



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

<u>CONTENTS</u>	<u>PAGE</u>
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134)	5 - 8
ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS	9 - 12



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 AUGUST 2011

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2010 RM'000	CURRENT YEAR TO DATE 31 AUG 2011 RM'000	PRECEDING YEAR TO DATE 31 AUG 2010 RM'000
Revenue	17,673	22,658	17,673	22,658
Cost of sales	(15,449)	(21,309)	(15,449)	(21,309)
Gross profit	2,224	1,349	2,224	1,349
Other income	128	1,623	128	1,623
Administrative expenses	(786)	(1,507)	(786)	(1,507)
Operating profit	1,566	1,465	1,566	1,465
Finance costs	-	(5)	-	(5)
Profit before tax	1,566	1,460	1,566	1,460
Income tax expense	(290)	(371)	(290)	(371)
Profit for the period	1,276	1,089	1,276	1,089
Other comprehensive income				
Gain on fair value changes of available-for-sale investments	(92)	6	(92)	6
Total other comprehensive income	(92)	6	(92)	6
Total comprehensive income for the period	1,184	1,095	1,184	1,095
Profit for the period attributable to owners of the Parent	1,276	1,089	1,276	1,089
Total comprehensive income attributable to owners of the Parent	1,184	1,095	1,184	1,095
Earnings per share (sen)				
- Basic	0.72	0.60	0.72	0.60
- Diluted	0.72	0.60	0.72	0.60

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 May 2011 and the accompanying explanatory notes attached to the interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2011

	UNAUDITED AS AT 31 AUG 2011 RM'000	AUDITED AS AT 31 MAY 2011 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	22,673	22,892
Available-for-sale investment	15,737	20,857
	<u>38,410</u>	<u>43,749</u>
Current Assets		
Derivatives financial assets	716	798
Inventories	28,740	27,536
Amount due from contract customers	44,554	46,472
Trade and other receivables	25,679	19,209
Tax recoverable	178	243
Deposits, cash and bank balances	21,280	29,419
	<u>121,147</u>	<u>123,677</u>
Total Assets	<u>159,557</u>	<u>167,426</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	90,001	90,001
Share premium	26,247	27,639
Reserves	15,487	14,303
Total Equity	<u>131,735</u>	<u>131,943</u>
Non-Current Liabilities		
Borrowings	261	343
Deferred tax liabilities	2,853	2,914
	<u>3,114</u>	<u>3,257</u>
Current Liabilities		
Trade and other payables	20,237	21,379
Amount due to contract customers	548	1,601
Borrowings	3,376	8,347
Derivative financial liabilities	479	849
Current tax payable	68	50
	<u>24,708</u>	<u>32,226</u>
Total Liabilities	<u>27,822</u>	<u>35,483</u>
Total Equity and Liabilities	<u>159,557</u>	<u>167,426</u>
Net assets per share (sen)	73.19	73.30

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 May 2011 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 Aug 2011

	Attributable to Owners of the Parent					Total RM'000
	Share Capital RM'000	Non-Distributable			Distributable	
		Share Premium RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
Balance as at 1 June 2011	90,001	27,639	-	125	14,178	131,943
Shares repurchased during the period			(1,392)			(1,392)
Profit for the period					1,276	1,276
Other comprehensive income				(92)		(92)
Total comprehensive income for the period				(92)	1,276	1,184
Balance as at 31 Aug 2011	90,001	27,639	(1,392)	33	15,454	131,735

For the period ended 31 May 2011

	Attributable to Owners of the Parent					Total RM'000
	Share Capital RM'000	Non-Distributable			Distributable	
		Share Premium RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
Balance as at 1 June 2010	90,001	27,639	-	-	13,824	131,464
Effects of applying FRS 139	-	-	-	88	75	163
Restated balance	90,001	27,639	-	88	13,899	131,627
Profit for the period	-	-	-	-	3,879	3,879
Other comprehensive income				37		37
Total comprehensive income for the period	-	-	-	37	3,879	3,916
Final dividend of 2 sen per share in respect of the financial year ended 31 May 2010					(3,600)	(3,600)
Balance as at 31 May 2011	90,001	27,639	-	125	14,178	131,943

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 May 2011 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2011

	CURRENT YEAR TO DATE 31 AUG 2011 RM'000	PRECEDING YEAR TO DATE 31 AUG 2010 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,566	1,460
Adjustments for:		
Non-cash items	136	784
Non-operating items (net of income)	(165)	(208)
Operating profit before changes in working capital	1,537	2,036
<u>Changes in working capital</u>		
Net change in current assets	(5,766)	5,760
Net change in current liabilities	(2,204)	(6,918)
Total changes in working capital	(7,970)	(1,158)
Net cash used in operations	(6,433)	878
Interest received	5	27
Interest paid	-	(4)
Income tax paid	(267)	(933)
Net cash used in operating activities	(6,695)	(32)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	18	-
Dividend Received	239	119
Proceeds from disposal of investment	5,268	-
Purchase of property, plant and equipment	(170)	(218)
Purchase of other investment	(239)	(119)
Net cash used in investing activities	5,116	(218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	(1,392)	-
Net movements in trade financing	(6,453)	7,403
Repayment of term loans	(87)	(87)
Repayment of hire purchase payables	-	(22)
Net cash from financing activities	(7,932)	7,294
Net increase/(decrease) in cash and cash equivalents	(9,511)	7,044
Cash and cash equivalents at beginning of financial period	29,419	14,584
Effect of foreign exchange rate changes	(18)	(274)
Cash and cash equivalents at the end of financial period	19,890	21,354
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	21,280	22,758
Bank overdrafts	(1,390)	(1,404)
	19,890	21,354

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 May 2011 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(A) NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134) : INTERIM FINANCIAL REPORTING

A1. Basis of reporting preparation

The unaudited interim financial statements have been prepared in accordance with the Financial Reporting Standards 134 (FRS 134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report contains condensed consolidated financial statement and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group ("TAS Offshore and its subsidiaries"). The interim financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards ("FRS").

A2. Summary of significant accounting policies

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2011. The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the financial year ended 31 May 2011, except for the following :

(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments

With effect from 1 June 2011, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations :

FRS 1	: First-time Adoption of Financial Reporting Standards (Revised)
FRS 3	: Business Combinations (Revised)
FRS 127	: Consolidated and Separate Financial Statements (Revised)

Amendments to FRSs Classified as "Improvement to FRSs (2010)"

Amendments to FRS 1	: First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters - Additional Exemptions for First-time Adopters
Amendments to FRS 5	: Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary
Amendments to FRS 7	: Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
Amendments to FRS 132	: Financial Instruments: Presentation - Classification of Rights Issues
Amendments to FRS 138	: Intangible Assets - Additional consequential amendments arising from revised FRS 3
IC Interpretation 4	: Determining whether an Arrangement contains a Lease
Amendments to IC Interpretation 9	: Reassessment of Embedded Derivatives - Scope of IC Interpretation 9 and revised FRS 3
IC Interpretation 16	: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	: Distributions of Non-cash Assets to Owners
IC Interpretation 18	: Transfers of Assets from Customers

The adoption of the new and revised FRSs and IC Interpretations and amendments to FRSs did not result in any significant effect on the results and financial position of the Group and of the Company nor any significant changes in the presentation and disclosure of amounts in the financial statements.

(A) NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134) : INTERIM FINANCIAL REPORTING

A2. Summary of significant accounting policies (cont'd)

(i) Adoption of New and Revised FRSs, IC Interpretations and Amendments (cont'd)

The other new and revised FRSs and IC Interpretations issued by the MASB that are effective from the beginning of the current financial year but are not applicable to the Group's operation are as follows :

Amendments to FRS 2	: Share-based Payment - Scope of FRS 2 and revised FRS 3 - Group Cash-settled Share-based Payment Transactions
IC Interpretation 12	: Service Concession Arrangements

(ii) New and Revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted

FRS 124	: Related Party Disclosures
Amendments to IC Interpretation 14	: FRS119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction - Prepayments of a Minimum Funding Requirement
IC Interpretation 15	: Agreements for the Construction of Real Estate
IC Interpretation 19	: Extinguishing Financial Liabilities with Equity Instruments

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 May 2011 were not qualified.

A4. Seasonal or cyclical factors

The Group do not experience any material seasonality in its business, as its business operations are relatively stable throughout the year, with the exception of minor slowdowns in business activity during the festive seasons at the beginning and end of each calendar year.

A5. Items of unusual nature and amount

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual in their nature, size or incidence for the current financial period under review.

A6. Material changes in estimates

There were no changes in the estimates that have had a material effect in the current financial period under review.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(A) NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134) : INTERIM FINANCIAL REPORTING

A7. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

During the current quarter ended 31 August 2011, the Company repurchased 3,569,500 units of its issued ordinary shares of RM0.50 each from the open market for a total consideration of RM1,392,022.80. The consideration paid was funded by internally generated funds and shares repurchased were held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares had been sold or cancelled.

A8. Dividends

No dividend was paid in the current quarter and financial period to-date.

A9. Segmental information

The Company's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, segment reporting by business segment has not been disclosed. The revenue from external customers by location of customers is set out below :-

	Current Quarter 31 Aug 2011 RM'000	Current Period to date 31 Aug 2011 RM'000
Malaysia	1,487	1,487
Singapore	8,476	8,476
United Arab Emirates	6,646	6,646
Indonesia	1,046	1,046
Papua New Guinea	18	18
	<u>17,673</u>	<u>17,673</u>

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review and financial year-to-date.

A11. Capital commitments

	31.08.2011 RM'000
Approved but not contracted for	7,471

A12. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter and financial period to date.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(A) NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134) : INTERIM FINANCIAL REPORTING

A13. Changes in composition of the group

There were no changes in the composition of the group during the current quarter and financial period to date.

A14. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets that has arisen since the last annual reporting date.

A15. Significant related party transactions

The Company entered into the following transactions with related parties during the financial period :

	Transaction value for 3 months ended 31 Aug 2011 RM'000	Current Period-To-Date 31 Aug 2011 RM'000
(i) Transaction with companies in which certain directors of the Company have substantial interest :		
Tuong Aik (Sarawak) Sdn Bhd - Purchase of marine paint	*	*
	<u> *</u>	<u> *</u>
	<u> *</u>	<u> *</u>

* Negligible

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms no less favourable than those transacted with unrelated parties.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B1. Review of performance of the Company and its subsidiaries

The Group recorded a turnover of RM17.7 million and profit before tax of RM1.6 million for the current quarter ended 31 August 2011.

In the opinion of the directors, the result for the current quarter and financial period to date have not been affected by any transactions or events of a material nature which has arisen between 31 May 2011 and the date of this report.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

	Current quarter ended 31 Aug 2011	Preceding quarter ended 31 May 2011	Variance	
	RM'000	RM'000	RM'000	
Revenue	17,673	39,793	(22,120)	-56%
Profit before tax	1,566	3,308	(1,742)	-53%

The Group recorded lower revenue of RM17.7 million representing a decrease of RM22.1 million or 56% over the preceding quarter. The favourable result in preceding quarter was attributed to contract revenue recognised on sale of one unit anchor handling vessel under construction.

Profit before tax decreased by RM1.74 million, or 53% lower than preceding quarter as a result of the lower revenue being recognised as explained above.

B3. Commentary on prospects

The world economies are still on the uncertain recovery path due to the economic situation in the United States and the sovereign debts crisis in the Eurozone. However, with the crude oil price hovering in the range of US\$80 - US\$100 per barrel, it is still economically viable for the oil majors to carry out oil exploration and production activities in the deep seas where most of the world oil reserves are located. We maintain our outlook of more building contracts will surface for the offshore support vessels.

The demand for tugboats from Indonesia caused by the growth in mining activities has been encouraging.

Barring any drastic adverse development in the world economies, we are on track to a better financial year for 2012.

B4. Variance between actual profit from forecast profit

The Group did not issue any profit forecast for the current financial period or in the prior financial period and therefore no comparison is available.

B5. Taxation

Current tax expense:	Current Quarter RM'000	Current Period to date RM'000
Malaysian income tax	351	351
Deferred income tax	(61)	(61)
Total tax expense	<u>290</u>	<u>290</u>
Effective tax rate	19%	19%

The lower effective tax rate was attributed to tax exempt dividend income received from investment in unit trust.

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B6. Profit from sale of unquoted investments and/or properties

There were no disposal of unquoted investment and properties for the current quarter and financial period to date.

B7. Quoted securities

During the current quarter and financial period to date, the Group sold 5,259,059 units of unit trust at RM1.0016 per unit.

Total investment in quoted securities as at 31 August 2011 are as follows :

	AFS Investment RM'000
Unit trust	
- At cost	15,704
- At fair value	15,737

B8. Status of utilisation of proceeds

As at the end of the current quarter and financial period to date, the status of utilisation of proceeds as compared to the proposed utilisation is as follows:

Purpose	Intended Timeframe for Utilisation RM'000	Proposed Utilisation RM'000	Actual Utilisation RM'000	Surplus / (Deficit) RM'000	Remarks
(i) Expansion of existing operations	within 36 months	10,000	2,529	7,471	Available for use
(ii) Working capital	within 36 months	56,300	49,670	6,630	Available for use
(iii) Estimated listing expenses	upon listing	3,000	3,161	(161)	*
		69,300	55,360	13,940	

* The excess of actual utilisation over proposed utilisation will be deducted from the funds available for use in (ii).

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B9. Group borrowings and debt securities

Total Group's borrowing as at 31 August 2011 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	1,390	1,390
- Term loan	318	318
- Bankers' Acceptance	1,668	1,668
	3,376	3,376
2. <u>Long term borrowings</u>		
- Term loan	261	261
	261	261
Total Borrowings	3,637	3,637

B10. Derivative financial instruments

The derivative financial instruments as at 31 August 2011 were as follows :-

Types of Derivatives	Contract/Notional Value	Fair Value RM'000
<u>Currency Forward Contracts</u>		
- Less than 1 year	SGD1,000,000	(53)
	USD3,000,000	107
- 1 year to 3 years	-	-
- More than 3 years	-	-
<u>Embedded derivatives</u>	USD2,896,000	183

The foreign exchange forward contracts are transacted with the Group's bankers to hedge the Group's exposure to foreign exchange risk in respect of its export sales. The Group's trade receivables denominated in foreign currencies are exposed to currency risk. The Group's strategy for minimising this risk is to hedge the foreign trade receivable by a forward sale contract.

Foreign exchange forward contracts are recognised on the contract dates and are subsequently measured at fair value with gain or loss recognised in the Statement of Comprehensive Income.

In the ordinary course of its business operations, the Group entered into contracts with foreign buyers and contractor. Several of these contracts contain embedded foreign exchange derivatives which have been separated and accounted for at fair value through profit or loss.

During the financial period to date, the Group recognised a gain of RM288,148 arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate.

There are no cash requirements for these derivatives.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2011

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B11. Material litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board are not aware of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect our Group's financial position or business.

B12. Dividends

No interim dividend is proposed or declared for the current quarter and financial period to-date.

B13. Earnings per share

	Current Quarter ended 31 August 2011	Current Year-to-Date 31 August 2011
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>1,276</u>	<u>1,276</u>
Weighted average number of shares in issue ('000)	<u>176,753</u>	<u>176,753</u>
Basic earnings per share (sen)	0.72	0.72
Diluted earnings per share (sen)	0.72	0.72

Basic earnings per share of the Company is calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

The computation of diluted earnings per share is the same as basic earnings per share as there were no potential shares to be issued as at the end of the reporting period.

B14. Disclosure of realised and unrealised profits/losses

	As At 31 August 2011 RM'000	As At 31 May 2011 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	58,834	57,300
- Unrealised	<u>(368)</u>	<u>(112)</u>
	58,466	57,188
Less : Consolidation adjustments	<u>(43,012)</u>	<u>(43,010)</u>
Total group retained profits / (accumulated losses) as per consolidated accounts	<u>15,454</u>	<u>14,178</u>