Building Momentum

PETRA ENERGY BERHAD

(718388-H)

annual report 2012

PETRA ENERGY

Building Momentum

2012 was a pivotal year for Petra Energy, marking a series of significant accomplishments that we are proud of, from strengthening our competencies, investing in strategic partnerships, venturing into new areas of specialisation to growing our business portfolio.

The goals that we set are in line with our aim to move up the value chain as infinite opportunities continue to unfold in the oil and gas industry.

Clearly, we are building momentum and are set to achieve even bigger milestones as we move forward with confidence.

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vision statement

To be an oil and gas development company

our core values

We aspire to instill strong core values that collectively will always remain the foundation of our work culture.

We will always be guided by a set of strong core values.

integrity

Integrity has and will always remain an important part of our business culture. It is the very tenet upon which we have built a strong relationship with all stakeholders.

accountable

Throughout every facet of our operations, what shines through is our strong adherence to ethical business practices and good governance. In this way, we hold ourselves accountable for the way we approach and conduct business.

quality

From blueprint to completion, from process to delivery, from construction to commissioning, we will always ensure high quality standards. We see anything less as a compromise.

innovation

Innovation is what separates mediocrity from excellence.To stay ahead of the curve, we will always embrace change in keeping with the times in order to deliver innovative solutions that improve productivity and efficiency.

teamwork

Teamwork is about creating a conducive work environment that brings people together to work as one in achieving common goals. It's also about fostering a work culture where everybody's ideas and contributions are valued.

customer focus

We will always focus on anticipating our customers' discerning needs, providing quality services and meeting their expectations. That's why everything that we do revolves around our customers.

sustainable

As a long-term solutions provider, we remain committed to optimising our resources, whilst being resilient to market changes in ensuring sustainable growth.

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of Petra Energy Berhad ("the Company") will be held at Mutiara Ballroom, Ground Floor, The Royale Bintang Damansara, 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 May 2013 at 11:00 a.m. to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon.

   Please refer to Explanatory Note 2 (a)

2. To approve the payment of Directors' fee for the financial year ended 31 December 2012.

   Resolution 1

3. To re-elect the following Directors who retire pursuant to Article 103 of the Company's Articles of Association:

   (i) Dato' Anthony @ Firdauz Bin Bujang **Resolution 2**

   (ii) Gian Carlo Maccagno **Resolution 3**

4. To re-elect Abdul Rahim Bin Abdul Hamid who retires pursuant to Article 104 of the Company's Articles of Association.

   Resolution 4

5. To appoint Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

   Notice of Nomination from shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed in the 2012 Annual Report has been received by the Company for the nomination of Messrs PricewaterhouseCoopers for appointment as Auditors in place of the retiring Auditors, Messrs Ernst & Young and of the intention to propose the following Ordinary Resolution:

   "That Messrs PricewaterhouseCoopers be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." **Resolution 5**

6. As Special Business, to consider and if thought fit, to pass the following resolutions with or without modifications:

Ordinary Resolution 1
Authority to Issue and Allot Shares

THAT subject always to the approvals of the relevant authorities and pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue and allot ordinary shares in the Company at any time, upon such terms and conditions, for such purposes and to such person(s) as the Directors may in their discretion deem fit provided that the aggregate number of ordinary shares to be issued does not exceed ten per centum (10%) of the total issued share capital of the Company at the time of issue and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company. **Resolution 6**

Ordinary Resolution 2
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with KACC Construction Sdn. Bhd. ("KACC")

THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies be and are hereby authorised to enter into and give effect to recurrent related party transactions of a revenue or trading nature with KACC, a company related to Shorefield Resources Sdn. Bhd., a major shareholder of the Company, as set out in Section 2.5 Table 1 of the Circular to Shareholders dated 8 May 2013, which are necessary for the Group's day-to-day operations in the ordinary course of business, on terms not more favourable than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless authority is renewed by a resolution passed at the next AGM;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, before the next AGM;

whichever is the earlier.

AND THAT the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **Resolution 7**

Ordinary Resolution 3
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with OBYU Holdings Sdn. Bhd. ("OBYU")

THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies be and are hereby authorised to enter into and give effect to recurrent related party transactions of a revenue or trading nature with OBYU, a company related to Shorefield Resources Sdn. Bhd., a major shareholder of the Company, as set out in Section 2.5 Table 1 of the Circular to Shareholders dated 8 May 2013, which are necessary for the Group's day-to-day operations in the ordinary course of business, on terms not more favourable than those

notice of annual general meeting

generally available to the public and not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless authority is renewed by a resolution passed at the next AGM;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, before the next AGM;

whichever is the earlier.

AND THAT the Directors of the Company be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents as they may consider expedient or deem fit in the best interest of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **Resolution 8**

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.

By Order of the Board

Aishah binti Hashim (LS 01204)
Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)

Company Secretaries
Kuala Lumpur

8 May 2013

NOTES:

1. Appointment of Proxy

(a) In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2013 shall be eligible to attend, speak and vote at the Meeting.

(b) A member entitled to attend, speak and vote at the Meeting is entitled to appoint more than one proxy to attend, speak and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend, speak and vote at the Meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of the member at the Meeting. There should be no restriction as to the qualification of the proxy.

(c) In the case of a corporate member, the instrument appointing a proxy must be executed either under its common seal or under the hand of its officer or attorney duly authorised.

(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) To be valid, the instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

2. Explanatory Notes to Special Businesses

(a) Item 1 of the Agenda

The Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

(b) Proposed Ordinary Resolution 1

The proposed Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot not more than 10% of the Company's total issued share capital speedily without having to convene a general meeting. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Instances for which the Company may issue new shares within this general mandate include but not limited to the purpose(s) of raising fund through private placement for investments, working capital and/or acquisitions.

This general mandate sought by the Company is to renew the general mandate granted to the Directors at the Sixth Annual General Meeting held on 30 May 2012 to issue shares pursuant to Section 132D of the Companies Act, 1965.

(c) Proposed Ordinary Resolutions 2 and 3

The proposed adoption of the Ordinary Resolutions 2 and 3, if passed, will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Further information on the proposed Ordinary Resolutions 2 and 3 are set out in the Circular to Shareholders dated 8 May 2013.

business overview

Petra Energy Bhd, which helms a group of subsidiary and associate companies, is an integrated oil and gas brown field service provider aspiring well on the way to becoming a development and production company.

The Group provides a comprehensive range of services that include:

DEVELOPMENT & PRODUCTION (SMALL FIELD RISK SERVICE CONTRACT)

INTEGRATED BROWN FIELD MAINTENANCE & ENGINEERING

- Top side major maintenance/Hook-up construction & commissioning including marine fleet support
- Project management, procurement & logistics
- Engineering operations & maintenance
- Oil field optimisation
- Equipment packaging & manufacturing

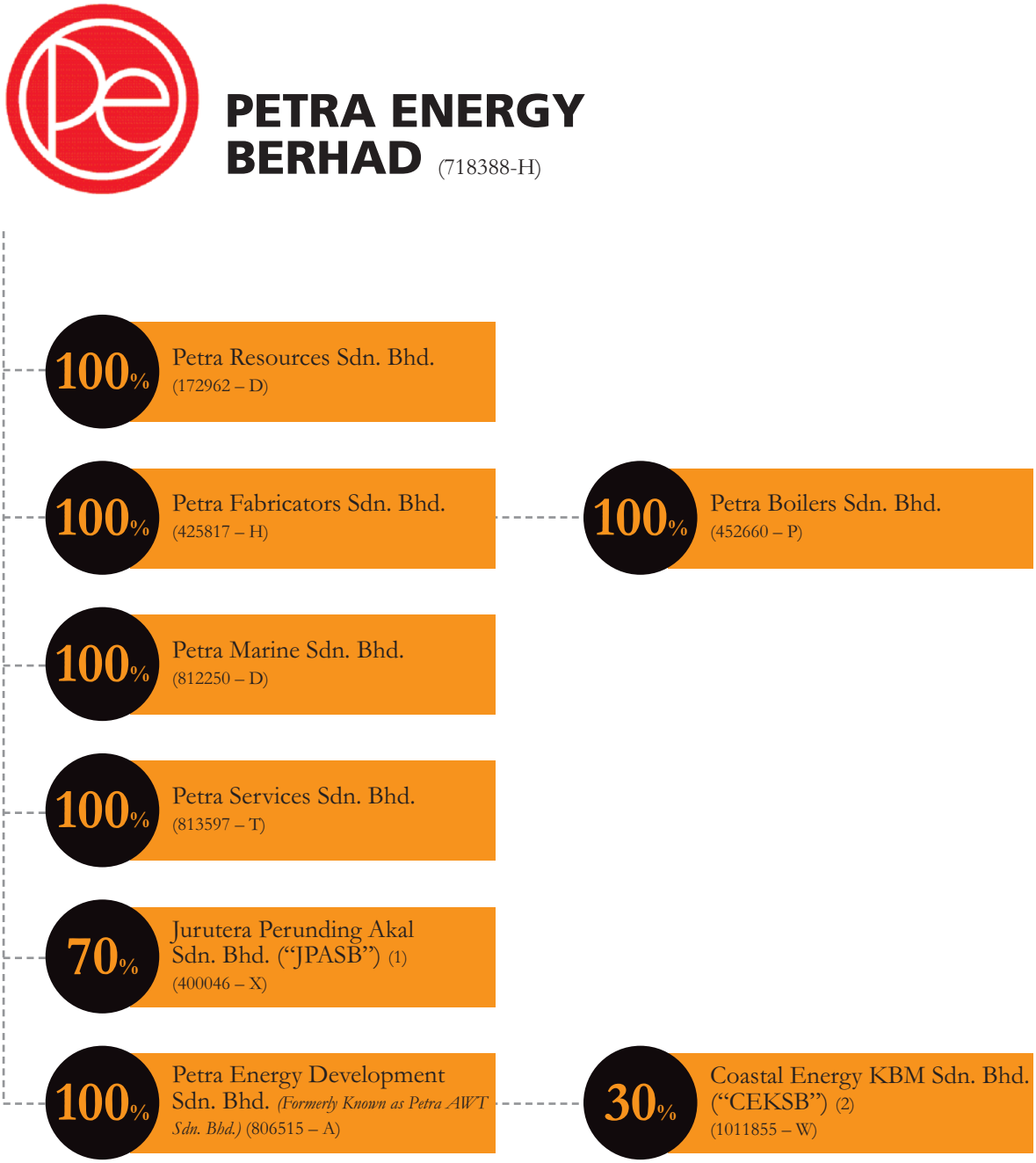
MARINE OFFSHORE SUPPORT

DESIGN, FABRICATION, SUPPLY & INSTALLATION

- Design & fabrication of process and heat transfer equipment
- Engineering design & project management

ENGINEERING AND PROJECT MANAGEMENT SERVICES

corporate structure



Notes:

(1) JPASB – 30% owned by two (2) individuals

(2) CEKSB – 70% owned by CEC International Ltd, a company incorporated under the laws of Cayman Islands.

corporate information

board of directors

Ahmadi bin Yusoff
Executive Director

Abdul Rahim bin Abdul Hamid
Senior Independent Non-Executive Director

Ahmad Azra bin Salleh
Independent Non-Executive Director

Dato' Anthony @ Firdauz bin Bujang
(Appointed w.e.f. 18 September 2012)
Executive Director/Group Chief Executive Officer

Gian Carlo Maccagno
(Appointed w.e.f. 18 September 2012)
Non-Independent Non-Executive Director

Surya Hidayat bin Abd Malik
(Resigned w.e.f. 3 September 2012)
Non-Independent Non-Executive Director

audit committee

Abdul Rahim bin Abdul Hamid
Chairman

Ahmad Azra bin Salleh
Member

Gian Carlo Maccagno
(Appointed w.e.f. 18 September 2012)
Member

Surya Hidayat bin Abd Malik
(Resigned w.e.f. 3 September 2012)
Member

board risk management committee

Abdul Rahim bin Abdul Hamid
Chairman

Ahmad Azra bin Salleh
Member

Gian Carlo Maccagno
(Appointed w.e.f. 18 September 2012)
Member

Surya Hidayat bin Abd Malik
(Resigned w.e.f. 3 September 2012)
Member

nomination committee

Ahmad Azra bin Salleh
Chairman

Abdul Rahim bin Abdul Hamid
Member

Gian Carlo Maccagno
(Appointed w.e.f. 18 September 2012)
Member

Surya Hidayat bin Abd Malik
(Resigned w.e.f. 3 September 2012)
Member

remuneration committee

Ahmad Azra bin Salleh
Chairman

Abdul Rahim bin Abdul Hamid
Member

Gian Carlo Maccagno
(Appointed w.e.f. 18 September 2012)
Member

Surya Hidayat bin Abd Malik
(Resigned w.e.f. 3 September 2012)
Member

company secretaries

Aishah binti Hashim (LS 01204)
Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)

auditors

Messrs. Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

headquarters

Suite 13.02, Level 13, Menara OBYU
4, Jalan PJU 8/8A
Bandar Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7726 5576
Fax : 03-7726 3686
Email : peb.corporate@penergy.com.my

registered office

Suite 13.02, Level 13, Menara OBYU
4, Jalan PJU 8/8A
Bandar Damansara Perdana
47820 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7726 5576
Fax : 03-7726 3686
Email : peb.corporate@penergy.com.my

share registrar

Securities Services (Holdings) Sdn. Bhd. (36869-T)
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2084 9000
Fax : 03-2094 9940

principal bankers

Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
Affin Bank Berhad (25046-T)
HSBC Bank Malaysia Berhad (127776-V)
United Overseas Bank (Malaysia) Berhad (271809-K)

solicitors

Messrs. ZicoLaw & Co.
Advocates & Solicitors
Lot 102 & 104, First Floor
Wisma Bukit Mata Kuching
Jalan Tuanku Abdul Rahman
93100 Kuching, Sarawak

stock exchange listing

Main Market of Bursa Malaysia Securities Berhad
Sector : Trading/Services
Stock Code : 5133
Stock Name : PENERGY

Listed on 26 July 2007

Together with our partner, Coastal Energy, we are thrilled to have secured our first Small Field Risk Service Contract (RSC) in the development and production of petroleum from the Kapal, Banang and Meranti cluster of small oilfields, offshore Terengganu. With this achievement, we will make the natural progression, from a services provider to an oil and gas development company.

Dato' Anthony Bujang
Executive Director/Group CEO

board of directors

Dato' Anthony @ Firdauz bin Bujang
Executive Director/Group Chief Executive Officer

Ahmadi bin Yusoff
Executive Director

Abdul Rahim bin Abdul Hamid
Senior Independent Non-Executive Director

Ahmad Azra bin Salleh
Independent Non-Executive Director

Gian Carlo Maccagno
Non-Independent Non-Executive Director

board of directors profile

Dato' Anthony @ Firdauz bin Bujang, a Malaysian citizen aged 54, was appointed to the Board of Petra Energy Berhad ("Petra Energy") on 18 September 2012.

Dato' Anthony holds a Degree in Economics, Business Administration from University Malaya.

He started his career in 1983 as an Accountant in Bank Utama Malaysia Berhad. During the period from 1988 to 1996, he held various positions in Sarawak Shell Berhad such as Secretary and Adviser to Major Tender Board, Head of General Contracts and Head of Strategy, Planning & Procurement for Shell Gabon, Republic of Gabon, West Africa. In 1996, he joined Eastbourne Services Sdn. Bhd. as the Chief Executive for a period of 4 years. He then joined TV3 and NTV7 as General Manager, Director of Operations and CEO. His last posting prior to joining Petra Energy was as the Group CEO in NSTP Berhad.

He is director for all subsidiaries and associate company of Petra Energy.

Dato' Anthony does not have any family relationships with any members of the Board or major shareholder of Petra Energy and he does not hold any directorship in any public companies. He does not have any conflict of interest with Petra Energy or its subsidiaries and neither has he been convicted of any offence within the past 10 years.

Dato' Anthony @ Firdauz bin Bujang
Executive Director/Group Chief Executive Officer

Ahmadi bin Yusoff, a Malaysian citizen aged 54, was appointed to the Board of Petra Energy Berhad ("Petra Energy") on 18 February 2010.

He holds a Bachelor of Arts (Hons) degree from Universiti Sains Malaysia.

He sits on the boards of various companies including Shorefield Resources Sdn. Bhd. (since 2009), an investment holding company and a major shareholder of Petra Energy, OBYU Holdings Sdn. Bhd. (since 2002), an investment holding company, Shorefield Sdn. Bhd. (since 1999), a rural electrification scheme contractor, CMS Wires Sdn. Bhd. (since 2008), a company involved in the manufacture and sale of welded wire mesh and Javel Engineering Sdn. Bhd. (since 2002), a construction company.

He is also director for all subsidiary companies of Petra Energy.

Prior to this, he held various key management positions with experience spanning over 17 years in the electrical, media, agro-chemical, construction, plantation and trading sectors of industry.

He is the brother of Dato' Bustari bin Yusuf, a person connected to a major shareholder of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Ahmadi bin Yusoff

Executive Director

board of directors profile

Abdul Rahim bin Abdul Hamid, a Malaysian citizen aged 62, was appointed to the Board of Petra Energy Berhad ("Petra Energy") on 13 July 2010.

He is the Chairman of the Audit Committee and the Board Risk Management Committee, and a member of the Nomination Committee and the Remuneration Committee of the Board of Petra Energy.

He is a Fellow of the Association of Chartered Certified Accountants, a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

He started his career in Coopers & Lybrand (previously known as Cooper Brothers & Co.) in 1971. He rose in the firm to eventually become its Chief Executive in 1993. When the firm merged with Price Waterhouse in 1998 to form PricewaterhouseCoopers, he served as its Deputy Executive Chairman until he retired in June 2004.

During the span of 33 years in the firm, he was involved in auditing, business consultancy and organisational development work covering a cross section of business sectors and industry.

Since his retirement, he has been passionately involved in the area of human capital development by undertaking business and leadership coaching of entrepreneurs and enterprises.

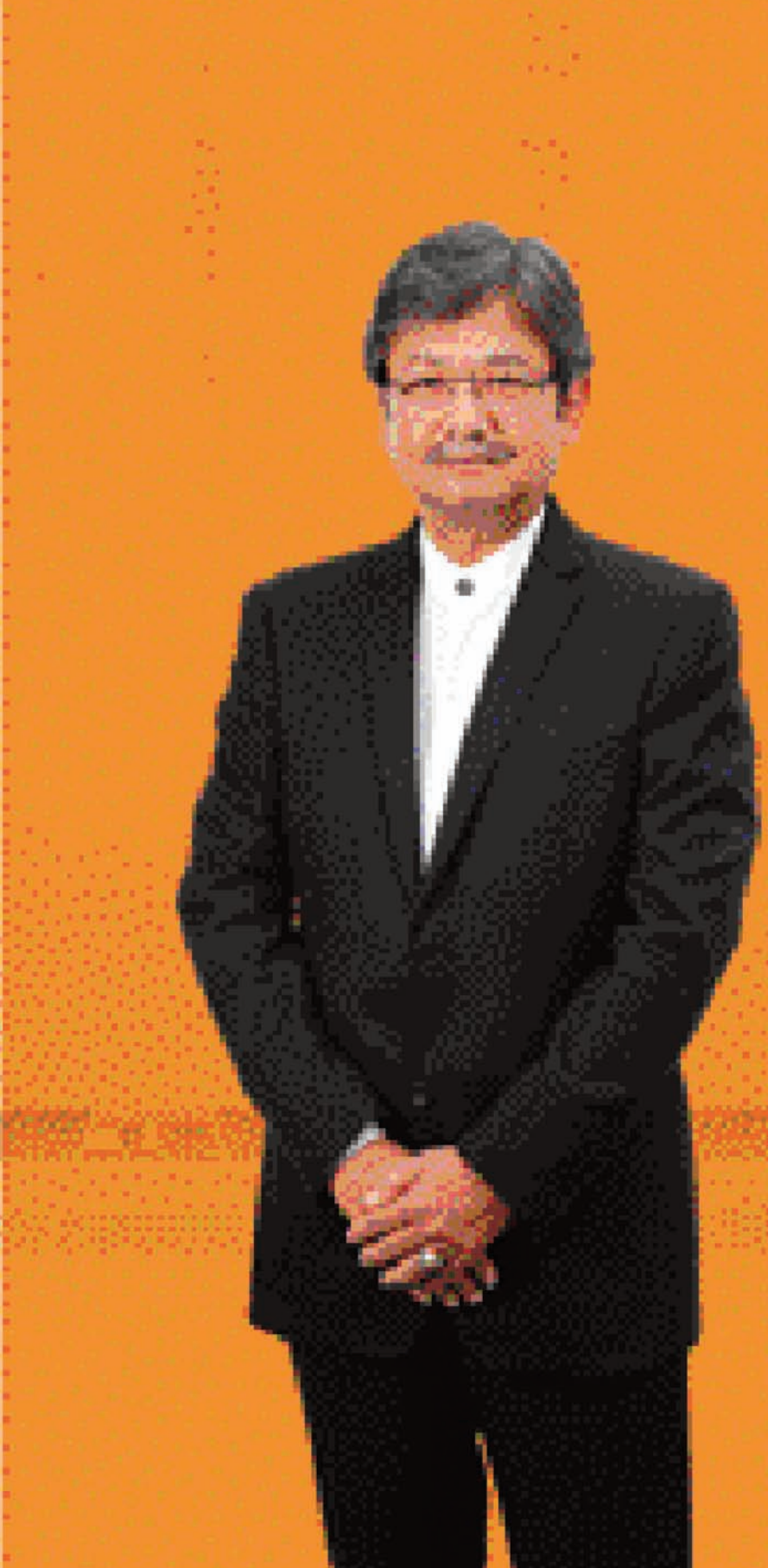
He is an Adjunct Professor at Universiti Malaysia Terengganu. He is also a member of the Advisory Panel of the Business & Economic Faculty of Universiti Kebangsaan Malaysia, the Advisory Panel of the Business and Management Faculty of Universiti Putra Malaysia and the Senate at Open University Malaysia.

He presently sits on the boards of MIMOS Berhad, MIDF Amanah Asset Management Berhad and Malaysia Debt Ventures Berhad.

He does not have any family relationship with any member of the Board or major shareholder of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Abdul Rahim bin Abdul Hamid

Senior Independent Non-Executive Director



Ahmad Azra bin Salleh, K.M.W., a Malaysian citizen aged 56, was appointed to the Board of Petra Energy Berhad ("Petra Energy") on 13 July 2010.

He is the Chairman of the Nomination Committee and the Remuneration Committee, and a member of the Audit Committee and the Board Risk Management Committee of the Board of Petra Energy.

He is a graduate of the University of London and was admitted to the Malaysian Bar in September 1987.

He is a member of the Honourable Society of Lincoln's Inn, United Kingdom. He is also a Fellow of the Chartered Institute of Arbitrators, London. He is also an Arbitrator with the Kuala Lumpur Regional Centre for Arbitration (KLRCA).

He specialises in the field of Construction Law and has more than 23 years of experience as a practising Advocate and Solicitor in this field. He also advises in areas such as privatisation, corporatisation, corporate and commercial.

He started his legal career in 1981 as a corporate legal adviser in Shell U.K.'s subsidiary company, Shell Malaysia (Trading) Sdn. Bhd., handling all corporate and commercial matters involving public and private companies in the Shell Group.

He entered into private practice as an advocate and solicitor in 1987 as a civil litigation based practitioner. He was a partner in Messrs. Zaid Ibrahim & Co. from 1988 to 1994 handling corporate, commercial and construction contracts principally for the Project Lebuhraya Utara-Selatan ("PLUS") Highway. He is now practising as a partner of the legal firm Messrs. Azra Salleh & Co.

He is also involved in arbitration and also advises both public and private companies in construction industry matters.

He does not have any family relationship with any member of the Board or major shareholder of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has he been convicted of any offence within the past 10 years.

Ahmad Azra bin Salleh

Independent Non-Executive Director

board of directors profile

Gian Carlo Maccagno, an Italian aged 50 was appointed to the Board of Petra Energy Berhad ("Petra Energy") on 18 September 2012.

He attained his Bachelor in Business Administration from Technico Commerciale Maddalena Adria (RO) Italy in 1982.

He has vast experience in the Global Pipe Coating and Oil and Gas businesses. Presently, he is the Managing Director and CEO of PPSC Industrial Holdings Sdn. Bhd. ("PPSCIH"), overseeing the Oil and Gas Division of Wah Seong Corporation Berhad Group. Having attained his Bachelor in Business Administration from Tecnico Commerciale Maddalena Adria (RO) Italy in 1982, he worked with Socotherm S.R.L, Italy from 1984 to 1987 as a Trainee in Production and Project Management. He was later appointed as Project Manager for Socotherm S.R.L in Nigeria from 1987 to 1990 and was briefly seconded to Petro-Pipe Industries (M) Sdn. Bhd. ("PPI") in 1990 to assist in the setting up of the PPI coating plant in Kuantan, Malaysia.

He presently sits on the boards of Wah Seong Corporation Berhad ("WSC") and also sits on the Board of several other private companies within the WSC Group of Companies.

He does not have any family relationships with any member of the Board or major shareholders of Petra Energy. He does not have any conflict of interest with Petra Energy and neither has been convicted of any offence within the past 10 years.

Gian Carlo Maccagno

Non-Independent Non-Executive Director

executive management committee

The Executive Management Committee ("EXCO"), comprising the Group's senior management was formed to crystallise the Board of Directors' direction, establish, manage and oversee the strategic expansion and operational goals of the Company.

The EXCO meets regularly and actively engages with all the business units.

DATO' ANTHONY @ FIRDAUZ BIN BUJANG
Executive Director/ Group Chief Executive Officer

AHMADI BIN YUSOFF
Executive Director & Director of Strategic Planning and Corporate Services

FLORENTIUS HENRY TOYAD
Chief Operating Officer, Petra Energy Berhad & Managing Director, Petra Resources Sdn. Bhd.

MOHAMAD ZAIDEE BIN ABANG HIPNI
Chief Financial Officer

SAPERI BIN RAMBLI
Director of Business Development & Corporate Communications & Branding

The award of the Gumusut-Kakap semi-submersible floating production offshore services contract represents the first deep-water contract for the Group. The contract is significant in that we have been recognised for our calibre and capabilities to undertake and deliver deep-water projects. This is an important step for the Group in moving-up the value chain in oil and gas.

Ahmadi bin Yusoff
Executive Director

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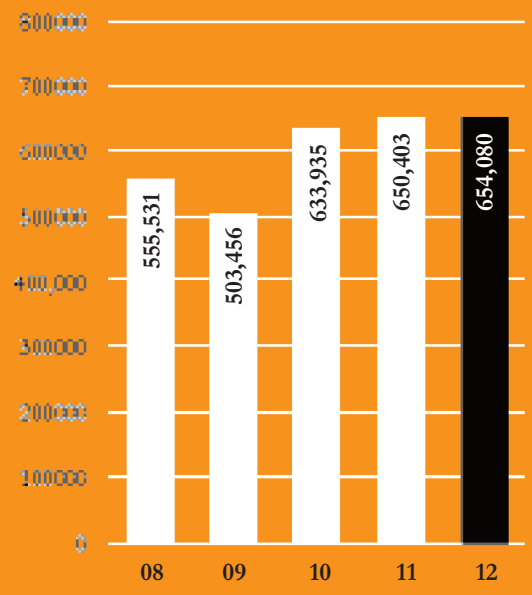
financial highlights

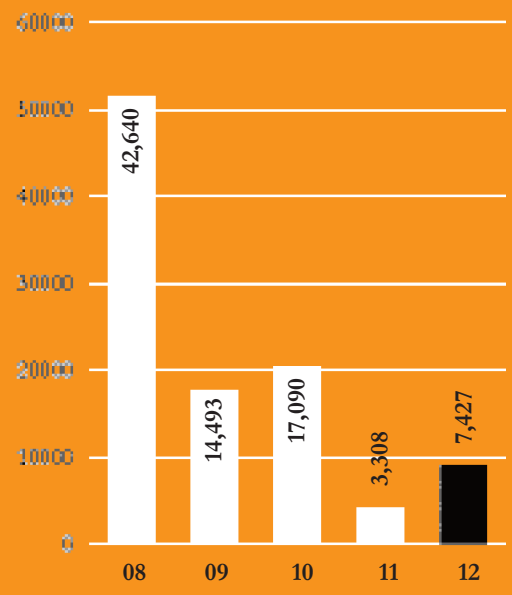
FINANCIAL YEAR	31 December				
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
INCOME STATEMENT					
REVENUE	555,531	503,456	633,935	650,403	654,080
EBITDA	80,318	51,750	72,534	49,924	55,903
PBT	58,185	25,088	23,426	8,225	15,886
PAT	42,640	14,493	17,090	3,308	7,427
PATAMI (attributable to equity holders)	42,672	14,390	16,994	3,485	7,469

FINANCIAL YEAR	31 December				
	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
BALANCE SHEET					
Total Liabilities	236,582	410,918	479,088	458,937	462,497
Total Borrowings	2,788	148,496	279,367	219,326	194,289
Total Assets	530,071	715,564	800,510	800,260	810,174
Total Shareholders' Equity	293,472	303,961	320,642	340,769	347,165

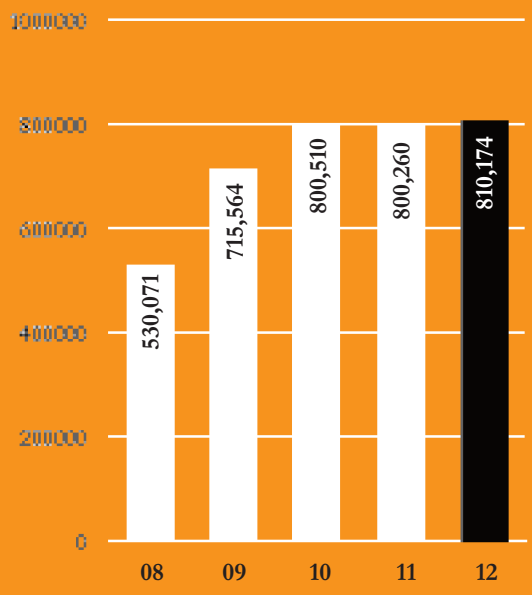
revenue
(RM'000)



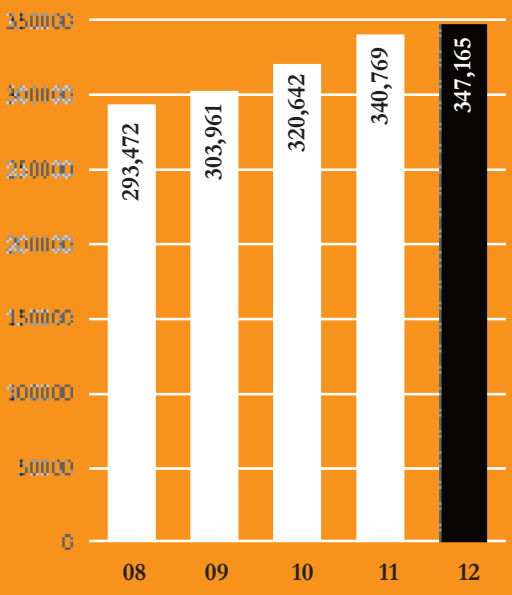
profit after tax
(RM'000)



total assets
(RM'000)



total shareholders' equity
(RM'000)



calendar of events

13 February 2012

Acquisition by Petra Resources Sdn. Bhd. of the 2.29ha Fabrication Yard in F.T. Labuan.

2 April 2012

Signing of the MoU between Petra Energy and Baker Hughes (M) Sdn. Bhd. in relation to potential field review/management/development projects in Malaysia.

30 May 2012

Sixth Annual General Meeting.

March-December 2012

Quarterly Townhall sessions with employees are held at all the Group's offices to keep leaders and employees connected and allow for two-way communications and development updates to be shared.

4-8 June 2012

Petra Energy at World Gas Conference 2012.

17-20 September 2012

Petra Energy at MOGSEC 2012 – Malaysian Oil & Gas Services Exhibition & Conference.

19 September 2012

Signing of the Composite Shareholders and Contractors Operating Agreement and Share Subscription Agreement between Petra Energy, CEC International Ltd. and Petra Energy Development Sdn. Bhd. in relation to Coastal Energy KBM Sdn. Bhd. The signing marked Petra Energy's entry into development and production of petroleum from the small fields of Kapal, Banang & Meranti, offshore Terengganu.

10 October 2012

Petra Resources Sdn. Bhd. was recognised by Petronas Carigali for achieving 1 million manhours without LTI for HuC works of Carigali's facilities.

23 October & 6 November 2012

Launch of Petra Energy's Health Safety Security Environment Week at the Group's KL and Miri project offices on 23 October and 6 November 2012 respectively.

25 October 2012

Award of the Gumusut-Kakap Offshore Services Contract (OSC) by Sabah SHELL. The first deep water project for the Group.

30 November 2012

Extension/update on Letter of Award from Petronas Carigali Sdn. Bhd. (PCSB) for the provision of hook-up and commissioning of PCSB Facilities to 2 June 2013.

4 December 2012

Signing of the Collaborative Agreement between JPA and Bureau Veritas Malaysia to train and produce skilled welders.

12 December 2012

EGM – in relation to CEKBM Sdn. Bhd. for Small Field RSC approved by shareholders.

11 January 2013

PEB's Visioning Workshop – Development of a 5-Year Strategic Roadmap for the PEB Group.

25 February 2013

PEB declared a single tier interim dividend of 1.0 sen per ordinary share of 50 sen each on 214,500,000 ordinary shares for the year ended 31 December 2012.

27 February 2013

EGM – Rights Issue of 107,250 new ordinary shares & proposed acquisition of KAS Ship Management Sdn. Bhd. approved by shareholders.

28 February 2013

Formation of PE Marine Ltd. to facilitate the operations of the accommodation work barge, Otto 3.

9 April 2013

Rights issue has been completed with the Listing and quotation of Rights Shares on the main market of Bursa Securities. PEB's rights were over subscribed by 23.78%.

letter to shareholders

The Group is upbeat about four market segments that it views as long term growth potentials i.e. development & production activities via Small Field Risk Service Contract (SFRSC); brown field development; subsea services and top side major maintenance/hook-up construction & commissioning services (TMM/HuCC).

DEAR ESTEEMED SHAREHOLDERS,

The Malaysian oil and gas industry is expected to experience continued robust growth on the back of PETRONAS' strong national development strategies. This augurs well for Petra Energy Bhd ("Petra Energy" or "Group"), a committed player whose strategic initiatives are in tandem with industry growth to deliver value to all stakeholders.

I am pleased to report that some of these initiatives have had a positive impact on our performance in the financial year ended 31 December 2012. Given the positive business climate and coupled with our strategies to drive change, enhance productivity and focus on business growth, we remain optimistic of the Group's performance in the coming years.

Our ultimate goal is to be a full fledged oil and gas development company. Thus, during the year under review, we began building momentum by putting key elements in place whilst making in-roads into new market segments, in our journey to achieve our aspirations.

letter to shareholders

INDUSTRY TRENDS & DEVELOPMENT

The Malaysian oil and gas industry is one of the key engines of economic growth. With crude oil prices expected to range above US$80 per barrel for the year, this would provide a safe buffer against market fluctuations and thus enable oil and gas majors in the country to maintain capital expenditure to ensure production sustainability.

PETRONAS' capital expenditure (CAPEX) of RM300billion over a five-year period from 2011, including SHELL's and ExxonMobil's upstream investments of RM37billion and RM10billion respectively, will undoubtedly stimulate the domestic industry.

With this level of spending channelled towards development activities, integrated service providers stand to benefit from the market upswing, particularly in the areas of marginal field development, discovery of deep-water wells and technology-driven market segments such as enhanced oil recovery, integrated (brown field) operations & development, asset integrity and deep-water exploration.

In essence, the industry's development strategies are aimed at increasing domestic production. The recent major oil discoveries, totalling 24 - up from 19 in 2011, are expected to positively impact the industry in the later part of the year.

Whilst PETRONAS works closely with the foreign oil majors to increase domestic production, ample opportunities emerge for Malaysian companies in the medium to long term.

DISCUSSION & ANALYSIS OF GROUP PERFORMANCE

Financial Performance

For the financial year ended 31 December 2012, the Group recorded a turnover of RM654.1million and profit before tax (PBT) of RM15.9million as compared to a turnover of RM650.4million and PBT of RM8.2million for the preceding financial year.

Profit after tax (PAT) attributable to shareholders was RM7.4million or net earnings per share (EPS) of 3.48sen for the financial year ended 31 December 2012 as compared to PAT of RM3.3million or EPS of 1.76sen for the preceding financial year.

The Group's debt-to-equity ratio for the financial year ended 31 December 2012 was 0.56 as compared to 0.64 for the previous corresponding period. The Group's balance sheet during the financial period under review showed net assets of RM347.7million compared to RM341.3million for the preceding financial year.

The overall improvement in the Group's PAT for 2012 was primarily due to the reversal of provisions for liability of the onshore civil engineering project which was no longer required.

Business Units – Performance

Although the Group's integrated brown field maintenance and engineering services segment recorded a 11.2% higher turnover during the financial year ended 31 December 2012, profit before tax decreased due to higher wage costs as well

as repair and maintenance cost of marine assets and equipment tools at the tail-end of TMM/HuCC contract with Shell.

The marine offshore support services segment recorded a reduced revenue of 32.7% as compared to the preceding year. The reduction was attributable to lower utilisation of vessels (during the first quarter of the financial year ended 31 December 2012), reduction in daily charter hire rate and expiry of charter contracts for two vessels.

Revenue for the design, fabrication, supply and installation services segment improved by 3.5% compared to the preceding year. Notwithstanding, the segment recorded a loss before taxation due to legal and arbitration fees, settlement of final claims under the United Palm Oil Industry Public Co Ltd (UPOIPC) and settlement of claims under the FELDA project for the boiler division.

Although no revenue was recorded from onshore civil engineering services segment due to completion of the Kumang project (in the third quarter of the preceding year), the Group recorded a profit of RM7.9million – arising from the reversal of provisions for liability due to resolutions of certain claims with suppliers. The Group remains cautiously optimistic of additional recovery in the year.

Business Trends – Building momentum

The current development trends augur well for the Group's expansion into new market segments. The timing is appropriate for us to move up the value chain in oil and gas given our extensive exposure and experience in brown field operations, in particular, top side major maintenance/hook-up construction and commissioning (since 2000), and the current development strategies by PETRONAS to expand into new market segments in oil and gas.

The Group is upbeat about four market segments that it views as long term growth potentials i.e. development & production activities via Small Field Risk Service Contract (SFRSC); brown field development; subsea services and top side major maintenance/hook-up construction & commissioning services (TMM/HuCC).

Petra Energy is the 3rd local company to participate in the SFRSC in partnership with CEC International Ltd. Under the SFRSC, Petra Energy will be involved in the development & production of petroleum from the small fields of Kapal, Banang and Meranti offshore Terengganu. The 'first oil' is targeted in August this year.

Our entry into RSC will provide us with the necessary exposure and skills set to participate in future near term opportunities. It will lay the foundation for further investment and progress in this business sector over the course of the future financial years.

In the area of brown field development, the Group inked a Memorandum of Understanding with Baker Hughes (M) Sdn. Bhd. in April last year to strengthen its capabilities and compete for projects in this sector. Discussions with this global player are currently underway for the Group's participation in a brown field project in East Malaysia.

Our entry into the technology-driven market segment will benefit the Group in terms of promoting technology transfer and providing new revenue streams with long-term upsides.

letter to shareholders

Petra Energy is also aspiring to make in-roads in the Subsea market segment. The Group is identifying a suitable partner for its venture in subsea. Under the planned initiatives, the Group will provide a comprehensive and modular range of subsea services.

The subsea market shows positive upside and the Group's planned venture is a validation of its natural progression in brown field services.

Lastly, the Group's TMM/HuCC services which have been the mainstay of the Group's activities and performance since 2000, will continue to play a significant role in the immediate years. Our experience and achievements in TMM/HuCC is the cornerstone for the Group's entry into new market segments of the value chain in oil and gas.

Strengthening Our Competencies

In strengthening our competencies to realise growth strategies in new market segments, the Group made some significant acquisitions, namely:

Acquisition of Fabrication Yard & Marine Assets

The acquisition of the fabrication yard in F.T. Labuan, which is used for fabrication and construction activities including storage and logistics purposes, is part of the synergistic move that will enable the Group to consolidate its business activities in Labuan. It will also enable Petra Energy to increase its scope of fabrication services for oil majors in the region.

On marine assets, the Group is planning to charter two, 200-men work boats with the latest specifications (in May 2013 and March 2014). These vessels coupled with the acquisition of 'Otto 3', an accommodation and work barge on term charter for the TMM/HuCC contract, will enable the Group to meet vessel demand, which is expected to remain high in view of new oil & gas projects coming on-stream.

The Group will also add to its fleet a 5,150bhp anchor handling tug supply vessel (AHTS) when it completes the acquisition of KAS Ship Management Sdn. Bhd. The vessel is currently under time charter (until 2014) to provide support for Murphy Sarawak Oil Co. Ltd.

We are upbeat about our acquisitions which undoubtedly will enhance revenue generation opportunities, whilst delivering value to our clients.

Manpower Optimisation and Talent Management

An important part of the Group's growth strategy is people management. Here, three key areas are emphasised i.e. succession management plan, which is part of a leadership development programme that is designed to develop and retain high performers; consequence management, which is designed to enhance a performance-based culture and manpower optimisation.

We believe close monitoring and serious execution of people management initiatives will ensure enhancement of our people skills in ensuring the sustainability of our business.

Significant Events

Corporate

The Group's corporate transactions have positively transformed the business through astute acquisitions and the careful management of our existing business portfolio. Alongside these achievements, we have continued to focus on providing quality services for our clients.

For more information on calendar of events and significant events please refer to pages 26 to 27 and 121 to 122 respectively.

Corporate Responsibility

The Group's corporate responsibility initiatives focused on the Workplace dimension, i.e. initiatives designed to promote safety and healthy living amongst employees; Marketplace dimension, which included initiatives designed to mitigate the shortage of skilled manpower in the oil and gas industry, and Community dimension, comprising a combination of education, social welfare and sports initiatives.

For more information on corporate responsibility, please refer to pages 42 to 45.

DIVIDEND

On 25 February 2013, the Board of Directors had declared a single-tier interim dividend of 1.0 sen per ordinary share of 50 sen each on 214,500,000 ordinary shares for the final year ended 31 December 2012. Whilst the Group formulates a dividend policy, it is guided by dividend pay-out of a minimum 30% of profit after tax.

PROSPECTS

The prospects of the company, moving forward, are bright. The robust growth of the oil and gas industry, fuelled by PETRONAS's and foreign oil and gas majors' development strategies and capital expenditure will create more new and sustainable opportunities in the current and subsequent years.

I am optimistic that our corporate initiatives, including the strengthening of our competencies, are in line with industry development and would undoubtedly serve as a catalyst for the Group to tap new market opportunities as we move up the value chain in the oil and gas industry.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to welcome Petra Energy's CEO, Dato' Anthony Bujang as Executive Director and Gian Carlo Maccagno as Non Independent & Non Executive Director. The wealth of experience and business acumen that these Directors bring to the table, would reinforce our growth strategies and stewardship of the Group.

I would like to place on record my sincere thanks to Surya Hidayat, who has since resigned, for his contributions during his tenure as Non Independent & Non Executive Director.

I would also like to express my gratitude to all our shareholders, who have been instrumental and supportive of the Group's plans and initiatives in our efforts to enhance the performance of the Group.

To our clients, I would like to thank you for your confidence in the Group, and take this opportunity to assure you of our continued commitment as we move forward in all business activities. To our business partners, Coastal Energy and Baker Hughes, I remain optimistic that our collaborations will ultimately bring value to not only our organisations, but also the industry.

To our vendors, principals, bankers, government authorities & regulators, Minority Shareholders Watchdog Group, analysts and fund managers, thank you for your continued support.

Last but not least to my fellow employees - we would not be where we are today without your dedication and hard work. I am counting on your continued support as we enter a new phase of growth and development. So, let's keep on building momentum as we move towards a new and brighter future.

AHMADI BIN YUSOFF
Executive Director

22 April 2013

management discussion & analysis

The oil and gas industry is experiencing positive growth. Driven by PETRONAS' development strategies and huge outlay of capital expenditure by the oil majors in the country, the industry's landscape is set to broaden with the expansion of new market segments, such as marginal field development; discovery of deep-water wells and technology-driven markets i.e. enhanced oil recovery, integrated (brown field) operations & development, asset integrity and deep-water exploration.

The expansion of the new market segments coupled with the Group's extensive exposure and experience in integrated brown field work i.e. top-side major maintenance/hook-up construction and commissioning (TMM/HuCC) since 2000, has set the pace for the Group to build momentum and move up the value chain in oil and gas. Areas of focus will include development & production activities via Small Field Risk Service Contract (SFRSC); brown field development; subsea and TMM/HuCC services.

To achieve this, the Group is strengthening its core competencies through the acquistion of marine assets and fabrication yard. Further, the Group, which is separated geographically by business locations in East & Peninsular Malaysia, is consolidating its business operations to optimise resources and minimize cost.

Some of the initiatives include downsizing the Group's non-core business i.e. design & fabrication of boilers; minimising overheads by sharing common functions/resources and optimising manpower and talent management.

The Group views these initiatives as critical in ensuring the efficiency of its operations and delivering value to its stakeholders.

REVIEW OF OPERATIONS

DEVELOPMENT & PRODUCTION – SMALL FIELD RISK SERVICE CONTRACT ("SFRSC")

Petra Energy is the 3rd local oil and gas integrated service provider to participate in the SFRSC in partnership with CEC International Ltd. The SFRSC, signed under the auspices of PETRONAS in 2012, will involve the development and production of petroleum from the small fields of Kapal, Banang & Meranti, offshore Terengganu. Under the SFRSC, which is for a period of eight years, a total of 17 wells will be drilled.

Currently, development activities i.e. drilling activities, mobilization of a mobile offshore production unit (MOPU) with drilling capabilities and storage & offloading tanker are planned for Q2 & Q3/2013. The 'first' oil is targeted for August 2013.

INTEGRATED BROWN FIELD MAINTENANCE & ENGINEERING

This business segment covers Topside major maintenance/hook-up, construction & commissioning (TMM/HuCC); Engineering, operations & maintenance and Equipment packaging & manufacturing.

TMM/HuCC

Both the TMM/HuCC contract with Sarawak & Sabah Shell and HuC contract with PETRONAS Carigali have been extended for six months pending the outcome of the new Pan Malaysia Contract. Additional work orders are currently being expedited with the extension of the contract. For these projects, the Group continued to provide project management, engineering, procurement, installation & commissioning services.

In ensuring a single point of responsibility and accountability, the Group's marine fleet of four work barges and two work boats and fabrication yard in F.T. Labuan provides integrated maintenance, fabrication and construction services for the TMM/HuCC, HuC and other projects.

Engineering Operations & Maintenance

With respect to engineering, operations & maintenance, the Group undertook various projects for oil majors like Sarawak & Sabah Shell, PETRONAS Carigali, Murphy and Talisman

Malaysia. The projects included onshore and offshore crane operations & maintenance, mechanical & rotating equipment maintenance, onshore & offshore monorail maintenance & repair, spare parts supply and valve maintenance & repair services.

New Contracts

Gumusut-Kakap Offshore Services Contract

The Group secured its 'first' deep-water venture when it was awarded the Offshore Services Contract to support the Gumusut-Kakap development in October 2012 by Shell. The project, which includes the provision of onshore project team, fabrication works, offshore hook-up, testing and commissioning support services for the Gumusut Kakap semi-submersible Floating Production System, is for a period of 30 months.

The project commenced in November 2012 with a full project management team being mobilized. Currently, site surveys at the MMHE yard and preparation of engineering workpack for offshore execution scope are in progress. Offshore execution is scheduled to commence in July 2013.

Offshore Crane Operations & Maintenance Contract

The Group also secured a contract from Sarawak & Sabah Shell for the provision of offshore crane operations and maintenance services. The three-year contract, with a one-year option to extend, will commence in May 2013.

The Group's project offices (Petaling Jaya and Miri), maintenance workshops (Kemaman & Miri) and minor fabrication yard (F.T. Labuan) manages all activities under this business segment.

OFFSHORE MARINE SUPPORT

The business segment included the charter and re-charter of two Anchor Handling Tug Supply Vessels and two workboats for the OSV contract with PETRONAS Carigali. The Group owns and manages a fleet of marine vessels comprising accommodation/work barges and workboats to support the Sarawak and Sabah Shell TMM/HuCC project.

DESIGN, FABRICATION, SUPPLY & INSTALLATION

The business segment covered all business activities undertaken by the Group's design & fabrication of process and heat transfer equipment, boilers and engineering design & project management units in 2012.

Design & Fabrication of Process & Heat Transfer Equipment

The design & fabrication of process and heat transfer equipment business unit secured new projects & recurring businesses and established new partnerships. The successes are attributed to the business unit's ability to work using normal and exotic materials as well as providing design, supply, fabrication, inspection, testing, blasting & painting, installation and delivery of pressure vessels (all kinds) and heat exchangers, a host of fabricated and diversified products, equipment and process skid packages for the oil & gas and petrochemical industries.

The unit has also developed specialised welding procedure specifications to meet industry demands.

Design & Fabrication of Boilers

In design and fabrication of boilers, the Group undertook fabrication of steam water tube and bi-drum water tube boilers as well as installation, testing and commissioning activities for oil/gas fired steam boilers and bi-drum waste fuel-fired boilers for local industries.

The unit is currently expediting all project deliverables to ensure its obligations to clients.

Engineering Design & Project Management

Under the Group's engineering design & project management services, the activities undertaken during the period under review included:

– Providing support for PETRONAS Carigali's HuC project

– Work for non-oil and gas industries

– Project management services

– Developing the welding technology & welder skill training centre in Miri

The Group's project offices (Petaling Jaya and Miri) and fabrication yard (Shah Alam) manages all activities under this business segment.

ENGINEERING SERVICES

Although no onshore engineering services were undertaken during the period under review, this business segment recorded revenue in 2012 due to reversal of provisions for liability which was longer required.

TMM/HuCC is the mainstay of our business. The extension of the Sarawak/Sabah Shell and PETRONAS Carigali TMM/HuCC and HuC contracts respectively as well as the award of the Gumusut-Kakap contract bears testament to our ability to maintain world class standards that are absolute musts in the industry where anything less is regarded as a compromise.

Henry Toyad
COO, Petra Energy Berhad &
Managing Director, Petra Resources Sdn. Bhd.

health safety security environment (HSSE)

Petra Energy prioritises Health Safety Security Environment (HSSE) at all levels of Group activities. To ensure that this is achieved, the HSSE functions under each business unit were consolidated to form Group HSSE. The function of Group HSSE is to ensure adoption and effectiveness of all roll-out initiatives and best practices, group-wide.

In addition, the HSSE Management System (HSSEMS) was introduced at the employee level to instill ownership of HSSE practices at the workplace. Today, HSSE is part of the employees' key performance index. Routine HSSEMS activities are implemented with the aim of going beyond the contractual requirements and making HSSE as an employee-led initiative, supported by key management team.

To ensure high/respectable standards, the Group HSSE established its (minimum baseline) objectives based on regulatory and oil majors' HSE standards and requirements. In line with this, the Group HSSE developed the HSSE Plan – a combination of scheduled activities designed to inculcate a safety culture amongst all employees.

The activities are based on previous worksite incident trending, employees' feedback, including clients' and statutory bodies' requirements. Employees at various levels have been assigned as custodians of these activities.

During the period under review, safety campaigns, visits, and assurance activities, led by the CEO and supported by EXCO members, were intensified. The HSSE Plan and implementation of activities were also discussed at the EXCO and Petra Energy's Board of Directors meetings.

Although Q1 recorded 13 injurious incidents, the intervention by the CEO/ EXCO and adoption of mitigation plans, resulted in 67% reduction of injurious incidents in Q2 and 93% reduction in Q3 & Q4.

For its role in HSSE, the Group received the following awards in 2012:

Achieved 1 million manhours without LTI Certificate for the HuC contract from PETRONAS Carigali.

Achieved 2.5 million manhours without LTI Certificate from CAT3 Contracts – Miri Project Office.

1,095 Goal Zero Days for the provision of Electrical & Instrumentation (E & I) Maintenance Services contract from Nippon Oil (October 2009 to September 2012).

1,825 Goal Zero Days for the provision of Maintenance Services of Caterpillar Equipment from Sarawak & Sabah Shell (October 2007 to October 2012).

1,825 Goal Zero for the provision of Mechanical & Rotary MTCE Workshop and Services from Sarawak & Sabah Shell (February 2007 to January 2012).

LIFE SAVING RULES

As part of its commitment to address risks faced by employees exposed to high risk activities, the Group introduced 'Life Saving Rules'. Known as 'Petra Safety Barricades', the rules include three basic steps i.e.:

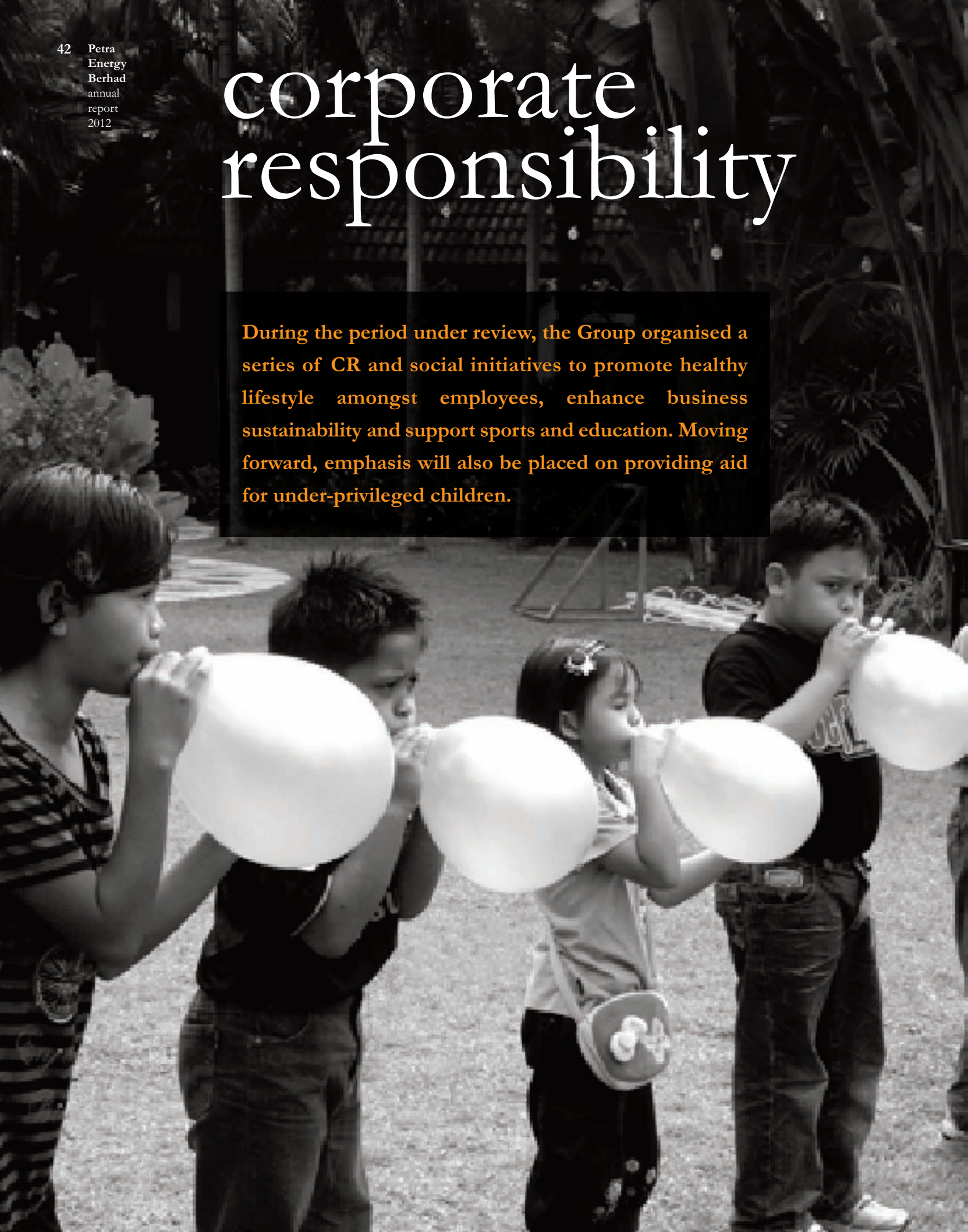
1. Check Before You Use
2. Maintain Active Supervision
3. Maintain Good Housekeeping

Stakeholders have been briefed on Petra Safety Barricade in efforts to further enhance safety at the worksites. Campaigns have also been planned for 2013 and this includes safe practices at both onshore and offshore sites.

Today, HSSE performance is a key indicator in the Group's overall performance.

corporate responsibility

During the period under review, the Group organised a series of CR and social initiatives to promote healthy lifestyle amongst employees, enhance business sustainability and support sports and education. Moving forward, emphasis will also be placed on providing aid for under-privileged children.



WORKPLACE

The Healthy Lifestyle programme, introduced last year, was aimed at ensuring a healthy workforce. Under the programme a series of games and sports activities i.e. futsal, badminton, inter-bowling, etc. were organised for employees in the Group.

During the period, the Group also organised a team building exercise designed to strengthen employee relations and Health Safety Security Environment ("HSSE") 2012 Week. The HSSE activities included safety talks, week-long safety bulletins and a drawing competition at all the Group's locations in Kuala Lumpur, Kemaman (Terengganu), Miri (Sarawak) and F. T. Labuan. Petra Energy prioritises HSSE, and in this context all activities organised conform to HSSE requirements.

The Group also organised a 12-day inaugural Umrah & Ziarah pilgrimage for 39 participating Muslim staff and their families in February this year.

The pilgrimage which covered activities in Makkah and Madinah included performing Umrah, visiting historical places (i.e. Jabal Rahmah, Arafah, Mina, Museum of Makkah, The 7 Mosques, Dates Market and many other places).

Pilgrimage programmes are also available for non-Muslim employees of the Group.

Other staff activities organised included annual dinners, family days and Buka Puasa festivities at all the Group's business locations in East & Peninsular Malaysia.

corporate responsibilty

MARKETPLACE

Petra Energy prioritises sustainability of business.

A. Collaborative Agreement between Jurutera Perunding Akal Sdn. Bhd. and Bureau Veritas (M) Sdn. Bhd.

In its efforts to produce a qualified workforce to address skilled manpower shortage in the oil and gas industry, Petra Energy, via its subsidiary Jurutera Perunding Akal Sdn. Bhd. (JPA), signed a collaborative agreement with Bureau Veritas (M) Sdn. Bhd. to provide value-added propositions that will involve conducting competent certification training especially in welding technology and welder skill-based courses for the oil and gas, marine, petrochemical, ship-building and related industries.

The objectives:

- To develop more skilled and qualified personnel to address industry needs, including Petra Energy's.
- To develop a formal structure to promote a common welding qualification and certification standard that is recognised by the oil and gas fraternity.

Based on industry needs and requirements, the courses offered will include:

- Welding engineer certification courses (for engineers)
- Welding inspectors/NDT Inspectors certification courses
- Welder skill training course (based on oil & gas requirements)
- Welding technology course (for engineering management personnel)

Miri, Sarawak will be the initial training hub for the Welding Technology and Welder Skill Training programme, which is certified to HRDF requirements. Courses are expected to commence in Q2/2013.

B. Sarawak Skills Training Centre

The Company also participated in a sponsorship programme with the Sarawak Skills Training Centre (PPKS), where contributions made will be channelled towards the establishment of a university college for technical training. As a PPKS member, Petra Energy's employees are eligible to participate in technical training and other programmes offered by PPKS.

COMMUNITY

For the community dimension, Petra Energy undertook education, social welfare and sports related activities that included:

- NST-in-Education: Sponsorship of "School Times" to five (5) schools in Kemaman, Terengganu.
- Social welfare: Give-aways & Buka puasa with 86 orphans of Rumah Ilham Yayasan Anak-Anak Yatim in Kuala Lumpur and 70 orphans of Rumah Hamidah in Miri, Sarawak
- Sports & community: Sports tournaments; Petronas Gas CSR and others.

Sarawak Regatta 2012

During the period under review Petra Energy participated in one of the coveted events in Sarawak – the Sarawak Regatta.

The Sarawak Regatta is the oldest paddle boat race of its kind in Malaysia. Today, the event is part of Sarawak's Annual Tourism calendar and spearheaded by the Chief Minister's office and supported by various government organisations.

Petra Energy has been operating in Miri, Sarawak since the late 1980's, and its participation in the 2012 community event is to promote the brand amongst stakeholders in the state.

audit committee report

The members of the Audit Committee are as follows:

Abdul Rahim bin Abdul Hamid	Chairman	Senior Independent Non-Executive Director
Ahmad Azra bin Salleh	Member	Independent Non-Executive Director
Gian Carlo Maccagno	Member	Non-Independent Non-Executive Director

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

In accordance with the Listing Requirement of Bursa Malaysia Securities Berhad ("Listing Requirement") ("Bursa Securities"), the Board had resolved to establish a Committee of the Board known as the Audit Committee ("the Committee") on 18 May 2007.

The Committee is one of the committees of the Board of Directors. The Committee does not have the authority to make decisions on behalf of the Board but has the authority to examine areas or issues within their respective terms of reference and to report back to the Board with relevant recommendations.

OBJECTIVE

The principal objectives of the Committees are to assist the Board, by providing:

(a) a focused review and detailed discussion of the Company's processes for producing financial data, its internal controls and independence of its external auditors, and

(b) a forum for discussing the Company's financial data, which concerns the performance of the management, and the manner of its preparation. The management shall participate in the forum only upon request.

MEMBERSHIP

(a) The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority being independent. The Chairman shall be an Independent Non-Executive Director appointed by the Board.

(b) No Alternate Director shall be appointed as a member of the Committee.

(c) All members of the Committee should be financially literate and at least one member of the Committee:

i. Must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii. If he is not a member of the MIA, he must have the following credentials:

- at least 3 years' working experience and passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- at least 3 years' working experience and be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- a degree/masters/doctorate in accounting or finance, including but not limited to a member of any professional accountancy organisation which has been admitted as full member of the International Federation of Accountants, and at least 3 years' post qualification experience in accounting or finance; or

- at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

iii. If he is none of the above, he must fulfil such other requirements as approved by Bursa Securities.

(d) In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the Board shall, within three (3) months of the event, fill the vacancy.

(e) The Board shall review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee and members have carried out their duties in accordance with their terms of reference.

AUTHORITY

1. Whenever necessary and reasonable for the performance of the Committee's duties, the Committee, in accordance with any procedure to be determined by the Board and at the cost of the Company, shall be authorised to:

   (a) investigate any matter within the Committee's terms of reference;

   (b) have resources which are required to perform its duties;

   (c) have full and unrestricted access to any information pertaining to the Company;

   (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

   (e) obtain independent professional advice or other advice, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;

   (f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

2. In pursuance of the Listing Requirements, the Committee may promptly report any breaches of the said Listing Requirements, which have not been satisfactorily resolved by the Board of Directors, to Bursa Securities.

DUTIES

1. The duties of the Committee shall include the following, which shall be reported to the Board of Directors of the Company except as expressed hereunder:

   (a) to review with the external auditors, the following:

      i. before the audit commences, the audit plan i.e. the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

      ii. their evaluation of the system of internal controls;

      iii. their audit report, any management letter and the management's response;

      iv. their recommendation, if any;

      v. any matters that they may wish to discuss, including any concerns, problems or reservations arising from their audit, and the co-operation and assistance given by the employees of the Company to them (in the absence of management where necessary). Any reporting to the Board in this area shall be at the sole discretion of the Committee;

audit committee report

(b) in respect of the internal audit function of the Company and the Group:

i. to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;

ii. to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;

iii. to review any appraisal or assessment of the performance of members of the internal audit function;

iv. to approve any appointment or termination of senior staff members of the internal audit function;

v. to take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(c) to consider any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(d) to review the quarterly and year end financial statements of the Board, prior to the approval by the Board of Directors, focusing particularly on:

i. any changes in accounting policies and practices or implementation of major accounting policy changes;

ii. prudence and reasonableness in judgement and estimates;

iii. significant and unusual events;

iv. significant adjustments arising from the audit;

v. the going concern assumption;

vi. compliance with accounting standards and other legal requirements.

(e) to prepare/review the following for publication in the Company's annual report:

i. Audit Committee Report at the end of each financial year that complies with the Listing Requirements containing, inter alia, a summary of the activities of the Committee in the discharge of its functions and duties for that financial year, and the existence of an internal audit function together with the summary report of the activities of the internal audit function; and

ii. if applicable, statement verifying allocations of options pursuant to any employees' shares option scheme, that such allocations are in accordance with the allocation criteria set out for the scheme.

(f) to assist the Board in reviewing the following for publication in the Company's annual report:

i. Statement of Corporate Governance that the Company has applied the principles set out in Part 1 of the Malaysian Code on Corporate Governance ("the Code"), and on the extent of compliance with the Best Practices in Corporate Governance as set out in Part 2 of the Code, specifying and giving reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;

ii. Statement of Directors' responsibilities for preparing the annual audited financial statements; and

iii. Statement of Internal Control of the Company as a Group;

(g) to recommend the nomination of a person or persons as external auditor(s) (inter alia, taking into account the adequacy of the experience and resources of the audit firm and the persons assigned to the audit), to consider the audit fee and any questions of resignation or dismissal, including the consideration of whether there is reason (supported by grounds) to believe that the Company's external auditor(s) is/are not suitable for re-appointment; and

(h) to consider any other matters as directed by the Board of Directors from time to time.

2. The Chairman of the Committee is encouraged to engage on a continuous basis with senior management, such as the Chairman of the Board, the Executive Director(s), the Head of Finance, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.

OVERSEEING THE INTERNAL AUDIT FUNCTION

1. The Committee shall oversee all internal audit functions and is authorised to omission investigations to be conducted by internal audit as it deems fit.

2. The Head of Internal Audit shall report directly to the Committee and shall have direct access to any member of the Committee.

3. The Head of Internal Audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

4. All proposals by management regarding the appointment, transfer or dismissal of the internal auditor shall require the prior approval of the Committee.

MEETINGS PROCEDURES

1. Frequency and calling

The Committee shall meet as frequently as the Chairman shall decide in order to discharge its duties, but not less than four (4) times in a year. In addition, the Chairman is required to call for a meeting of the Committee, if requested to do so by any Committee members, any Executive Directors or the external auditors.

2. Notice

The notice period convening the meeting of the Audit Committee shall be at least seven (7) days, which may be waived with the consent of all members of the Committee.

3. Quorum

A majority of Independent Directors shall form a quorum.

4. Secretary

The Secretary of the Company shall serve as the Secretary of the Committee. The Secretary shall be responsible for keeping the minutes of meetings of the Committee, circulating them to the Committee members and other members of the Board of Directors.

5. Attendance

(a) The members of the Committee, the Head of Internal Audit, the Head of Finance and the Secretary shall normally attend meetings of the Committee.

(b) The other Directors and employees may attend any meetings or parts of any meetings of the Committee, upon invitation.

audit committee report

(c) A representative of the external auditors shall attend the meeting of the Committee to consider the final audited financial statements of the Company, and such other meetings as determined by the Committee. The Committee shall meet with the external auditors without the presence of Executive Directors and management staff at least twice a year.

6. Participation in meetings by conferencing

All or any members of the Committee may participate in a meeting of the Committee by means of a telephone conference, video conference or any communication technology, which allows all members of the Committee participating in the meeting to communicate simultaneously with each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, the meeting shall be deemed held at the registered office of the Company.

CIRCULAR RESOLUTIONS

A resolution in writing signed or approved by letter, telegram, telex or telefax by all the Committee members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more Committee Members.

AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2012

Names of Directors	Attendance*
Abdul Rahim bin Abdul Hamid	5/5
Ahmad Azra bin Salleh	5/5
Gian Carlo Maccagno (appointed w.e.f. 18 September 2012)	1/1
Surya Hidayat bin Abd Malik (resigned w.e.f. 3 September 2012)	4/4

* *Number of meetings attended/Number of meetings held*

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year under review, the following activities were undertaken by the Audit Committee:

1. Reviewed the internal audit plan and internal audit report of the outsourced Internal Auditors and the in-house Group Internal Audit Department to ensure adequacy in scope and coverage on the activities of the Group;

2. Reviewed the proposed risk management processes to effectively identify, assess, control, monitor and report significant risks that may affect the achievement of the Group's business objectives;

3. Reviewed the unaudited quarterly financial reports, including the announcements pertaining thereto, before recommending the same to the Board for approval and release;

4. Reviewed the performance of the Company and the Group, and made recommendations for appropriate corrective measures to the Board of Directors;

5. Reviewed the recurrent related party transactions of the Company and the Group;

6. Reviewed the audit findings of the external auditors for the financial year ended 31 December 2012; and

7. Reviewed the audit planning memorandum of the external auditors on the statutory audit of the Company for the financial year ended 31 December 2012.

INTERNAL AUDIT FUNCTION

The Audit Committee obtained reasonable assurance on the effectiveness of the system of internal controls via the internal audit function, which shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes with the Company and the Group.

The internal audit function is undertaken by the in-house Group Internal Audit Department. The Company has also outsourced part of its internal audit activities to the Internal Audit, Risk and Compliance Services of KPMG Business Advisory Sdn. Bhd.

Costs incurred by the Company in connection with the outsourced Internal Audit Function for the financial year ended 31 December 2012 amounted to RM77,982.

statement on risk management and internal control

RESPONSIBILITY

The Board of Directors ("Board") of Petra Energy Berhad ("PEB" or "the Company") acknowledges its responsibility for maintaining sound internal control and risk management systems that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations, to safeguard shareholders' interests and the Group's assets. The system of internal control is designed to manage the Company's risk within acceptable risk profile, rather than eliminate the risk of failure to achieve Company's policies and business objectives, and provides reasonable assurance against material errors, misstatement or irregularities.

In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The system of internal control covers, inter alia, risks management, financial, operational and compliance controls. The Board confirms that the system of internal control and risk management of the Company was in place during the financial year. The system is subject to regular review by the Board.

RISK MANAGEMENT

By virtue of PEB is the hook up commissioning and topside major maintenance provider in the Oil & Gas Industry, our businesses have unique risks that are specific to our industry. We recognise the fact that these risks must be effectively managed to ensure the long-term growth and enhancement of shareholder value. As such, PEB adopts a comprehensive risk management framework that includes risk management policy, visible objectives, clear lines of responsibility and accountability as well as an efficient framework on procedures and reporting guidelines. Our risk management system is also linked to the Group's internal control system, thus providing us an efficient and reliable decision making tool. PEB Risk Management Framework has been approved by the Board of Directors for adoption in May 2012 and PEB Group Risk Register was deliberated comprehensively by the Board Risk Management Committee during their meeting dated 8 August 2012.

Risk Management Policy

The Group's Risk Management Policy advocates that adequate and effective risk management processes and practices be set in place to enable us to achieve our business objectives. It also provides a reasonable assurance to the Board and other stakeholders on the adequacy of the state of internal control of the Group and our ability to increase shareholder value and confidence.

Key Objectives of the Risk Management Process

Our Risk Management process aims to enhance the decision making process within the Group in order for our strategic objectives to be fulfilled. It also aims to optimize returns to shareholders while taking into account the interests of other stakeholders. The process ensures we undertake appropriate and timely responses to changes in the operating environment that may impact the Group's ability to achieve its objectives. It seeks to improve the Group's operating performance and to reduce the risk of material misstatement in official announcements and financial statements. It helps create a risk attuned environment to safeguard the Group's assets and helps us to maintain our reputation. Finally, it ensures we are continuously in compliance with corporate governance best practices and the relevant laws including Bursa Malaysia's Listing Requirements. The following diagram outlines the risk management structure that is in place at PEB Group.

Role of the Board of Directors

The Board is tasked with sanctioning the Group's Risk Management objectives and policy. It also provides stewardship by identifying and acknowledging the principal risks identified by the Risk Management Steering Committee and ensuring the implementation of an appropriate system to manage these risks. The Board also reviews the adequacy and integrity of our internal controls and management information system to ensure compliance with the applicable laws, regulations, rules, directives and guidelines. The Board also considers the nature and extent of risk acceptable to the Group as well as evaluates the risk implications.

Role of the Board Risk Management Committee

The Audit Committee's role is to implement and support the overseeing functions of the Board's role in risk management. It reviews the Risk Management Steering Committee's periodic reports as well as highlighting any changes to the Group's Risk Profile.

Role of the Risk Management Steering Committee

The Risk Management Steering Committee ("RMSC") is chaired by the Chief Executive Officer. Its members are appointed from the senior management team and its covers all divisions and relevant departments. The RMSC is to review the validity of the identified risks and ensure that actions to mitigate the risks are being implemented. The RMSC is also responsible for the following activities:

- Agreeing on the procedures and reporting formats of the risk management processes;
- Reviewing the adequacy and effectiveness of the risk management framework;
- Undertaking regular "gap analysis" in order to identify gaps in internal controls;
- Ensuring the Board and Management receive adequate and appropriate information for purposes of decision making and review respectively;
- Communicating and providing a reference point for dissemination and feedback of the Group risk management policy and procedures;
- Commissioning, where required, special projects to investigate, develop or report on special aspects of the risk management processes of the Group; and
- Presenting risk progress reports on risk management to the Board Risk Management Committee and the Board.

Role of the Risk Management Working Committee ("RMWC")

The Risk Management Working Committee ("RMWC") is chaired by the General Manager of Group Internal Audit & Risk Management. The members consist of relevant Heads of Divisions and Heads of Departments covering all areas. The RMWC is tasked with reviewing changes to risk, highlighting any new risk that may arise to the RMSC, and updating the risk register accordingly. It is responsible for the following activities:

- Recommending procedures and reporting formats on the risk management process;
- Preparing risk progress report;
- Preparing and recommending the risk management framework;
- Communicating the extent and categories of risk for the Group to the RMSC;
- Considering new entries for the risk register from the time of the last review and updating entries of the last reported register; and
- Discussing and recommending solutions on risk management issues and procedures that can be implemented or incorporated by any function of the Group to the RMSC.

statement on risk management and internal control

Risk Management Process

There are six steps within the risk management process. Within each stage, there are distinct decisive factors to be considered before the next stage is reached. A structured framework approach to risk management that incorporates all the necessary steps was developed. These steps are depicted in Figure 1 below.

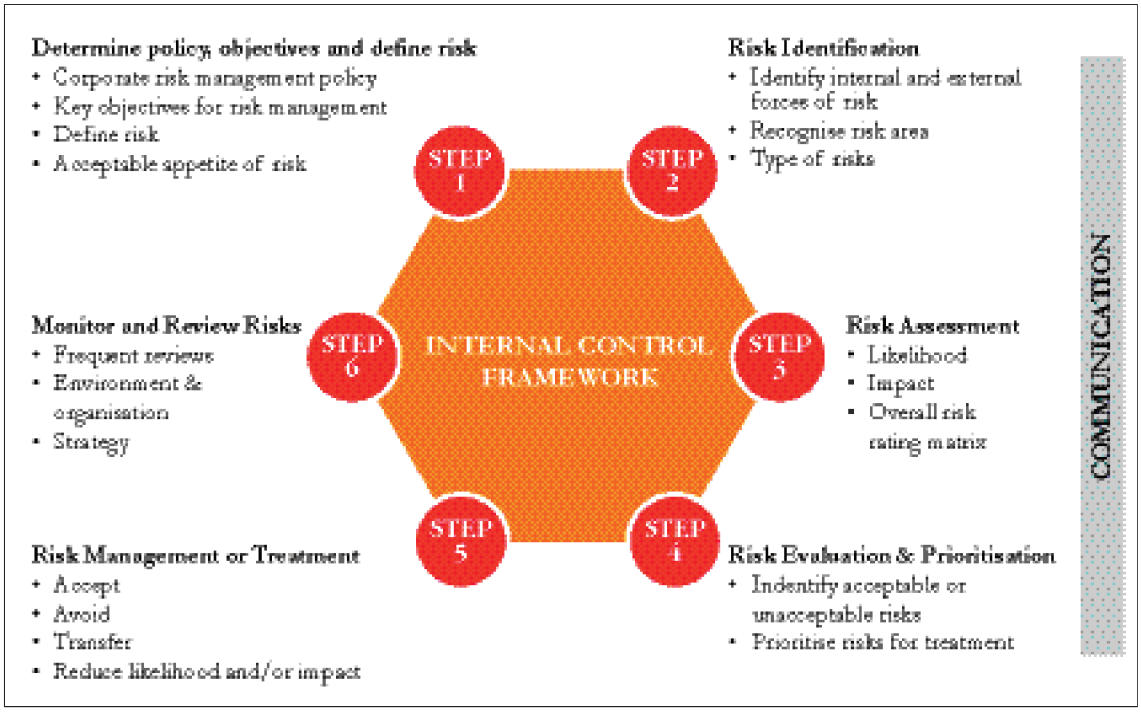


Figure 1: PEB Risk Management Framework Diagram

Conclusion

The Board is of the opinion that the Group's Risk Management System is effective and functioning adequately, and that everyone in the Group has been made aware of and alert to the requirements of the system and its procedures. The Board has also acknowledged that all identified risks are being managed to an acceptable level, and that the system is proficient in helping to keep the Group in line with its long term goals and objective.

INTERNAL CONTROL

Key elements of the Company's internal control system, including the processes in place to review its adequacy, are as follows:

Control Environment

The internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Company. The work processes and procedures are documented in the Company's Standard Operating Manuals. These manuals assist in ensuring continuity of work practice and effective control of various tasks. As a result, a structure for an organisation wide control has been established throughout the Company. Continuous efforts are also being undertaken by the heads of departments to review and update the manuals regularly or when it is deemed necessary, add in a new procedure.

Organisational Structure

The Group has a well-defined organisational structure that is aligned to its business and operational requirements and each strategic operating function is headed by a responsible Divisional or Departmental Head. Clear lines of accountability and responsibility, approval, authorisation, and control procedures have been laid down and communicated throughout the Group.

Human Capital Management

The Group believes that the key strategy to maintain business growth in an environment of intense competition is to enhance the operational efficiency and productivity of human capital. Thus, formal appraisals guided by Key Performance Indicator ("KPI") parameters provide a framework to translate and align the strategy of human capital development to the Group's Strategic Plan and is being used as a performance measurement tool. The Group continued to emphasise on the talent and competencies of employees by establishing Talent Management Framework.

Business Plan and Budget

The Group undertakes a comprehensive business planning and budgeting process each year, to establish goals and targets against which performance is monitored on an on-going basis. The Board participates in the review and approval of the Business Plan and Budget. A quarterly reporting and review of financial results and forecast has been established and is consistently observed. The quarterly financial performance is constantly presented to the Board.

Group Limits of Authority (LOA)

The Company documented its Group Limit of Authority ("LOA") which clearly defines the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and includes the Board. The LOA is reviewed regularly and any amendments made to the LOA must be tabled to and approved by the Board. The latest version of LOA was approved by the BOD in August 2012.

The Company has also establish the Supply Chain Manual ("SCM") which act as a tool for management control over the Company's operations that indicates the standard exercise for task execution across all employees. The manual explained the network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers in which spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption.

Insurance and Physical Safeguards

The Group undertakes adequate insurance and ensure physical safeguard on assets in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses.

Information and Communication

While the management is responsible to ensure proper implementation of internal control procedures, the Board can request to review the state of internal controls as and when it deems necessary. The Board can request for information and clarification from management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts, and any costs shall be borne by the Company.

Audit Committee

The Audit Committee has been established by the Board since year 2002. The Audit Committee comprises three (3) members of the Board, all of whom are independent directors. Its terms of reference together with the Audit Committee Report are disclosed in pages 46 to 51 of this Annual Report.

Internal Audit Function

The Audit Committee has established the Internal Audit Function since July 2011. The Group Internal Audit ("GIA" or "the Department") of Petra Energy Berhad acts as an independent appraisal function to assist the Audit Committee in discharging their duties and to provide assurance to Management and the Board that all internal controls are in place, adequate, and functioning effectively

statement on risk management and internal control

within the acceptable limits and expectations. GIA strives to provide the means for the Company to accomplish its control objectives by introducing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. The purpose, authority and responsibility of GIA as well as the nature of assurance and consultancy activities provided to the Company are clearly expressed in the Internal Audit Charter as approved by the Audit Committee. In order to preserve its independence, GIA directly reports to the Audit Committee and also provide updates to the Chief Executive Officer on administration matters.

Activities of GIA are guided by the Annual Internal Audit Plan which is reviewed and approved by the Audit Committee on a yearly basis. The risk-based audit plan is developed to cover operational, information technology, strategic and financial activities that are significant to the overall performance of the Company. GIA primarily acts as an assurance unit which reviews the effectiveness of the system of internal control, highlighting any areas for improvement and recommend enhancement to the internal controls where necessary and to minimise or eliminate the risk of internal fraud and irregularities.

As an integral part of the management process, GIA furnishes the Management with independent analysis, appraisals, counsel and information on the activities under review. The key internal audit activities that add value to the Group can be summarised as follows:

1. Serve the Audit Committee and the Management with high-quality professional internal audit products;

2. Solidify the foundation for the provision of effective delivery of audit services;

3. Perform the internal audit work in an efficient and effective manner and to evaluate the results of audit tests within a business context;

4. Identifying continuous process and business improvement activities, including opportunities to improve the efficiency and effectiveness of controls to achieve an optimal balance between risk and control;

5. Communicate audit results in the most efficient and effective manner that adds value to the management with an alignment to risk and business objectives;

6. Continuously develop internal auditing new skill sets to address emerging business challenges.

In year 2012, twelve (12) audit works have been scheduled to be carried out i.e. seven (7) as per approved Audit Plan 2012 and five (5) as per requested by the Management. The audit coverage encompasses evaluation of effectiveness and efficiency of the system of internal control in the Company. Key audit engagements in year 2012 were based on the following objective categories:

1. Strategic

    a. Review on Contract Performance (MPO)
    b. Review on Staff Compensation & Benefits
    c. Management Control Review

2. Operation

    a. Review on Workforce Management (Recruitment & Resignation)
    b. PIR Supply Chain Management
    c. Review on Procurement Process (KLPO)
    d. Review on Appointment of PM Care

3. Financial

    a. Financial Reporting Review (FRR) – Fixed Assets
    b. Financial Reporting Review (FRR) – Inventory

4. Compliance

    a. Compliance on Code of Corporate Governance
    b. Recurrent Related Party Transaction & Related Party Transaction (RRPT & RPT)

The Head of GIA, Abdullah bin Hashim, holds a Bachelor in Accountancy from Universiti Malaya Malaysia and MBA Degree from London South Bank University. With 18 years of experience of overseeing the operational aspects, revenue

assurance and internal audit activities in previous organisation such as PLUS Expressways Berhad, Telekom Malaysia Berhad and Syarikat Prasarana Negara Berhad, the Head of GIA offers a wealth of experience in focusing on achieving operational efficiencies, by taking into consideration the risks involved and without compromising the elements of controls.

The Head of GIA currently sits as an observer in the Executive Committee Meeting where the senior management of the Company discusses and deliberates on issues pertaining to the operations of the Company. He would provide his input and opinion on matters discussed with regards to internal control, where necessary. As at 31 December 2012, the total headcount for GIA stood at four (4) executives comprising of two (2) executives with MBA Degree Specialising in Marketing and Finance respectively, one (1) Certified Internal Auditor (CIA) and one (1) ACCA holder.

External Audit Engagement

For year 2012, the Audit Committee has engaged KMPG Business Advisory Sdn. Bhd. to conduct one of the internal audit works covering areas of:

1. Invoice and billing process

2. Budgeting and cash flow process

3. Project Progress Reporting/Monthly Reporting

A total of seven (7) reportable observations were noted from the audit exercise, of which 5 observations were classified as "High" priority in terms of importance and urgency for corrective actions to be implemented by the Management. The remaining observations are classified as "Medium".

Code of Conduct

Our Code of Conduct ("the Code") governs the professional conduct of our employees and outlines their responsibilities to the Group in performing their duties. The various policies and guidelines within the Code spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights the Group's expectations on their professional conduct which includes good attendance, punctuality and appearance, and prohibits instances on alcohol and drug abuse as well as sexual harassment. The Code also covers issues pertaining to employee commitment, confidentiality, in subordination, public statements, and conflicts of interest. The Code is designed to maintain discipline and order in the work place among employees at all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the disciplinary actions that can be taken against them.

Whistle Blower Policy

A Whistle Blower Policy was approved by the BOD in December 2011 and being introduced to all staff in year 2012. The Policy provides a platform for employees to report instances on unethical behaviour, actual or suspected fraud or dishonesty, or a violation of the Company's Code of Conduct or Ethics Policy. The Whistle Blower Policy includes protection for the whistle-blowers from any reprisals as a direct consequence on making such disclosures. It also covers the procedures for disclosure, investigation and the respective outcomes of such investigations. The Group expects its employees to act in the Group's best interests and to maintain high principles and ethical values. The Group will not tolerate any irresponsible or unethical behaviour that would jeopardize its good standing and reputation.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management & Internal Control for the inclusion in the annual report of Petra Energy Berhad for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that warrants them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls.

The Board has received an assurance from the CEO and CFO of PEB that the risk management and internal control system is operating adequately and effectively, in all material aspects.

statements on corporate governance

The Board recognises the importance of good corporate governance in directing the business of the Group. The Board is fully committed to ensure that the highest standard of corporate governance as articulated in the Principles and Best Practices set out in the Malaysian Code of Corporate Governance 2012 ("the Code") is practised throughout the Group as the underlying principle in discharging its responsibilities and to ensure transparency and corporate accountability.

The Board is pleased to disclose below how the Company has applied the Principles and the extent to which the Company has complied with the Code during the financial year ended 31 December 2012. The Board is of the opinion that it has, in all material respects, complied with the Principles and Best Practiced outlined in the Code.

A. THE BOARD OF DIRECTORS

(i) Principal Responsibilities of the Board

Being the highest authority in the Company, the Board as a whole, leads and takes control of the Company. The Board considers the interests of all its stakeholders in its conduct. The Board is primarily responsible for the development of the corporate objectives, the strategic direction, the performance and the corporate governance of Petra Energy and its subsidiaries ("the Group"). The Board is also ultimately responsible for the identification and management of risks profiles, the adequacy and integrity of internal control systems, the succession planning of senior management and the implementation of investor relations programme.

In discharging its responsibilities, the Board is guided by the Code. The Board ensures that compliance is monitored through a process where declarations are obtained from all directors and Management Team on their compliance and this includes disclosure of any conflict of interest situations.

(ii) Board Composition and Balance

During the financial year ended 31 December 2012, the Board comprised two (2) Executive Directors and three (3) Non-Executive Directors, two (2) of whom are independent.

This composition met the Main Market Listing Requirements of Bursa Securities, which requires a minimum of two (2) or one third (1/3) of the directors, whichever is the higher, to be independent directors. The two (2) Executive Directors have overseen the daily operations and management whilst the three (3) Non-Executive Directors with different backgrounds have added value to the Company's business by bringing in a mix of their respective knowledge, expertise, experience and skills. The detailed profile of each Director is disclosed in pages 16 to 20 of this annual report.

The two (2) Independent Directors do not participate in the day to day management of the Group and do not engage in any business dealing or other relationship with the Company to ensure that they are capable of exercising judgment objectively and act in the best interest of the Company. They gave their independent views and judgement in the Board decision making process. The two (2) independent directors of Petra Energy, who are respected professionals in their own rights and have demonstrated their continued professionalism in discharging their duties, also ensure the proper functioning of the Board as a whole. With this composition, the Board has been well balanced such that no individual or small group of individuals could dominate the Board's decision making.

The Executive Directors of the Company are primarily responsible for the effective functioning of the Board, as they have intimate knowledge and experience in the core business activities of the Group. The responsibility of running the Group's business as a whole was mainly tasked upon the Executive Directors.

(iii) Board Structures and Procedures

The Board meets regularly and anticipates at least four (4) Board meetings during a financial year. Additional meeting(s) may be convened as and when deemed necessary.

The Directors are normally given seven (7) days' notice for each meeting unless waived by them, together with the list of agendas for discussion. The regular agendas are the briefing by the Audit Committee Chairman on the outcome of Audit Committee meeting(s), the review of periodic financial results, the briefing by the Executive Director on the business aspects, the briefing on the corporate social responsibility activities, the notation of circular resolutions passed by the Directors, confirmation and ratification of announcements made to Bursa Securities and dealings in securities by Directors and principal officer, if any.

Relevant Board papers are disseminated together with or soonest possible after issuance of notice to facilitate sufficient time for perusal and review of issues before discussion at the meeting. Representatives from the management, external auditors and appointed advisers who are able to provide additional insights into, advice and/or contribute on matters to be discussed are invited to be present at the relevant times during the Board meetings.

All proceedings of the Board meetings covering the deliberations of issues and the conclusions are recorded in the minutes and later confirmed by the Board.

In between Board meetings, approvals are sought from the Directors via circular resolutions.

The Directors may raise queries or request the appropriate findings before making their decisions. The Directors have unrestricted access to quantitative and qualitative information within the Company, whether as a full Board or in their individual capacity, in furtherance of their duties.

The Directors, whether as a full Board or in their individual capacity, also have access to the advice and services of the Management Team and the Company Secretaries. The Board or the individual Director may also seek advice from independent professional experts at the Company's expense, if necessary, with the consent of the Board. The Board believes that the current company secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. The Company Secretaries who meet the requirements are appointed by the Board for discharge of their duties and termination of their services is a matter of the Board as a whole.

The Board met thirteen (13) times during the financial year ended 31 December 2012 and the details of the attendance of Directors during the financial year under review are as set out below:

Names of Directors	**Attendance***
Ahmadi bin Yusoff	12/13
Abdul Rahim bin Abdul Hamid	13/13
Ahmad Azra bin Salleh	13/13
Dato' Anthony @ Firdauz bin Bujang (appointed w.e.f. 18 September 2012)	3/3
Gian Carlo Maccagno (appointed w.e.f. 18 September 2012)	3/3
Surya Hidayat bin Abd Malik (resigned w.e.f. 3 September 2012)	3/3
Kamarul Baharin bin Albakri (resigned w.e.f. 8 February 2012)	2/2

* *Number of meetings attended/Number of meetings held*

statements on corporate governance

(iv) Appointment to the Board

The Nomination Committee is responsible for making recommendation relating to any new appointments to the Board. In making those recommendations, the Nomination Committee will take into account the individual's skill, expertise, knowledge, professionalism, integrity, experience and level of other commitments. Any new nomination received is put to the full Board for assessment and approval.

(v) Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being, or if the number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire by rotation at each Annual General Meeting of the Company. Each Director will retire from office at least once in every three (3) years and the Directors scheduled for retirement shall be eligible for re-election.

(vi) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad for directors of public listed companies.

The Directors of the Company are encouraged to acquaint themselves with the ongoing projects of the Group. They are also encouraged to attend training courses at the Group's expense to enhance their skills and knowledge, where relevant.

During the financial year ended 31 December 2012, the Directors attended the trainings as indicated below:

Names of Directors	Trainings Attended
Abdul Rahim bin Abdul Hamid	– CommunicAsia 2012 held on 19 to 22 June 2012; – Harvard Business School: Challenges for Managers in a Turbulent Environment held on 11 July 2012; – Post Mortem on the UPOIC's Case Complaints in The Arbitration held on 27 September 2012 (Internal Training); – Yayasan Tun Ismail Mohamed Ali Memorial Lecture: Integrated Policies for Environmental Resilience & Sustainability held on 8 November 2012; – Directors Workshop on Malaysian Code for Corporate Governance held on 27 November 2012; – Yayasan Tun Ismail Mohamed Ali Memorial Lecture: The Fall of the West and the Rise of the East; What are the Mechanics at Work and Where is Malaysia's Place held on 30 January 2013; – Awareness Session on Malaysian Code of Corporate Governance 2012 held on 7 February 2013; – MIDF's Corporate Integrity Pledge held on 28 February 2013; and – Audit Committee Conference, jointly organised by the Institute of Internal Auditors and the Malaysian Institute of Accountants held on 12 March 2013.

Names of Directors	Trainings Attended
Ahmad Azra bin Salleh	– Post Mortem on the UPOIC's Case Complaints in The Arbitration held on 27 September 2012 (Internal Training); – Awareness Session on Malaysian Code of Corporate Governance 2012 held on 7 February 2013.
Ahmadi bin Yusoff	– Post Mortem of the UPOIC's Case Complaints in The Arbitration held on 27 September 2012 (Internal Training); – Directors Workshop on The Malaysian Code on Corporate Governance 2012 (MCCG 2012) on 27 November 2012; – Awareness Session on Malaysian Code of Corporate Governance 2012 held on 7 February 2013.
Dato' Anthony @ Firdauz bin Bujang	– Post Mortem on the UPOIC's Case Complaints in The Arbitration held on 27 September 2012 (Internal Training); – Directors Workshop on The Malaysian Code on Corporate Governance 2012 (MCCG 2012) on 27 November 2012; – Awareness Session on Malaysian Code of Corporate Governance 2012 held on 7 February 2013.
Gian Carlo Maccagno	– Business of Leadership: What Got You Here Won't Get You There held on 3 April 2012; – Offshore Technology Conference 2012 held on 30 April 2012; – Leading & Managing Change held on 13 July 2012; – Building Productive Relationships held on 19 October 2013; – Market Outlook Seminar held on 21 January 2013; – Awareness Session on Malaysian Code of Corporate Governance 2012 held on 7 February 2013.

The Directors will continue to participate in training programmes to equip themselves and to effectively discharge their duties as Directors as and when beneficial. The Directors have constantly kept themselves updated on both local and international affairs, and to changes in regulations affecting the Company through advisories from regulatory bodies, the management and through self-reading.

(vii) Board Committees

The Board has delegated specific responsibilities to four (4) Board Committees, namely the Audit Committee ("AC"), the Nomination Committee ("NC"), the Remuneration Committee ("RC") and the Board Risk Management Committee ("BRMC"). All the Board Committees do not have the authority to make decisions on behalf of the Board but has the authority to examine areas or issues within their respective terms of reference and to report back to the Board with relevant recommendations.

statements on corporate governance

The composition of the Board Committees and the attendance of the Members at the meetings during the financial year ended 31 December 2012 are as follows:

Names of Directors	Attendance* AC	NC	RC	BRMC
Abdul Rahim bin Abdul Hamid	5/5	4/4	4/4	4/4
Ahmad Azra bin Salleh	5/5	4/4	4/4	4/4
Gian Carlo Maccagno (appointed w.e.f. 18 September 2012)	1/1	–	–	1/1
Surya Hidayat bin Abd Malik (resigned w.e.f. 3 September 2012)	4/4	4/4	4/4	4/4

* *Number of meetings attended/Number of meetings held*

1) Audit Committee

The composition and terms of reference of the Audit Committee are set out in the Audit Committee Report appearing in pages 46 to 51 of this annual report.

2) Nomination Committee

The Committee comprises exclusively of a majority Independent Non-Executive Directors. The Committee has been established on 18 May 2007. Currently, the Nomination Committee consists of:

(i) Ahmad Azra bin Salleh (Chairman) – Independent Non-Executive Director

(ii) Abdul Rahim bin Abdul Hamid – Senior Independent Non-Executive Director

(iii) Gian Carlo Maccagno – Non-Independent Non-Executive Director

The principal objectives of the Nomination Committee are as follows:

(i) To assess and recommend suitable candidates for appointment to the Board, Board Committees, Board of subsidiary companies and key Company-wide senior management officers of the Company.

(ii) To assess the Directors of the Company and subsidiary companies on an on-going basis, with the view to ensure that the all Boards have the appropriate mix of skills, experiences and other qualities, and the appropriate Board size.

The Nomination Committee is authorised by the Board of Directors to act as follows:

(1) To recommend to the Board, candidates for all directorship to be filled by the shareholders or the Board, in the Company and subsidiaries companies.

(2) To recommend to the Board, suitable Directors to fill the seats on Board committees.

(3) To recommend to the Board, suitable candidates for appointment to key Company-wide senior management positions in the Company.

(4) To annually review the required mix of skills, experience and other qualities of the Board, the Board of subsidiary companies and key Company-wide senior management, including core competencies of a Director of the key Company-wide senior management, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors.

(5) To establish and implement a process for assessing the effectiveness of the Board and the Board of subsidiary companies as a whole, the effectiveness of each Director and the performance of the key Company-wide senior management.

(6) To assess and recommend to the Board, the re-election of Directors retiring by rotation at annual general meetings.

(7) To recommend to the Board, the removal of Director including Director of subsidiary companies, and key Company-wide senior management officers if he is ineffective, errant or negligent in discharging his responsibilities.

(8) To oversee the appointment, management succession planning and performance evaluation of the key Company-wide senior management officers.

(9) To carry out such other responsibilities as may be delegated by the Board from time to time and such other matters as the Nomination Committee considers appropriate.

3) Remuneration Committee

The Committee has been established on 18 May 2007. The Committee consist of not less than three (3) members, a majority of whom shall be Non-Executive Directors. Currently, the Committee members are as follows:

(i) Ahmad Azra bin Salleh (Chairman) – Independent Non-Executive Director

(ii) Abdul Rahim bin Abdul Hamid – Senior Independent Non-Executive Director

(iii) Gian Carlo Maccagno – Non-Independent Non-Executive Director

The objective of the Remuneration Committee is to recommend to the Board, the remuneration package of the Executive Directors including Directors of subsidiary companies, and key Senior Management officers to ensure that the Executive Directors and key Senior Management officers are fairly rewarded for their contribution to overall performance and that the compensation is reasonable in light of the Group's objectives.

The Committee is authorised by the Board of Directors to act as follows:

(1) To review and recommend to the Board, the overall remuneration policy and structure for Executive Directors of the Company including subsidiary companies, and key Senior Management officers to ensure that rewards commensurate with their contributions to the Group's growth and profitability; and that the remuneration policy

supports the Group's objectives and shareholder value and is consistent with the Group's culture and strategy.

(2) To review annually the performance of the Executive Directors, including Director of subsidiary companies, and key Senior Management officers and recommend to the Board, adjustments in remuneration and/or reward payments, if any, reflecting their contributions for the year. Salaries payable to Executive Directors must not include a commission on or percentage of turnover.

(3) To review as and when necessary, with other independent professional advice or outside advice if required, the adequacy of the remuneration and benefit packages of the Executive Directors, including their terms and conditions of service for market comparability and recommends changes to the Board whenever necessary.

(4) To ensure that the review and update the job description for Executive Directors are in line with the Company's corporate strategies and direction.

4) Board Risk Management Committee

The Board Risk Management Committee ("BRMC") has been established on 27 April 2010. The BRMC delegates to the Risk Working Committee ("RWC") the responsibility for identification and management of operational risks, training and ensuring effective implementation and maintenance of operation and divisional level risk management system. In this respect, RWC will assist the BRMC by assuming direct responsibility for the routine risk management activities within the Group. The RWC provides updates on key risk management issues to the BRMC by providing regular reporting of its activities.

The BRMC shall comprise not fewer than three (3) members with at least one (1) member being Independent Non-Executive Director. Currently, the Committee members are as follows:

(i) Abdul Rahim bin Abdul Hamid (Chairman) – Senior Independent Non-Executive Director

(ii) Ahmad Azra bin Salleh – Independent Non-Executive Director

(iii) Gian Carlo Maccagno – Non-Independent Non-Executive Director

The BRMC has the overall responsibility for overseeing the Group's risk management system, approving appropriate risk management practices and procedures to ensure effectiveness of risk identification, management and monitoring. Its primary roles include the following:

1. To provide regular and timely reporting and update the Board on key risk management issues as well as ad-hoc evaluation and reporting of new ventures/ investments proposals.

2. To ensure the effective implementation of risk treatment policy and procedures.

3. To assist and promote risk awareness so that risk identification, evaluation and management process and culture are adopted throughout the Group.

4. To ensure that risk management is incorporated in the Statement of Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approval of the Board.

The Committee is authorised by the Board of Directors to act as follows:

(1) To review the Enterprise Risk Profile/Register to ensure comprehensive and effective management of key risks.

(2) To ensure that strategic risks are considered and addressed at Board level and Executive Directors level.

(3) To follow-up on management risk treatment action plans reported by the RWC.

(4) To provide regular reporting and timely update on the operations of the Enterprise-Wide Risk Management framework to the Board.

(5) To propose to the Board the monetary threshold and qualitative criteria of proposed investment and/or new ventures, which require the evaluation and recommendation of the BRMC before submission to the Board.

(6) To review investment and/or new venture proposals prepared by project sponsor which meet the aforesaid threshold and requisite qualitative criteria.

B. DIRECTORS' REMUNERATION

The details of Directors' Remuneration received and/or receivable from the Company and its subsidiaries during the financial year ended 31 December 2012 are as follows:

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Fees	–	398
Salaries, allowances and compensation	1,250	79
Benefits-in-kind	60	–
Defined contribution plan	169	–

statements on corporate governance

Number of Directors whose remuneration falls into the following bands:

	Number of Directors	
	2012	2011
Executive Directors:		
RM650,001 – RM700,000	1	1
RM850,001 – RM900,000	1	1
	2	2
Non-Executive Directors:		
RM1 – RM50,000	1	–
RM50,001 – RM100,000	1	–
RM100,001 – RM200,000	2	3
	4	3

The Board ensures that the level of remuneration is sufficient to attract and retain Directors needed to run the Group successfully. The component part of remuneration has been structured to link rewards to corporate and individual performance for Executive Directors whilst Non-Executive Directors' remuneration reflects their experience and level of responsibilities.

The Board as a whole determines the remuneration of the Non-Executive Directors, Executive Directors, and the Key Senior Management officers of the Group, with the interested directors abstaining from discussions with respect to their remuneration.

C. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board is responsible in ensuring the financial statements are prepared in accordance with the provisions of the Companies Act, 1965 ("the Act") and the approved accounting standards in Malaysia ("the accounting standards"). The Board considers adherence to the Act and the accounting standards as sufficient to enable it to present a balanced and understandable assessment of the Company and the Group's positions and prospects.

(ii) Internal Controls & Risk Management

The Board has the overall responsibility in maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets. Whilst the Board recognises that it is not realistic to expect complete elimination of all risks, it is confident that the system of internal control within the structure of the Group is capable of mitigating these risks to an acceptable level. The inherent system of internal control is designed to provide reasonable assurance against the risk of material errors, misstatements or irregularities.

Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the Audit Committee.

(iii) Relationship with Auditors

The Board, through the Audit Committee, has established transparent arrangements for maintaining appropriate relationships with both the external and internal auditors of the Group. These arrangements are included in the Audit Committee's terms of reference.

D. RELATIONSHIP WITH STAKEHOLDERS

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

(i) Shareholders

The Board values regular communications with shareholders. These include various announcements made during the year, the timely release of annual reports, circulars to shareholders, press releases and announcements on quarterly financial results, which provide shareholders with an overview of the Group's business and financial performances. The Company also conducts regular dialogues with its institutional shareholders and financial analysts.

(ii) Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM")

The AGM and EGM is the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and ask questions about the resolutions being proposed and the operations of the Group.

(iii) Company Website

The Group maintains a homepage at www.petraenergy.com.my which provides a comprehensive avenue for information such as Board Charter, Corporate Information including Financial Information, Press Statements and Business Activities to allow shareholders, investors and members of the public to access information on the Group. Shareholders are able to put questions to the Company through its email published in the website and the Company will reply accordingly.

(iv) Annual Report

Another major channel used by the Board to provide its shareholders and investors with information on its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account the developments, amongst others, in corporate governance. The Board aims to provide and present a clear and comprehensive assessment of disclosures in the Annual Report to shareholders as guided by the principles set out in the Listing Requirements and the Code.

additional disclosures

STATUS OF UTILISATION OF PROCEEDS RAISED FROM ANY CORPORATE PROPOSAL

The status of the utilisation of proceeds of approximately RM17.745 million from the private placement as at 18 April 2013 are as follows:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation
Part finance a proposed acquisition of an accommodation work barge	17,405	17,405	By February 2013
Expenses related to the Private Placement	340	340	N/A
Total	17,745	17,745	

SHARE BUY-BACK

There was no share buy-back of the Company's shares during the financial year ended 31 December 2012.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

There were no options, warrants or convertible securities during the financial year as the Company has not issued any options, warrants or convertible securities.

DEPOSITORY RECEIPT PROGRAMME

The Company has not sponsored any depository receipt programme during the financial year ended 31 December 2012.

SANCTIONS AND/OR PENALTIES IMPOSED

There was no sanction and/or penalty imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2012 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm was RM40,000.

VARIANCE IN RESULTS

There was no profit estimate, forecast or projection made by the Company for the financial year ended 31 December 2012.

There was no deviation of 10% or more in the profit after tax and minority interest between the audited and the unaudited results announced for the financial year ended 31 December 2012.

PROFIT GUARANTEES

During the financial year ended 31 December 2012, there was no profit guarantee given by the Company.

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Neither the Company nor any of its subsidiary companies had entered into any material contracts (not being contracts entered into in the ordinary course of business) which involved Directors and/or major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2012, or entered into since the end of the previous financial year except that the Company had on 17 January 2013 entered into a conditional Sale of Shares Agreement ("SSA") with Shorefield Offshore Services Sdn. Bhd. ("SOSSB"), Ahmadi bin Yusoff, Hafitz bin Khalid and Kamarul Baharin bin Albakri (collectively referred to as the "Vendors") to acquire 200,000 ordinary shares of RM1.00 each in KAS Ship Management Sdn. Bhd. ("KAS") ("Sale Shares"), representing 100% equity interest in KAS for a total purchase consideration of RM3.0 million ("Proposed Acquisition"). Approval from the shareholders of the Company for the Proposed Acquisition has been obtained on 27 February 2013. The completion of the Proposed Acquisition is subject to compliance with the term of the SSA and certain conditions.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE ("RRPTS")

The information on RRPTs for the financial year is presented in the Audited Financial Statements in this Annual Report and the Circular to Shareholders.

statement of directors' responsibility

in relation to the financial statements

The Directors are required to take reasonable steps in ensuring that the financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, 1965, applicable financial reporting standards and approved accounting standards in Malaysia so to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and the cash flows of the Group and the Company for that year then ended.

The Directors consider that in preparing the financial statements for the year ended 31 December 2012:

- the Group and the Company have adopted the appropriate accounting policies and applied them consistently;
- reasonable and prudent judgements and estimates have been made;
- all applicable approved accounting standards in Malaysia have been followed; and
- the financial statements have been prepared on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company maintain accounting records that disclose with reasonable accuracy at any time of the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that appropriate systems are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities and material misstatements. Such systems, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

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directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	7,427	7,582
Profit attributable to:		
Owners of the parent	7,469	7,582
Non-controlling interests	(42)	–
	7,427	7,582

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
Final tax exempt (single-tier) dividend of 0.5 sen per ordinary share of 50 sen each, on 214,500,000 ordinary shares, declared on 30 May 2012 and paid on 13 July 2012	1,073

On 25 February 2013, the directors have declared a single tier interim dividend of 1.0 sen per ordinary share of 50.0 sen each on 214,500,000 ordinary shares for the year ended 31 December 2012, amounting to RM2,145,000 and payable on 30 April 2013.

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2012.

DIRECTORS

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

Abdul Rahim bin Abdul Hamid	
Ahmad Azra bin Salleh	
Ahmadi bin Yusoff	
Dato' Anthony @ Firdauz bin Bujang	(appointed on 18 September 2012)
Gian Carlo Maccagno	(appointed on 18 September 2012)
Surya Hidayat bin Abd Malik	(resigned on 3 September 2012)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, except as disclosed in Note 29(iii) to the financial statements.

DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (CONT'D.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 28 and Note 29 to the financial statements respectively.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2013.

Dato' Anthony @ Firdauz bin Bujang **Abdul Rahim bin Abdul Hamid**

statement by directors
pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Anthony @ Firdauz bin Bujang and Abdul Rahim bin Abdul Hamid, being two of the directors of Petra Energy Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 78 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 35 on page 131 to the financial statements have been prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2013.

Dato' Anthony @ Firdauz bin Bujang **Abdul Rahim bin Abdul Hamid**

statutory declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, Mohamad Zaidee bin Abang Hipni, being the officer primarily responsible for the financial management of Petra Energy Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 78 to 131 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Mohamad Zaidee bin Abang Hipni)
at Kuala Lumpur in the Federal Territory)
on 18 April 2013) **Mohamad Zaidee bin Abang Hipni**

Before me,

independent auditors' report
to the members of Petra Energy Berhad

Report on the financial statements

We have audited the financial statements of Petra Energy Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 78 to 131.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements to give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 35 on page 131 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Tan Shium Jye
No. 2991/05/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
18 April 2013

statements of comprehensive income

for the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	4	654,080	650,403	13,360	3,360
Cost of sales		(554,292)	(564,062)	–	–
Gross profit		99,788	86,341	13,360	3,360
Other income	5	3,259	3,651	11,411	9,920
Administrative expenses		(73,779)	(65,695)	(18,240)	(9,461)
Finance costs	6	(13,382)	(16,072)	–	–
Profit before tax	7	15,886	8,225	6,531	3,819
Income tax (expense)/credit	10	(8,459)	(4,917)	1,051	(1,378)
Profit net of tax, representing total comprehensive income for the year		7,427	3,308	7,582	2,441
Total comprehensive income attributable to:					
Owners of the parent		7,469	3,485	7,582	2,441
Non-controlling interests		(42)	(177)	–	–
		7,427	3,308	7,582	2,441
Earnings per share attributable to owners of the parent (sen per share)					
Basic/diluted	11	3.48	1.76		

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

consolidated statement of financial position

as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	12	425,475	425,475	445,905
Trade and other receivables	16	13,207	11,713	15,845
Deferred tax assets	14	548	1,031	1,084
		439,230	438,219	462,834
Current assets				
Inventories	15	39,632	37,054	54,940
Trade and other receivables	16	205,364	186,456	175,697
Amount due from customers on contracts	17	16,996	23,125	37,779
Tax recoverable		6,263	6,572	5,554
Cash and bank balances	18	102,689	108,834	63,706
		370,944	362,041	337,676
Total assets		810,174	800,260	800,510
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	19	107,250	107,250	97,500
Share premium	19	69,880	69,880	62,062
Merger reserve	20	(31,000)	(31,000)	(31,000)
Retained earnings	21	201,035	194,639	192,080
		347,165	340,769	320,642
Non-controlling interests		512	554	780
Total equity		347,677	341,323	321,422
Non-current liabilities				
Loans and borrowings	22	19,391	103,109	169,866
Hire purchase liabilities	23	10	27	69
Deferred tax liabilities	14	38,708	30,037	29,656
		58,109	133,173	199,591
Current liabilities				
Loans and borrowings	22	174,898	116,217	109,501
Hire purchase liabilities	23	15	45	73
Trade and other payables	24	228,655	203,089	151,371
Provisions	25	223	643	14,546
Amount due to customers on contracts	17	564	2,181	3,153
Income tax payable		33	3,589	853
		404,388	325,764	279,497
Total liabilities		462,497	458,937	479,088
Total equity and liabilities		810,174	800,260	800,510

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

statement of financial position
as at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Non-current assets				
Property, plant and equipment	12	1,317	1,248	1,661
Investments in subsidiaries	13	48,845	47,745	47,745
		50,162	48,993	49,406
Current assets				
Trade and other receivables	16	217,531	196,322	193,125
Tax recoverable		734	–	256
Cash and bank balances	18	507	17,817	561
		218,772	214,139	193,942
Total assets		268,934	263,132	243,348
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	19	107,250	107,250	97,500
Share premium	19	69,880	69,880	62,062
Retained earnings	21	90,576	84,067	82,601
Total equity		267,706	261,197	242,163
Non-current liabilities				
Deferred tax liabilities	14	236	199	–
Current liabilities				
Trade and other payables	24	992	897	1,185
Income tax payable		–	839	–
		992	1,736	1,185
Total liabilities		1,228	1,935	1,185
Total equity and liabilities		268,934	263,132	243,348

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

consolidated statement of changes in equity

for the financial year ended 31 December 2012

	Note	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			l---------- Attributable to owners of the parent ----------l					
				l--------Non-distributable-------ll-Distributable-l				
2012								
Group								
At 1 January 2012		341,323	340,769	107,250	69,880	(31,000)	194,639	554
Total comprehensive income		7,427	7,469	–	–	–	7,469	(42)
Transactions with owners								
Dividends on ordinary shares	33	(1,073)	(1,073)	–	–	–	(1,073)	–
Closing balance at 31 December 2012		347,677	347,165	107,250	69,880	(31,000)	201,035	512
2011								
Group								
At 1 January 2011		321,422	320,642	97,500	62,062	(31,000)	192,080	780
Total comprehensive income		3,308	3,485	–	–	–	3,485	(177)
Transactions with owners								
Acquisition of non-controlling interest	13	–	49	–	–	–	49	(49)
Dividends on ordinary shares	33	(975)	(975)	–	–	–	(975)	–
Issuance of shares during the year	19	17,568	17,568	9,750	7,818	–	–	–
		16,593	16,642	9,750	7,818	–	(926)	(49)
Closing balance at 31 December 2011		341,323	340,769	107,250	69,880	(31,000)	194,639	554

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

statement of changes in equity
for the financial year ended 31 December 2012

	Note	Equity, total RM'000	Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000
2012					
Company					
At 1 January 2012		261,197	107,250	69,880	84,067
Total comprehensive income		7,582	–	–	7,582
Transactions with owners					
Dividends on ordinary shares	33	(1,073)	–	–	(1,073)
At 31 December 2012		267,706	107,250	69,880	90,576
2011					
Company					
At 1 January 2011		242,163	97,500	62,062	82,601
Total comprehensive income		2,441	–	–	2,441
Transactions with owners					
Dividends on ordinary shares	33	(975)	–	–	(975)
Issuance of shares during the year	19	17,568	9,750	7,818	–
		16,593	9,750	7,818	(975)
At 31 December 2011		261,197	107,250	69,880	84,067

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

statements of cash flows
for the financial year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating activities				
Profit before tax	15,886	8,225	6,531	3,819
Adjustments for:				
Interest income	(905)	(807)	(10,787)	(9,920)
Dividend income from a subsidiary	–	–	(10,000)	–
Finance costs	13,382	16,072	–	–
Net, unrealised foreign exchange (gain)/loss	(1,231)	2,422	–	–
Depreciation of property, plant and equipment	26,635	25,627	931	596
Write off of property, plant and equipment	41	–	–	–
Net loss/(gain) on disposal of property, plant and equipment	36	(33)	–	2
(Reversal of impairment)/impairment of investment in a subsidiary	–	–	(100)	49
Recovery of bad debt previously written off	–	(517)	–	–
Reversal of impairment on:				
– trade receivables	(51)	(465)	–	–
– subsidiary	–	–	(284)	–
Impairment on trade receivables	2,771	263	–	–
Impairment on other receivables	650	–	–	–
Inventories written down	427	–	–	–
Provision for liquidated ascertained damages	223	643	–	–
Total adjustments	41,978	43,205	(20,240)	(9,273)
Operating cash flows before changes in working capital	57,864	51,430	(13,709)	(5,454)
Changes in working capital:				
Inventories	(3,004)	(1,161)	–	–
Trade and other receivables	(23,967)	14,591	(291)	(602)
Amount due from/(to) customers on contracts	4,512	12,357	–	–
Trade and other payables	23,590	36,196	93	(288)
Amount due from subsidiaries	–	–	(9,900)	7,273
Total changes in working capital	1,131	61,983	(10,098)	6,383

statements of cash flows
for the financial year ended 31 December 2012 (cont'd.)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows generated from/(used in) operations	58,995	113,413	(23,807)	929
Income taxes paid	(3,248)	(2,765)	(484)	(84)
Net cash flows generated from/(used in) operating activities	55,747	110,648	(24,291)	845
Investing activities				
Purchase of property, plant and equipment	(27,064)	(5,259)	(1,000)	(185)
Proceeds from disposal of property, plant and equipment	352	95	–	–
Acquisition of non-controlling interest	–	(49)	–	(49)
Dividend income from a subsidiary	–	–	10,000	–
Additional investment in a subsidiary	–	–	(1,000)	–
Interest received	905	807	54	52
Net cash flows (used in)/generated from investing activities	(25,807)	(4,406)	8,054	(182)
Financing activities				
Dividends paid on ordinary shares	(1,073)	(975)	(1,073)	(975)
Repayment of loans and borrowings	(53,005)	(52,651)	–	–
Proceeds from loans and borrowings	39,811	7,113	–	–
Proceeds from issuance of shares	–	17,568	–	17,568
Repayment of obligations under hire purchase	(47)	(70)	–	–
Repayment of obligations under finance leases	(11,378)	(13,828)	–	–
Interest paid	(12,601)	(16,072)	–	–
Net cash flows (used in)/generated from financing activities	(38,293)	(58,915)	(1,073)	16,593
Net changes in cash and cash equivalents	(8,353)	47,327	(17,310)	17,256
Net changes in cash restricted in use	(11,453)	(8,713)	–	–
Cash and cash equivalents at 1 January	88,649	50,035	17,817	561
Cash and cash equivalents at 31 December (Note 18)	68,843	88,649	507	17,817

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

1. CORPORATE INFORMATION

Petra Energy Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 13.02, Level 13, Menara OBYU, No. 4, Jalan PJU8/8A, Bandar Damansara Perdana, 47820 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 18 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") as issued by Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 First-time adoption of MFRS

These financial statements are the Group's and the Company's first MFRS financial statements for the year ended 31 December 2012. MFRS1 First Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied. For periods up to and including the year ended 31 December 2011, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia.

MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied in preparing the Group's and the Company's financial statements ended 31 December 2012. The significant accounting policies adopted in preparing the financial statements under MFRS for the year ended 31 December 2012 are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below. Accordingly, notes related to the statement of financial position as at date of transition to MFRS are only presented for those items.

Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisitions before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition or 1 January 2011.

In respect of acquisitions prior to 1 January 2011:

(i) The classification of business combinations under FRS is maintained; and
(ii) There is no re-measurement of original fair values determined at the time of business combination or at date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 MFRSs and Amendments to MFRS issued but not yet effective

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

MFRSs and Amendments to MFRS		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The adoption of the above will have no material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

MFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. MFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. The adoption of the first phase of MFRS 9 is not expected to have a material impact on the Group, except on the classification and measurement of the Group's financial assets.

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

MFRS 13 establishes a single source of guidance under FRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value when fair value is required or permitted. The Group is currently assessing the impact of adoption of MFRS 13.

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for by applying the acquisition method except for Petra Resources Sdn. Bhd. and Petra Fabricators Sdn. Bhd. which were accounted for by applying the pooling of interest method.

For acquisition method, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.7. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For pooling of interest method, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" 'entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration or distribution received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment charges. Dividends received from subsidiaries are recorded as a component of revenue in the Company's separate income statement.

2.5 Foreign currency

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Property, plant and equipment (cont'd.)

Depreciation is computed on a straight-line basis over the estimated useful lives or lease period of the assets as follows:

Leasehold land	50 – 879 years
Leasehold buildings	50 years
Vessels and other marine assets	4% – 20%
Dry docking	20%
Plant and machinery	10%
Cabin, field and workshop equipment	10% – 20%
Motor vehicles	20%
Furniture, fittings and office equipment	20%
Air conditioner, computer, signboard, renovation and electrical installation	20% – 50%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Construction contracts (cont'd.)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a first-in first-out basis.
– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Financial liabilities (cont'd.)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.18 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group makes contributions to the Employees' Provident Fund, a statutory defined contribution pension scheme in Malaysia. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.19 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Leases (cont'd.)

(a) As lessee (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.20(h).

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from the hook up and commissioning as well as engineering services are recognised by reference to the stage of completion at the reporting date. Stage of completion is determined by reference to related cost and labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Charter hire of vessel

Charter hire of vessels are recognised when the services are rendered on a time accrual basis.

(d) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.13.

(e) Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Revenue (cont'd.)

(f) Management fees

Management fees are recognised when services are rendered.

(g) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.21 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability.

3.1 Judgements made in applying accounting polices

In the process of applying the Group's accounting polices, management made the following judgement.

Operating lease commitments – the Group as lessor

It is in the ordinary course of business that the Group entered into lease arrangements with a third party on its vessels, where the Group had determined that it retains all the significant risks and rewards of ownership of these vessels. The lease arrangements are accounted for as operating leases.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Depreciation of vessels

The Group's costs of the vessels less their estimated residual values are depreciated on a straight-line basis over the estimated useful lives. The useful lives and residual values of the vessels are an estimation and these are common estimations applied in the shipping industry. Changes in market development and individual conditions of the vessel might impact the economic useful life and the residual values. Accordingly, future depreciation charges could be subject to revision.

During the year, the Group revised the estimated residual values of vessels and motor vehicles to RM33,248,260 (2011: RM49,558,590). The revision in estimate has been applied on a prospective basis from 1 January 2012 and this has resulted in higher depreciation charges by RM806,606 in the current year.

The carrying amount of the Group's vessels and motor vehicles at the reporting date is disclosed in Note 12.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16.

(c) Construction contracts

The Group recognises contract revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Key sources of estimation uncertainty (cont'd.)

(c) Construction contracts (cont'd.)

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contract costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Where the total actual revenue and cost incurred are different from the total estimated revenue and cost incurred, such differences will impact the contract profit or losses recognised.

The carrying amounts of assets and liabilities of the Group arising from contract activities are disclosed in Note 17.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement and estimate is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These are dependant on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying amounts of the Group's recognised and unrecognised deferred tax assets are disclosed in Note 14.

4. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rendering of services	597,985	595,812	–	–
Sale of goods	10,361	9,685	–	–
Contract revenue	45,734	44,906	–	–
Dividend income from a subsidiary	–	–	10,000	–
Management fees from subsidiaries	–	–	3,360	3,360
	654,080	650,403	13,360	3,360

5. OTHER INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income from:				
– Advances to subsidiaries	–	–	10,733	9,868
– Short term deposits	905	807	54	52
Net,gain on foreign exchange – realised	163	–	–	–
Net, gain on foreign exchange – unrealised	1,231	–	–	–
Net, gain on disposal of property, plant and equipment	–	33	–	–
Rental income	–	1,789	–	–
Recovery of bad debt previously written off	–	517	–	–
Others	960	505	624	–
	3,259	3,651	11,411	9,920

6. FINANCE COSTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on:				
– Term loans	4,716	7,575	–	–
– Obligations under finance lease	5,030	6,229	–	–
– Revolving credits	3,014	1,824	–	–
Other finance charges	622	444	–	–
	13,382	16,072	–	–

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Auditors' remuneration:				
– statutory audits	320	320	40	40
– non audit fees	40	5	5	5
Employee benefits expense (Note 8)	158,341	158,495	10,757	4,140
Non-executive directors' remuneration (Note 9)	477	441	477	441
Depreciation of property, plant and equipment (Note 12)	26,635	25,627	931	596
Write off of property, plant and equipment	41	–	–	–
Provision for liquidated ascertained damages	223	643	–	–
(Reversal of impairment)/impairment of investment in a subsidiary	–	–	(100)	49
Impairment on financial assets:				
– trade receivables	1,900	263	–	–
– accrued revenue	871	–	–	–
– other receivables	650	–	–	–
Reversal of impairment of trade receivables (Note 16)	(51)	(465)	–	–
Inventories written down (Note 15)	427	–	–	–
Operating lease:				
– rental of equipment	33,324	27,100	–	–
– rental of land and buildings	3,355	2,621	689	658
Net, loss on disposal of property, plant and equipment	36	–	–	2
Net, loss on foreign exchange – realised	–	785	–	–
Net, loss on foreign exchange – unrealised	–	2,422	–	–

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages and salaries	149,151	149,304	8,883	3,266
Social security contributions	263	252	32	12
Contributions to defined contribution plan	3,820	3,282	1,042	471
Other benefits	5,107	5,657	800	391
	158,341	158,495	10,757	4,140

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,479,000 (2011: RM1,649,000) and RM1,479,000 (2011: RM1,649,000) respectively.

9. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive:				
Salaries, allowances and compensation	1,250	1,350	1,250	1,350
Fees	–	22	–	22
Defined contribution plan	169	208	169	208
Total executive directors' remuneration (excluding benefits-in-kind)	1,419	1,580	1,419	1,580
Estimated money value of benefits-in-kind	60	69	60	69
Total executive directors' remuneration (including benefits-in-kind)	1,479	1,649	1,479	1,649
Non-Executive:				
Fees and emoluments	477	441	477	441
Total directors' remuneration	1,956	2,090	1,956	2,090

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2012	2011
Executive directors:		
RM650,001 – RM700,000	1	1
RM850,001 – RM900,000	1	1
	2	2
Non executive directors:		
RM1 – RM50,000	1	–
RM50,001 – RM100,000	1	–
RM100,001 – RM200,000	2	3
	4	3
Total	6	5

10. INCOME TAX EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax				
– Malaysian income tax	413	2,266	–	1,095
– (Over)/under provision in prior years	(1,108)	2,217	(1,088)	84
	(695)	4,483	(1,088)	1,179
Deferred tax (Note 14)				
– Origination and reversal of temporary differences	9,793	2,697	103	40
– (Over)/under provision in prior years	(639)	(2,263)	(66)	159
	9,154	434	37	199
Income tax expense/(credit) recognised in profit or loss	8,459	4,917	(1,051)	1,378

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	15,886	8,225	6,531	3,819
Taxation at statutory tax rate of 25% (2011: 25%)	3,972	2,056	1,633	955
Adjustments:				
Non-deductible expenses	3,398	2,190	970	680
Income not subject to taxation	–	(164)	(2,500)	(500)
Deferred tax assets not recognised	2,836	881	–	–
(Over)/under provision in prior years:				
– Current tax	(1,108)	2,217	(1,088)	84
– Deferred tax	(639)	(2,263)	(66)	159
Income tax expense/(credit) recognised in profit or loss	8,459	4,917	(1,051)	1,378

Income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

11. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the parent of RM7,469,000 (2011: RM3,485,000) by the weighted average number of ordinary shares outstanding during the financial year of 214,500,000 (2011: 198,472,603).

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

12. PROPERTY, PLANT AND EQUIPMENT

	<---------- Cost ---------->				
	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	At 31 December 2012 RM'000
Group **31 December 2012**					
Leasehold land	7,907	8,503	–	–	16,410
Leasehold buildings	7,810	8,100	–	(463)	15,447
Vessels and other marine assets	460,916	5,889	–	–	466,805
Dry docking	17,105	–	–	–	17,105
Plant and machinery	11,413	–	(258)	(44)	11,111
Cabin, field and workshop equipment	37,583	1,660	(115)	(96)	39,032
Motor vehicles	5,228	10	(207)	–	5,031
Furniture, fittings and office equipment	5,861	496	(16)	(64)	6,277
Air conditioner, computer, signboard, renovation and electrical installation	13,858	2,406	(505)	(287)	15,472
	567,681	27,064	(1,101)	(954)	592,690

	<---------- Accumulated depreciation ---------->				
	At 1 January 2012 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	Write off RM'000	At 31 December 2012 RM'000
Leasehold land	1,019	138	–	–	1,157
Leasehold buildings	3,629	293	–	(462)	3,460
Vessels and other marine assets	67,833	17,408	–	–	85,241
Dry docking	7,988	3,498	–	–	11,486
Plant and machinery	9,782	360	(249)	(44)	9,849
Cabin, field and workshop equipment	32,836	1,878	(115)	(94)	34,505
Motor vehicles	3,942	142	(201)	–	3,883
Furniture, fittings and office equipment	4,713	479	(3)	(31)	5,158
Air conditioner, computer, signboard, renovation and electrical installation	10,464	2,439	(145)	(282)	12,476
	142,206	26,635	(713)	(913)	167,215

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	<---------- Cost ---------->			
	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	At 31 December 2011 RM'000
Group				
31 December 2011				
Leasehold land	7,907	–	–	7,907
Leasehold buildings	7,810	–	–	7,810
Vessels and other marine assets	459,747	1,169	–	460,916
Dry docking	17,105	–	–	17,105
Plant and machinery	11,361	52	–	11,413
Cabin, field and workshop equipment	36,530	1,053	–	37,583
Motor vehicles	5,056	282	(110)	5,228
Furniture, fittings and office equipment	5,503	358	-	5,861
Air conditioner, computer, signboard, renovation and electrical installation	11,525	2,345	(12)	13,858
	562,544	5,259	(122)	567,681

	<----------Accumulated Depreciation ---------->			
	At 1 January 2011 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	At 31 December 2011 RM'000
Leasehold land	890	129	–	1,019
Leasehold buildings	3,484	145	–	3,629
Vessels and other marine assets	50,809	17,024	–	67,833
Dry docking	4,490	3,498	–	7,988
Plant and machinery	9,281	501	–	9,782
Cabin, field and workshop equipment	30,853	1,983	–	32,836
Motor vehicles	3,849	145	(52)	3,942
Furniture, fittings and office equipment	4,210	503	–	4,713
Air conditioner, computer, signboard, renovation and electrical installation	8,773	1,699	(8)	10,464
	116,639	25,627	(60)	142,206

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Net carrying amount 2012 RM'000	2011 RM'000
Leasehold land	15,253	6,888
Leasehold buildings	11,987	4,181
Vessels and other marine assets	381,564	393,083
Dry docking	5,619	9,117
Plant and machinery	1,262	1,631
Cabin, field and workshop equipment	4,527	4,747
Motor vehicles	1,148	1,286
Furniture, fittings and office equipment	1,119	1,148
Air conditioner, computer, signboard, renovation and electrical installation	2,996	3,394
	425,475	425,475

The Group's vessels with a carrying amount of RM237,849,000 (2011: RM249,709,000) are pledged to secure the Group's borrowings (Note 22).

During the year, the Group revised the estimated residual values of vessels and motor vehicles to RM33,248,260 (2011: RM49,558,590). The revision in estimate has been applied on a prospective basis from 1 January 2012 and this has resulted in higher depreciation charges by RM806,606 in the current year.

	<---------- Cost ---------->			
	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	At 31 December 2012 RM'000
Company				
31 December 2012				
Furniture, fittings and office equipment	570	9	–	579
Air conditioner, computer, signboard, renovation and electrical installation	1,637	986	–	2,623
Motor vehicles	–	5	–	5
	2,207	1,000	–	3,207

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	<----------Accumulated Depreciation ---------->			
	At 1 January 2012 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	At 31 December 2012 RM'000
Company				
31 December 2012 (cont'd.)				
Furniture, fittings and office equipment	185	114	–	299
Air conditioner, computer, signboard, renovation and electrical installation	774	817	–	1,591
	959	931	–	1,890

	<---------- Cost ---------->			
	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	At 31 December 2011 RM'000
Company				
31 December 2011				
Furniture, fittings and office equipment	540	30	–	570
Air conditioner, computer, signboard, renovation and electrical installation	1,488	155	(6)	1,637
	2,028	185	(6)	2,207

	<----------Accumulated Depreciation ---------->			
	At 1 January 2011 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	At 31 December 2011 RM'000
Furniture, fittings and office equipment	73	112	–	185
Air conditioner, computer, signboard, renovation and electrical installation	294	484	(4)	774
	367	596	(4)	959

	Net carrying amount	
	2012 RM'000	2011 RM'000
Furniture, fittings and office equipment	280	385
Air conditioner, computer, signboard, renovation and electrical installation	1,032	863
Motor vehicles	5	–
	1,317	1,248

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at costs	48,845	47,845
Impairment losses	–	(100)
	48,845	47,745

In the prior year, the Company acquired additional 49% equity interest in Petra Energy Development Sdn. Bhd. (formerly known as Petra AWT Sdn. Bhd.) from its non-controlling interest for a cash consideration of RM49,000. As a result, Petra Energy Development Sdn. Bhd. is a wholly owned subsidiary of the Company.

During the year, the Company increased its investment in Petra Energy Development Sdn. Bhd. by RM1,000,000 and reversed the allowance for impairment in the latter of RM100,000 which was impaired in prior year.

Name	Effective interest (%) 2012	2011	Principal activities
Incorporated in Malaysia			
Petra Resources Sdn. Bhd.	100	100	Provision of services in operations and maintenance, oil field optimisation, retrofits, domestic vessels recharter, geophysical, design and fabrication of process equipment and packaging and supply of engineered equipment for the oil and gas industry.
Petra Fabricators Sdn. Bhd.	100	100	Design, fabrication, supply and installation of pressure vessels, heat exchangers, skid packages and other process equipment primarily for the oil and gas and petrochemical industries.
Petra Services Sdn. Bhd.	100	100	Equipment rental and related services in the oil and gas industry.
Petra Marine Sdn. Bhd.	100	100	Ownership and supply of vessels.
Petra Energy Development Sdn. Bhd. (formerly known as Petra AWT Sdn. Bhd.)	100	100	Investment holding.
Jurutera Perunding Akal Sdn. Bhd.	70	70	Engaged in engineering design and consultancy services.
Held through Petra Fabricators Sdn. Bhd.:			
Petra Boilers Sdn. Bhd.	100	100	Design, fabrication, supply and installation of industrial boilers and ancillary equipment.

14. DEFERRED TAX

Group
31 December 2012

	At 1 January 2012 RM'000	Recognised in profit or loss RM'000	At 31 December 2012 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(66,046)	(11,679)	(77,725)
Others	69	(691)	(622)
	(65,977)	(12,370)	(78,347)
Deferred tax assets:			
Unabsorbed capital allowances	33,815	2,451	36,266
Unutilised business losses	494	(252)	242
Provision for foreseeable losses	140	–	140
Allowances for impairment	852	(514)	338
Others	1,670	1,531	3,201
	36,971	3,216	40,187
	(29,006)	(9,154)	(38,160)

Group
31 December 2011

	At 1 January 2011 RM'000	Recognised in profit or loss RM'000	At 31 December 2011 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(57,618)	(8,428)	(66,046)
Others	(468)	537	69
	(58,086)	(7,891)	(65,977)
Deferred tax assets:			
Unabsorbed capital allowances	24,775	9,040	33,815
Unutilised business losses	–	494	494
Provision for foreseeable losses	3,327	(3,187)	140
Allowances for impairment	1,250	(398)	852
Others	162	1,508	1,670
	29,514	7,457	36,971
	(28,572)	(434)	(29,006)

14. DEFERRED TAX (CONT'D.)

Company
31 December 2012

	At 1 January 2012 RM'000	Recognised in profit or loss RM'000	At 31 December 2012 RM'000
Deferred tax asset/(liabilities):			
Property, plant and equipment	(199)	(87)	(286)
Others	–	50	50
	(199)	(37)	(236)

Company
31 December 2011

	At 1 January 2012 RM'000	Recognised in profit or loss RM'000	At 31 December 2012 RM'000
Deferred tax asset/(liabilities):			
Property, plant and equipment	–	(199)	(199)
Others	–	–	–
	–	(199)	(199)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	548	1,031	–	–
Deferred tax liabilities	(38,708)	(30,037)	(236)	(199)
	(38,160)	(29,006)	(236)	(199)

At the reporting date, deferred tax assets have not been recognised for the following items due to uncertainties of their recoverabilities:

	Group	
	2012 RM'000	2011 RM'000
Unabsorbed business losses	19,422	8,617
Unutilised capital allowances	56	29
Others	2,743	2,232
	22,221	10,878

The availability of these deferred tax assets for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

15. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
Cost		
Bunker fuel	2,078	2,078
Consumables	6,679	7,915
Finished goods	299	801
Raw materials	399	405
Work in progress	30,042	25,293
Net realisable value		
Consumables	135	562
	39,632	37,054

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM427,390,000 (2011: RM398,593,000).

The Group has written down inventories by RM427,146 to their net realisable value of RM135,219 during the financial year.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade receivables				
Third parties	104,662	77,068	–	–
Accrued revenue	90,180	100,380	–	–
Retention sum	10,056	11,967	–	–
Less: Allowance for impairment				
– Third parties	(11,427)	(10,880)	–	–
– Accrued revenue	(1,179)	(308)	–	–
Trade receivables, net	192,292	178,227	–	–
Other receivables				
Amounts due from subsidiaries	–	–	216,417	195,784
Refundable deposits	1,964	1,369	992	822
Prepayments	1,463	1,064	63	–
Sundry receivables	10,477	7,672	59	–
	13,904	10,105	217,531	196,606
Less: Allowance for impairment				
– Amounts due from a subsidiary	–	–	–	(284)
– Sundry receivables	(832)	(1,876)	–	–
Other receivables, net	13,072	8,229	217,531	196,322
	205,364	186,456	217,531	196,322
Non-current				
Trade receivables				
Retention sum	13,207	11,713	–	–
Total trade and other receivables	218,571	198,169	217,531	196,322
Add: Cash and bank balances (Note 18)	102,689	108,834	507	17,817
Less: Refundable deposits and prepayments	(3,427)	(2,433)	(1,055)	(822)
Total loans and receivables	317,833	304,570	216,983	213,317

16. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables

Trade receivables are unsecured, non-interest bearing and are generally on 30 to 90 days (2011: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	38,187	20,261
1 to 30 days past due not impaired	41,939	27,863
31 to 60 days past due not impaired	2,317	806
61 to 90 days past due not impaired	2,207	2,402
More than 91 days past due not impaired	7,103	14,355
Total – Past due not impaired	53,566	45,426
Impaired	12,909	11,381
	104,662	77,068

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM53,566,000 (2011: RM45,426,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012 RM'000	2011 RM'000
Trade receivables		
– nominal amounts	12,909	11,381
Less: Allowance for impairment	(11,427)	(10,880)
	1,482	501

16. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

Movement in allowance accounts:

	Group	
	2012 RM'000	2011 RM'000
At 1 January	10,880	11,203
Charge for the year (Note 7)	1,900	263
Written back (Note 7)	(51)	(465)
Written off	(1,302)	(121)
At 31 December	11,427	10,880

Trade receivables that are individually impaired at the reporting dates relate to certain balances that are unlikely to be collected.

(b) Accrued revenue

Accrued revenue are recognised at upon services rendered which represent their fair values on initial recognition.

Accrued revenue that are impaired

Accrued revenue that are individually impaired at the reporting dates relate to certain balances that are unlikely to be collected.

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, bear interest at 5.25% (2011: 5.25%) per annum and are repayable on demand.

(d) Other receivables that are impaired

Other receivables are unsecured. At the reporting date, the Group provided allowances of RM831,997 (2011: RM1,876,000) for impairment of sundry receivables with nominal amount of RM1,050,406 (2011: RM1,876,000).

(e) Amount due from subsidiaries that are impaired

At the reporting date, the Company has reversed the allowance for impairment of an amount due from a subsidiary, Petra Energy Development (formerly known as Petra AWT Sdn. Bhd.) with a nominal amount of RM284,000 which was impaired in prior year.

17. AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2012 RM'000	2011 RM'000
Construction contract costs incurred to date	94,184	115,772
Attributable profits less accumulated losses	79,515	28,719
	173,699	144,491
Less: Progress billings	(157,267)	(123,547)
	16,432	20,944
Presented as:		
Gross amount due from customers for contract work	16,996	23,125
Gross amount due to customers for contract work	(564)	(2,181)
	16,432	20,944

18. CASH AND BANK BALANCES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short term deposits with licensed banks	51,949	51,170	–	17,500
Cash at banks and on hand	50,740	57,664	507	317
	102,689	108,834	507	17,817

Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 31 December 2012 for the Group was 2.52% (2011: 2.52%) per annum and 2.08% per annum for the Company in the previous year.

Included in short term deposit is an amount held in Debts Service Reserve Account ("DSRA") of RM30,601,000 (2011: RM19,165,000) and deposits pledged of RM340,000 (2011: RM323,000) as securities for credit facilities granted to certain subsidiaries.

The gradual build-up in the DSRA will be used to meet the scheduled principal repayment of term loan as disclosed in Note 22.

18. CASH AND BANK BALANCES (CONT'D.)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	102,689	108,834	507	17,817
Less: Bank overdrafts (Note 22)	(2,905)	(697)	–	–
Cash and cash equivalents	99,784	108,137	507	17,817
Less: Cash restricted in use				
– DSRA	(30,601)	(19,165)	–	–
– Deposits pledged	(340)	(323)	–	–
Net cash and cash equivalents	68,843	88,649	507	17,817

19. SHARE CAPITAL AND SHARE PREMIUM

Share capital:

	Number of shares of RM0.50 each		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 RM'000
Group and Company				
Authorised:				
At 1 January/31 December	1,000,000	1,000,000	500,000	500,000
Issued and fully paid:				
At 1 January	214,500	195,000	107,250	97,500
Issued during the year	–	19,500	–	9,750
At 31 December	214,500	214,500	107,250	107,250

19. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

Share premium:

	Group and Company	
	2012 RM'000	2011 RM'000
At 1 January	69,880	62,062
Issued during the year, net of transaction costs	–	7,818
At 31 December	69,880	69,880

In the previous financial year, the Company issued 19,500,000 ordinary shares of RM0.50 each through a private placement at an issue price of RM0.91 per ordinary share for cash to finance capital expenditure. The Company incurred transaction costs of RM177,000 which was subtracted from the share premium of RM7,995,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and ranked equally with regard to the Company's residual assets.

20. MERGER RESERVE

Merger reserve arose from the acquisition of Petra Resources Sdn. Bhd. and Petra Fabricators Sdn. Bhd. which were previously under the common control of Perdana Petroleum Berhad, and which has ceased to be a substantial shareholder of the Company on 3 September 2012.

21. RETAINED EARNINGS

As at 31 December 2012 and 2011, the Company does not have any Section 108 balances. The Company may distribute dividends out of its entire retained earnings as at 31 December 2012 and 2011 under the single tier system.

22. LOANS AND BORROWINGS

	Group	
	2012 RM'000	2011 RM'000
Current		
Secured:		
Revolving credits	58,900	44,000
Term loan 1	39,627	39,626
Term loan 2 (Ijarah)	7,000	14,000
Other term loans	1,614	13
	107,141	97,639
Unsecured:		
Bankers' acceptances	7,858	2,113
Trust receipts	7,966	–
Bank overdrafts (Note 18)	2,905	697
Obligations under finance lease (Note 27(d))	49,028	15,768
	67,757	18,578
	174,898	116,217
Non-current		
Secured:		
Term loan 1	9,723	48,716
Term loan 2 (Ijarah)	–	7,000
Other term loans	9,668	82
	19,391	55,798
Unsecured:		
Obligations under finance lease (Note 27(d))	–	47,311
	19,391	103,109
Total loans and borrowings	194,289	219,326

The remaining maturities of the loans and borrowings as at reporting date are as follows:

	Group	
	2012 RM'000	2011 RM'000
Not later than 1 year	174,898	116,217
More than 1 year and less than 2 years	11,791	103,109
More than 2 years and less than 5 years	3,600	–
More than 5 years and less than 10 years	4,000	–
	194,289	219,326

22. LOANS AND BORROWINGS (CONT'D.)

Term loan 1

The term loan is secured by the following:

- First fixed and floating charge upon all the assets of a subsidiary, Petra Marine Sdn. Bhd.;
- First ranking assignment executed by subsidiary, Petra Resources Sdn. Bhd. ("PRSB"), to assign all of PRSB's rights, title, interest and benefits in and to all proceeds arising from a Contract to a Designated Collection Account and an Operation Account;
- First ranking statutory mortgage over the 3 vessels of the Group, which are Petra Galaxy, Petra Endeavour and Petra Orbit;
- First ranking Charge and Assignment of DSRA of RM30,601,000 (2011: RM19,165,000);
- An irrevocable and unconditional undertaking from PRSB to cover any shortfall in the DSRA; and
- Corporate guarantee by the Company.

Term loan 2 (Ijarah)

The term loan is secured by the following:

- Assignment of all risk insurance in respect of the vessel "Petra Discovery" with the Bank named as the mortgagee and loss payee;
- First ranking statutory mortgage over Petra Discovery; and
- Corporate guarantee by the Company.

Other term loans

The term loans are secured by the following:

- First party legal charge over properties located at Kampung Sg. Keling, Wilayah Persekutuan Labuan;
- Short term deposits of RM340,000 (2011: RM278,000) are pledged as securities for borrowings; and
- Corporate guarantee by the Company.

23. HIRE PURCHASE LIABILITIES

	Group	
	2012 RM'000	2011 RM'000
Future minimum lease payments	26	82
Less: Interest in suspense	(1)	(10)
Present value of finance lease liabilities	25	72
Analysed as:		
Not later than 1 year	15	45
More than 1 year and less than 5 years	10	27
	25	72

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables				
Third parties	203,247	168,000	–	–
Advanced billings	–	127	–	–
	203,247	168,127	–	–
Other payables				
Accrued operating expenses	4,512	11,456	466	897
Other payables	20,896	22,980	526	–
Amount due to a corporate shareholder	–	526	–	–
	25,408	34,962	992	897
Total trade and other payables	228,655	203,089	992	897

(a) Trade payables

These amounts are non-interest bearing. Trade payables are settled within the normal credit terms ranging from 30 days to 60 days (2011: 30 days to 60 days).

(b) Other payables

These amounts are non-interest bearing. Other payables are settled within the normal credit terms ranging from 30 days to 60 days (2011: 30 days to 60 days).

(c) Amount due to a corporate shareholder

This amount is unsecured, non-interest bearing and repayable on demand.

25. PROVISIONS

Group – 31 December 2012

	Provision for foreseeable losses RM'000	Provision for liquidated ascertained damages RM'000	Total RM'000
At 1 January 2012	–	643	643
Arose during the year (Note 7)	–	223	223
Utilised/paid	–	(643)	(643)
At 31 December 2012	–	223	223

Group – 31 December 2011

	Provision for foreseeable losses RM'000	Provision for liquidated ascertained damages RM'000	Total RM'000
At 1 January 2011	13,685	861	14,546
Arose during the year (Note 7)	–	643	643
Utilised/paid	(13,685)	(861)	(14,546)
At 31 December 2011	–	643	643

26. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental of vessels and rendering of services from related companies of a corporate shareholder	(57,186)	(96,537)	–	–
Rental paid to parties related to corporate shareholders	(266)	(310)	–	–
Interest income from advances to subsidiaries (Note 5)	–	–	10,733	9,868

On 3 September 2012, the corporate shareholder of a related company has ceased to be substantial shareholder of the Company and subsequently all transactions relating thereto are no longer deemed as Related Party Transactions.

27. COMMITMENTS

(a) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain vessels, motor vehicles, buildings and office equipment. These leases have an average tenure of between three and six years with no renewal option or contingent rent provision included in the contracts.

Future minimum rentals payable under non-cancellable operating leases at the reporting dates are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Not later than 1 year	27,044	108,110	1,393	658
More than 1 year and less than 5 years	4,771	18,428	3,642	165
	31,815	126,538	5,035	823

(b) Operating lease commitments – as lessor

The Group has entered into commercial vessel leases on certain vessels. These non-cancellable leases have remaining lease terms of between two and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the reporting dates are as follows:

	Group	
	2012 RM'000	2011 RM'000
Not later than 1 year	54,730	144,156
More than 1 year and less than 5 years	–	16,720
	54,730	160,876

(c) Capital commitments

	Group	
	2012 RM'000	2011 RM'000
Property, plant and equipment		
Approved and contracted for	1,459	16,000
Approved but not contracted for	8,464	–

(d) Finance lease commitment

The Group has entered into a finance lease for a vessel (Note 12). The lease does not have terms of renewal, but grants the Group an option to purchase at different exercise prices during the lease term. The lease also grants the lessor the option to sell the vessel to the Group at the end of the lease term at a pre-agreed price. Information on the vessel is disclosed in Note 29(iv) to the financial statements.

27. COMMITMENTS (CONT'D.)

(d) Finance lease commitment (cont'd.)

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	Group	
	2012 RM'000	2011 RM'000
Minimum lease payments:		
Not later than 1 year	50,455	20,864
More than 1 year and less than 2 years	–	48,018
Total minimum lease payments	50,455	68,882
Less: Amounts representing finance charges	(1,427)	(5,803)
Present value of minimum lease payments	49,028	63,079
Present value of payments:		
Not later than 1 year	49,028	15,768
More than 1 year and less than 2 years	–	47,311
Present value of minimum lease payments	49,028	63,079
Less: Amount due within 12 months (Note 22)	(49,028)	(15,768)
Amount due after 12 months (Note 22)	–	47,311

28. SIGNIFICANT EVENTS

(i) On 1 December 2009, Petra Boilers Sdn. Bhd. ("PBSB"), a wholly-owned subsidiary of the Company received a Request of Arbitration by United Palm Oil Industry Public Co. Ltd. ("UPOIPC"), a company incorporated under the Laws of Thailand. UPOIPC claimed that PBSB failed to perform contractually obliged works pertaining to a boiler which was supplied by PBSB, resulting a significant loss to UPOIPC. UPOIPC claimed damages and penalty totalling USD11,258,335.00 together with interest, costs and such other relief as may be amended or added. On 25 August 2010, UPOIPC amended its Request for Arbitration increasing their claim to THB 697,267,258.21 (approximately USD21.46 million) together with additional continuing loss of profits, interest, costs and such other relief as may be amended or added. PBSB counter claimed for a sum of USD376,914.30 comprising of unpaid invoices for the balance of 30% of the Contract Price.

The ICC International Court of Arbitration had on 10 August 2012 notified all parties of the Final Award rendered by the Arbitral Tribunal on 9 August 2012 ("the Final Award").

In the Final Award, the Arbitral Tribunal dismissed UPOIPC's claim for loss of profits in the sum of US$21 million (from 1 September 2007 to 31 July 2010) in its entirety. However, the Tribunal held that PBSB was liable to UPOIPC for the sum of US$320,639 plus interest being:

a. 5% of the Contract Price for the delay in the installation, testing and commissioning of the Boiler from 1 February 2008 until 31 July 2008;

b. 5% of the Contract Price for the Boiler's failure to pass the particulate emission test; and

c. US$195,000 as the cost of installing a secondary dust collector on the Boiler.

28. SIGNIFICANT EVENTS (CONT'D.)

The Tribunal also held that PBSB was liable to UPOIPC of the sum of THB162,640 and RM58,240 plus interest being the costs of rectifying the Boiler.

The Tribunal also dismissed PBSB's counterclaim on the basis that the Boiler failed to pass the Performance Guarantee Test.

The Tribunal also decided that both parties to bear their own costs and expenses of the arbitration.

The Company has fully settled the final claims as well as the legal and arbitration fees arising from this case during the year.

(ii) On 3 January 2012, the Company received a Writ of Summons and a Statement of Claims for gratuity payment and other compensation-in-kind from Yang Mulia Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra in respect of his past service to the Group.

On 2 May 2012, the Company announced at Bursa Securities that the above legal suit has been withdrawn without any order as to cost.

29. SUBSEQUENT EVENTS

(i) On 29 June 2012, Petroliam Nasional Berhad ("PETRONAS") and CEC International Ltd ("CECI") entered into the small field risk service contract ("SFRSC") for the development and production of petroleum from the Kapal, Banang and Meranti cluster of small fields in offshore Terengganu, Malaysia ("Project"). Pursuant to the terms of the novation agreement dated 10 September 2012 and in accordance with the requirements of the SFRSC, CECI has novated all of its individual rights, interests, benefits and obligations under the SFRSC to Coastal Energy KBM Sdn. Bhd. ("CEKSB").

On 20 September 2012, the Company through its wholly owned subsidiary, Petra Energy Development Sdn. Bhd. ("PED") proposed to subscribe 30% of the enlarged equity interest in CEKSB ("Proposed Subscription"). Approval from the shareholders of the Company for the Proposed Subscription was obtained on 12 December 2012. The Proposed Subscription had been completed on 17 January 2013. With the completion of the Proposed Subscription, CEKSB has become an associate company of the Group.

On 17 January 2013, PED had provided parental guarantee to PETRONAS to ensure performance of SFRC by CEKSB. PED has guaranteed the performance of the contract and it shall assume any loss, damages, costs and expenses arising from the failure or breach of the said contract based on PED's proportionate interest in CEKSB.

(ii) On 13 December 2012, the Company proposed to undertake a renounceable rights issue involving up to 107,250,000 Rights Shares ("Proposed Rights Issue") on a basis of one (1) Rights Share for every two (2) existing ordinary shares of RM0.50 each ("Shares") held in the Company. The proceeds from the Proposed Rights Issue will be mainly used for participation in the Project vide CEKSB and further expansion plans into the upstream oil and gas value chain.

The issue price was determined at RM1.15 per Rights Share and the Rights Issue which was fully subscribed and resulted in gross proceeds of RM123.34 million.

On 9 April 2013, the Rights Issue was completed with the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

29. SUBSEQUENT EVENTS (CONT'D.)

(iii) On 17 January 2013, the Company had entered into a conditional Sale of Shares Agreement ("SSA") with Shorefield Offshore Services Sdn. Bhd. ("SOSSB"), Ahmadi bin Yusoff, Hafitz bin Khalid and Kamarul Baharin bin Albakri (collectively referred to as the "Vendors") to acquire 200,000 ordinary shares of RM1.00 each in KAS Ship Management Sdn. Bhd. ("KAS") ("Sale Shares"), representing 100% equity interest in KAS for a total purchase consideration of RM3.0 million ("Proposed Acquisition"). Approval from the shareholders of the Company for the Proposed Acquisition has been obtained on 27 February 2013. The completion of the Proposed Acquisition is subject to compliance with the term of the SSA and certain conditions.

(iv) On 13 February 2013, Petra Resources Sdn. Bhd. ("PRSB"), a wholly-owned subsidiary of the Company had 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 transaction is expected to be completed in second quarter of 2013.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of current financial assets, current financial liabilities and non-current liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rate on or near the reporting date except for the items presented as follows:

		Group			
		2012		2011	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets:					
Trade and other receivables (non-current)	16	13,207	14,559	11,713	13,065
Financial liabilities:					
Loans and borrowings (non-current)					
– Obligations under finance leases	22	–	–	47,311	47,632

Determination of fair value hierarchy

The Group and the Company do not have classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:

i) Level 1 – Unadjusted quoted prices in active market for identical financial instruments
ii) Level 2 – Inputs other than quoted prices that are observable market data
iii) Level 3 – Inputs that are not based on observable market data

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risk, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk arising in the normal course of the Group's businesses. The directors monitor the Group's financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group.

The directors review and agree on policies for managing each of these risks and they are summarised below:

(a) Foreign currency exchange risk

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

With all other variables held constant, the following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the USD exchange rates against the functional currency of the Group.

		Group Profit before tax	
		2012 RM'000	2011 RM'000
USD/RM	– strengthen 3%	(1,287)	(1,930)
	– weaken 3%	1,287	1,930

(b) Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate.

The Group's income and operating cash flows' exposure to changes in interest rate risk relates primarily to the Group's bank borrowings and deposits placed with licensed banks and financial institutions.

As at reporting date, 75% (2011: 71%) of the Group's loans carry floating interest rates. As such, the Group's profit and loss and operating cash flows are therefore influenced by changes in market interest rate.

At the reporting date, if interest rates had been 10 basis points lower/higher, with all variables held constant, the Group's profit before tax would have been RM116,167 (2011: RM243,230) higher/lower, arising mainly as a result of lower/higher interest expense from floating rate loans.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Interest rate risk (cont'd.)

The following table sets out the carrying amounts, the weighted average effective interest rate ("WAEIR") as at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risks:

	Note	WAEIR %	1 year or less RM'000	1 to 5 years RM'000	Total RM'000
Group					
At 31 December 2012					
Financial assets					
Deposits	18	2.52%	51,949	–	51,949
Financial liabilities					
Term loans	22	4.94%	48,241	19,391	67,632
Bank overdrafts	22	8.23%	2,905	–	2,905
Revolving credits	22	5.00%	58,900	–	58,900
Bankers' acceptances	22	4.41%	7,858	–	7,858
Trust receipts	22	8.10%	7,966	–	7,966
Hire purchase liabilities	23	2.73%	15	10	25
Obligations under finance lease	22	9.10%	49,028	–	49,028
At 31 December 2011					
Financial assets					
Deposits	18	2.52%	51,170	–	51,170
Financial liabilities					
Term loans	22	5.71%	53,639	55,798	109,437
Bank overdrafts	22	7.85%	697	–	697
Revolving credits	22	5.16%	44,000	–	44,000
Bankers' acceptances	22	4.65%	2,113	–	2,113
Hire purchase liabilities	23	3.64%	45	27	72
Obligations under finance lease	22	9.10%	15,768	47,311	63,079
Company					
At 31 December 2012					
Financial assets					
Amounts due from subsidiaries	16	5.25%	216,417	–	216,417
At 31 December 2011					
Financial assets					
Deposits	18	2.08%	17,500	–	17,500
Amounts due from subsidiaries	16	5.25%	195,784	–	195,784

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Credit risk

The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risks by setting appropriate credit terms and limits for customers and ensuring that sales are made to customers with good credit assessments.

The Group manages its exposures to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration

As at 31 December 2012, the Group has significant concentration of credit risk in the form of outstanding balance due from 2 customers which are major players in the oil and gas industry, representing approximately 72% (2011: 77%) of the Group's total net trade receivables.

(d) Liquidity and cash flow risk

The Group seeks to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating and investing activities.

Therefore the policy seeks to ensure that each business unit, through efficient working capital management, must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

The Group also seeks to maintain sufficient credit lines available to meet its liquidity requirements while ensuring an effective working capital management within the Group.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Note	On demand or within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2012				
Group				
Financial liabilities:				
Trade and other payables	24	228,655	–	228,655
Loans and borrowings		181,989	20,008	201,997
Hire purchase liabilities		16	10	26
		410,660	20,018	430,678
Company				
Financial liabilities:				
Trade and other payables	24	992	–	992

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Liquidity and cash flow risk (cont'd.)

	Note	On demand or within 1 year RM'000	1 to 5 years RM'000	Total RM'000
At 31 December 2011				
Group				
Financial liabilities:				
Trade and other payables	24	202,962	–	202,962
Loans and borrowings		128,878	105,347	234,225
Hire purchase liabilities		50	32	82
		331,890	105,379	437,269
Company				
Financial liabilities:				
Trade and other payables	24	897	–	897

(e) Capital management

The Group's primary objective in managing its capital is to maximise the Group's value by optimising its capital structure and enhancing capital efficiency while maintaining a sufficient level of liquidity.

As required by the terms of the borrowing by a subsidiary, the Group needs to cap its leverage ratio at or below 1.25 times. Leverage ratio is derived by dividing total debts by total shareholders' fund. Total debts are the sum of all loans and borrowings and hire purchase. Shareholders' fund includes share capital, share premium, and equity attributable to owners of the parent less merger reserve.

The leverage ratio as at 31 December 2012 and 31 December 2011 were as follows:

	Group	
	2012 RM'000	2011 RM'000
Total debt	194,314	219,398
Total equity	347,165	340,769
Leverage ratio (times)	0.56	0.64

No changes were made in the objectives, policies or processes in regards to the Group's management of its capital structure during the years ended 31 December 2012 and 31 December 2011.

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

I. Integrated Brownfield Maintenance and Engineering Services – provision for services in operations and maintenance, oil field optimisation, retrofits, domestic vessel recharter, geophysical, design and fabrication of process equipment and packaging and supply of engineered equipment for the oil and gas industry.

II. Onshore Civil Engineering Services – provision for procurement, construction and commissioning of Kumang Cluster Onshore Tie-In at MLNG-2 and Bintulu Integrated Facilities onshore upgrading and modifications.

III. Marine Offshore Support Services - provision for charter hire of vessel.

IV. Design, Fabrication, Supply and Installation Services – design, fabricate, supply and install pressure vessels, heat exchanger, skid packages and other process equipment primarily for the oil and gas, and petrochemical industries.

V. Investment Holding – investment holding and provision for Group-level corporate services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are based on negotiated terms.

31 December 2012

	Integrated Brownfield, Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:								
External customers	550,361	–	66,734	36,985	–	–		654,080
Inter-segment	90,559	–	–	8,749	13,360	(112,668)	A	–
Total revenue	640,920	–	66,734	45,734	13,360	(112,668)		654,080
Results:								
Interest Income	762	–	42	1,208	10,787	(11,894)	B	905
Depreciation	24,730	1	156	816	932	–		26,635
Finance costs	23,304	33	1,015	1,955	–	(12,925)		13,382
Inventories written down	–	–	–	427	–	–		427
Segment profit/(loss)	19,407	7,907	264	(7,997)	6,531	(10,226)	C	15,886
Assets and liabilities:								
Segment assets	918,154	1,045	39,565	57,457	268,934	(474,981)	D	810,174
Segment liabilities	654,919	46,738	129,345	91,258	1,227	(460,990)	E	462,497

32. SEGMENT INFORMATION (CONT'D.)

31 December 2011

	Integrated Brownfield, Maintenance and Engineering Services RM'000	Onshore Civil Engineering Services RM'000	Marine Offshore Support Services RM'000	Design, Fabrication, Supply and Installation Services RM'000	Investment Holding RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:								
External customers	495,114	20,432	99,107	35,750	–	–		650,403
Inter-segment	86,536	–	–	9,157	3,360	(99,053)	A	–
Total revenue	581,650	20,432	99,107	44,907	3,360	(99,053)		650,403
Results:								
Interest Income	635	–	52	70	9,919	(9,869)	B	807
Depreciation	23,837	12	89	1,093	596	–		25,627
Finance costs	25,640	385	3	576	–	(10,532)		16,072
Segment profit/(loss)	39,797	(27,688)	2,174	(9,699)	3,819	(178)	C	8,225
Assets and liabilities:								
Segment assets	737,747	4,027	60,696	88,445	263,132	(353,787)	D	800,260
Segment liabilities	493,485	58,014	131,465	88,269	1,935	(314,231)	E	458,937

A Inter-segment revenues are eliminated on consolidation.

B Inter-segment interest income are eliminated on consolidation.

C The following items are added to/(deducted from) segment profit to arrive at "profit before tax" presented in the consolidated statements of comprehensive income:

	2012 RM'000	2011 RM'000
Inter-segment dividends	10,000	–
Reversal of impairment of amount due from a subsidiary	284	–
Reversal of impairment of investment in a subsidiary	100	–
Unrealised profit on closing stocks	(231)	78
Others	73	100
	10,226	178

32. SEGMENT INFORMATION (CONT'D.)

D The following items are deducted from segment assets to arrive at total assets reported in the consolidated statements of financial position:

	2012 RM'000	2011 RM'000
Inter-segment assets	(474,981)	(353,787)

E The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position:

	2012 RM'000	2011 RM'000
Inter-segment liabilities	(460,990)	(314,231)

Geographical information

No geographical segmental reporting has been prepared as the Group's activities involve only one geographical segment, i.e. Malaysia.

33. DIVIDENDS

	Group and Company	
	2012 RM'000	2011 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
– Final tax exempt (single-tier) dividend for 2011: 0.5 sen (2011: 0.5 sen) per share	1,073	975
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares:		
– Interim tax exempt (single-tier) dividend for 2012: 1.0 sen (2011: Nil) per share	2,145	–
– Final tax exempt (single-tier) dividend for 2012: Nil (2011: 0.5 sen) per share	–	1,073

On 25 February 2013, the directors have declared a single tier interim dividend of 1.0 sen per ordinary share of 50 sen each on 214,500,000 ordinary shares for the year ended 31 December 2012, amounting to RM2,145,000, entitled to registered members as at 1 April 2013 and payable on 30 April 2013.

In relation to the Rights Issue as disclosed in Note 29 (ii), the Rights Shares will not be entitled to the above dividends.

34. COMPARATIVES

The following comparatives have been reclassed to conform with current year's presentation:

	As previously stated RM'000	Increase/ (decrease) RM'000	As re-classified RM'000
Group			
Statement of financial position:			
1 January 2011			
Inventories (current)	10,600	44,340	54,940
Trade and other receivables (non-current)	–	15,845	15,845
Trade and other receivables (current)	191,542	(15,845)	175,697
Amount due from customers on contracts (current)	82,119	(44,340)	37,779
31 December 2011			
Inventories (current)	11,761	25,293	37,054
Trade and other receivables (non-current)	–	11,713	11,713
Trade and other receivables (current)	177,670	8,786	186,456
Amount due from customers on contracts (current)	68,917	(45,792)	23,125
Amount due to customers on contracts (current)	2,308	(127)	2,181
Trade and other payables (current)	202,962	127	203,089

35. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2012 and 31 December 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of the Company and its subsidiaries				
– Realised	240,039	227,183	90,814	84,266
– Unrealised	(37,923)	(31,514)	(238)	(199)
	202,116	195,669	90,576	84,067
Less: Consolidation adjustments	(1,081)	(1,030)	–	–
Retained earnings as per financial statements	201,035	194,639	90,576	84,067

list of properties

Address	Description	Status	Remaining Lease period/ Years	Date of Acquisition	Age/Years	NBV RM'000
Petra Resources Sdn. Bhd. Lot 2000, Block 4 Miri Concession Land District Piasau Industrial Estate 98000 Miri, Sarawak	Workshop	Leasehold	30	18/07/2000	19	1,820
Petra Resources Sdn. Bhd. Lot 1991, Block 4 Miri Concession Land District Piasau Industrial Estate 98000 Miri, Sarawak	Warehouse	Leasehold	30	18/07/2000	28	281
Petra Fabricators Sdn. Bhd. Lot 58, Jalan Utas 15/7 Kawasan Perusahaan Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Factory (Approximately 13,656 sq. m)	Leasehold	60	24/07/2006	39	8,424
Petra Resources Sdn. Bhd. Lot 205312634 and Lot 205312590 at Kampung Sungai Keling Wilayah Persekutuan Labuan	Fabrication Yard (Approximately 0.2064 and 2.0882 hectares respectively)	Leasehold	974	13/02/2012	25	16,594

Petra Energy Berhad Group has not carried out any revaluation on its landed properties.

analysis of shareholdings
as at 11 April 2013

Class of Securities	:	Ordinary shares of RM0.50 each
Authorised Capital	:	RM500,000,000
Issued Capital	:	321,750,000 ordinary shares of RM0.50 each
Paid-up Capital	:	RM160,875,000.00
Voting Rights	:	One vote for every ordinary share held

DISTRIBUTION OF SHAREHOLDINGS (as per the Record of Depositors)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1 – 99	128	3.91	5,467	0.00
100 – 1,000	989	30.24	541,681	0.17
1,001 – 10,000	1,407	43.01	6,239,650	1.94
10,001 – 100,000	603	18.43	18,611,789	5.78
100,001 – 16,087,499 (*)	140	4.28	71,866,101	22.34
16,087,500 AND ABOVE (**)	4	0.12	224,485,312	69.77
Total	**3,271**	**100.00**	**321,750,000**	**100.00**

Remark : * – less than 5% of issued holdings
: ** – 5% and above of issued holdings

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (as per the Record of Depositors)

	Names of Shareholders	No. of Shares Held	%
1.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Shorefield Resources Sdn Bhd*	87,750,000	27.27
2.	Wasco Energy Ltd	86,550,000	26.90
3.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank For Mohamed Nizam Bin Abdul Razak*	29,250,000	9.09
4.	Lembaga Tabung Haji	20,935,312	6.51
5.	Ling Lee Chuon @ James Ling Chung	8,157,600	2.54
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For Credit Suisse*	4,129,000	1.28
7.	AmSec Nominees (Tempatan) Sdn Bhd *Mohammad Affrin Bin Samsudin*	3,350,000	1.04
8.	AmSec Nominees (Tempatan) Sdn Bhd *AmTrustee Berhad for Pacific Pearl Fund*	2,356,200	0.73
9.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Ong Joo Theam*	2,280,000	0.71

	Names of Shareholders	No. of Shares Held	%
10.	Maybank Nominees (Tempatan) Sdn Bhd *Etiqa Insurance Berhad*	2,135,300	0.66
11.	Grandeur Land Sdn Bhd	2,000,000	0.62
12.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Kho Poh Eng*	1,970,000	0.61
13.	Goh Siew Chin	1,875,000	0.58
14.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Senthil a/l Appu*	1,854,300	0.58
15.	AmanahRaya Trustees Berhad *Public Islamic Opportunities Fund*	1,799,862	0.56
16.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For HSBC Private Bank (Suisse) S.A.*	1,598,000	0.50
17.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Low Mei Loon*	1,500,000	0.47
18.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad For Pacific Recovery Fund*	1,486,950	0.46
19.	CitiGroup Nominees (Asing) Sdn Bhd *Exempt An For UBS AG Singapore (Foreign)*	1,245,000	0.39
10.	AIBB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Siew Booy*	1,175,100	0.37
21.	Ting Chek Ting	1,104,500	0.34
22.	CitiGroup Nominees (Tempatan) Sdn Bhd *Exempt An For Merrill Lynch Pierce Fenner & Smith Incorporated*	825,000	0.26
23.	Multi-Purpose Insurans Bhd	750,000	0.23
24.	UOBM Nominees (Tempatan) Sdn Bhd *Exempt An For Areca Capital Sdn Bhd*	750,000	0.23
25.	Lim Poh Suan	684,651	0.21
26.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad For Eastspring Investment Growth Fund*	672,600	0.21
27.	A.A. Anthony Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Angkasa Aman Sdn Bhd*	650,200	0.20
28.	Shorefield Resources Sdn Bhd	630,000	0.20
29.	CitiGroup Nominees (Asing) Sdn Bhd *SMBC Nikko BK (Lux) SA For Nikko Bny Mellon Emerging Markets Mid-Small Cap Equity Fund*	602,400	0.19
30.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Chee Meng*	600,000	0.19
	TOTAL	**270,666,975**	**84.12**

LIST OF SUBSTANTIAL SHAREHOLDERS (as per the register of Substantial Shareholders)

	Names	Direct Interest No. of Shares Held	Direct Interest %	Deemed Interest No. of Shares Held	Deemed Interest %
1.	Shorefield Resources Sdn Bhd	88,380,000	27.47	–	–
2.	Wasco Energy Ltd	86,550,000	26.90	–	–
3.	Dato' Mohamed Nizam Bin Abdul Razak	29,250,000	9.09	–	–
4.	Lembaga Tabung Haji	20,935,312	6.51	–	–
5.	Shorefield Sdn Bhd	–	–	88,380,000 (a)	27.47
6.	OBYU Holdings Sdn Bhd	–	–	88,380,000 (a)	27.47
7.	Dato' Bustari Bin Yusuf	–	–	88,380,000 (a)	27.47
8.	Wah Seong Corporation Berhad	–	–	86,550,000 (b)	26.90
9.	Wah Seong (Malaya) Trading Co. Sdn Bhd	–	–	86,550,000 (c)	26.90
10.	Tan Kim Yeow Sendirian Berhad	–	–	86,550,000 (d)	26.90
11.	Tony Tan @ Choon Keat	–	–	86,550,000 (d)	26.90
12.	Tan Chin Nam Sdn Bhd	–	–	86,550,000 (d)	26.90
13.	Robert Tan Chung Meng	–	–	86,550,000 (d)	26.90
14.	Pauline Tan Suat Ming	–	–	86,550,000 (d)	26.90

Notes

(a) Deemed interested through Shorefield Resources Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
(b) Deemed interested by virtue of its direct interest in Wasco Energy Ltd pursuant to Section 6A of the Companies Act, 1965.
(c) Deemed interested by virtue of its direct interest in Wah Seong Corporation Berhad pursuant to Section 6A of the Companies Act, 1965.
(d) Deemed interested by virtue of their respective indirect interests in Wah Seong Corporation Berhad pursuant to Section 6A of the Companies Act, 1965.

LIST OF DIRECTORS' SHAREHOLDINGS (as per the register of Directors' Shareholdings)

	Names	Direct Interest No. of Shares Held	Direct Interest %	Deemed Interest No. of Shares Held	Deemed Interest %
1.	Abdul Rahim bin Abdul Hamid	–	–	–	–
2.	Ahmad Azra bin Salleh	–	–	–	–
3.	Ahmadi bin Yusoff	–	–	–	–
4.	Dato' Anthony @ Firdauz bin Bujang	–	–	–	–
5.	Gian Carlo Maccagno	–	–	–	–

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form of proxy

Number of Shares Held

PETRA ENERGY BERHAD
(Company No. 718388-H)
(Incorporated in Malaysia)

I/We _____ CDS Account No. _____
(FULL NAME AND NRIC/PASSPORT/COMPANY NO.) (FOR NOMINEE COMPANY ONLY)

of _____
(FULL ADDRESS)

being a member of PETRA ENERGY BERHAD ("the Company"), hereby appoint _____

_____
(FULL NAME AND NRIC/PASSPORT NO.)

of _____
(FULL ADDRESS)

or failing him, _____
(FULL NAME AND NRIC/PASSPORT NO.)

of _____
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Mutiara Ballroom, Ground Floor, The Royale Bintang Damansara, 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 May 2013 at 11:00 a.m. and at any adjournment thereof, in the manner as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon.	N/A	N/A
2.	Approval of payment of Directors' fee.		
3.	Re-election of Dato' Anthony @ Firdauz bin Bujang as Director who retires pursuant to Article 103 of the Company's Articles of Association.		
4.	Re-election of Gian Carlo Maccagno as Director who retires pursuant to Article 103 of the Company's Articles of Association.		
5.	Re-election of Abdul Rahim bin Abdul Hamid as Director who retires pursuant to Article 104 of the Company's Articles of Association.		
6.	Appointment of Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.		
7.	Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed renewal of shareholders' mandate for recurrent related party transactions with KACC Construction Sdn. Bhd.		
9.	Proposed new shareholders' mandate for recurrent related party transactions with OBYU Holdings Sdn. Bhd.		

Please indicate with an "**X**" in the spaces provided above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Date : _____

_____
Signature/Common Seal of Member

NOTES:

(a) In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2013 shall be eligible to attend, speak and vote at the Meeting.

(b) A member entitled to attend, speak and vote at the Meeting is entitled to appoint more than one proxy to attend, speak and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting. Notwithstanding this, a member entitled to attend, speak and vote at the Meeting is entitled to appoint any person as his proxy to attend, speak and vote instead of the member at the Meeting. There should be no restriction as to the qualification of proxy.

(c) In the case of a corporate member, the instrument appointing a proxy must be executed either under its common seal or under the hand of its officer or attorney duly authorised.

(d) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) To be valid, the instrument appointing a proxy must be deposited at Securities Services (Holdings) Sdn. Bhd. of Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

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postage
stamp

THE COMPANY SECRETARY
PETRA ENERGY BERHAD
c/o Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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letter from shareholder

15 March 2013

The Board of Directors
Petra Energy Berhad

Dear Sirs

CHANGE OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs PricewaterhouseCoopers (PWC) for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company, to replace the retiring auditors, Messrs. Ernst & Young.

> *"That Messrs PricewaterhouseCoopers (PWC) be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors".*

Yours faithfully,

.....

BERNARD NORMAN LIM BOON BEE

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