Account	(2,018)	(6)
- Fixed deposits pledged for borrowing	(361)	(361)
Net cash and cash equivalents	85,629	110,818

17. Loans and borrowings

	31 March 2014 RM'000	31 December 2013 RM'000
Short term borrowings		
Secured	26,365	26,313
Unsecured	82,205	68,108
	108,570	94,421
Long term borrowings		
Secured	98,549	104,771
	207,119	199,192

The Group is exposed to transactional currency risk that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily USD Dollars ("USD").

As at the reporting period the Group's exposure to foreign currency risk is arising from a term loan amounting to RM21,186,000 which is denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 31 March 2014 and 31 March 2013:

	31 March 2014 RM'000	31 March 2013 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	420	17

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.

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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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

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 profit before taxation of RM1.0 million in first quarter, 2014 as compared with loss before taxation of RM15.5 million in the fourth quarter, 2013. The loss before taxation in the fourth quarter, 2013 was largely due to an impairment loss recognised of RM8.9 million for a vessel to write down to its recoverable amount and lesser activities executed in the Integrated Brown Field Maintenance and Engineering Services Segment, coupled with completion of certain projects in the fourth quarter, 2013.

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 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

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 26 May 2014, 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	100,000	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>123,338</u>	

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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

24. Derivative Financial Instruments

The Group did not enter into any derivatives during the period ended 31 March 2014 nor for the previous financial year ended 31 December 2013.

25. 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 March 2014.

26. Changes in Material Litigations

As at 31 March 2014, there was no material litigation against the Group.

27. 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:

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	233,655	235,479
- Unrealised	45,856	47,068
	279,511	282,547
Total share of retained earnings from associated company:		
- Realised	(74)	(20)
	279,437	282,527
Less: Consolidated adjustments	(69,915)	(70,902)
Retained earnings as per financial statements	209,522	211,625

28. Authorisation For Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 May 2014.