



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2014

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 28 FEBRUARY 2014

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 28 FEB 2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 28 FEB 2013 RM'000	CURRENT YEAR TO DATE 28 FEB 2014 RM'000	PRECEDING YEAR TO DATE 28 FEB 2013 RM'000
Revenue	114,290	41,120	192,976	89,612
Cost of sales	(99,906)	(34,572)	(161,639)	(72,441)
Gross profit	<u>14,384</u>	<u>6,548</u>	<u>31,337</u>	<u>17,171</u>
Other income	777	240	5,983	1,036
Administrative expenses	(2,710)	(662)	(5,036)	(4,746)
Operating profit	<u>12,451</u>	<u>6,126</u>	<u>32,284</u>	<u>13,461</u>
Finance costs	(171)	(12)	(322)	(33)
Profit before tax	<u>12,280</u>	<u>6,114</u>	<u>31,962</u>	<u>13,428</u>
Income tax expense	(1,825)	(864)	(5,709)	(3,052)
Profit for the period	<u>10,455</u>	<u>5,250</u>	<u>26,253</u>	<u>10,376</u>
Other comprehensive income / (loss)				
<i>Items that may be subsequently reclassified to profit or loss :</i>				
Net gain/(loss) on available-for-sale financial assets				
- gain/(loss) on fair value changes	12	41	(22)	320
- transfer to profit or loss on disposal	(30)	-	(44)	(26)
Foreign currency translation gain	309	(61)	844	(8)
Total other comprehensive income	<u>291</u>	<u>(20)</u>	<u>778</u>	<u>286</u>
Total comprehensive income for the period	<u>10,746</u>	<u>5,230</u>	<u>27,031</u>	<u>10,662</u>
Profit for the period attributable to owners of the Parent	10,455	5,250	26,253	10,376
Total comprehensive income attributable to owners of the Parent	10,746	5,230	27,031	10,662
Earnings per share (sen)				
- Basic	5.95	2.98	14.93	5.90
- Diluted	5.95	2.98	14.93	5.90

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 2013 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CURRENT YEAR QUARTER 28 FEB 2014 RM'000	CURRENT YEAR TO DATE 28 FEB 2014 RM'000
Interest income	25	38
Other income including investment income	71	324
Interest expense	221	676
Depreciation & amortization	352	1,058
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
(Gain)/loss on disposal of quoted investments	-	-
(Gain)/loss on disposal of unquoted investments	-	-
(Gain)/loss on disposal of properties	-	-
Impairment of assets	-	-
Reversal of impairment loss on trade receivable	-	(3,262)
Foreign exchange (gain)/loss - realised	(821)	(2,120)
Foreign exchange (gain)/loss - unrealised	650	650
(Gain)/loss on derivatives	(41)	(15)
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2014

	UNAUDITED AS AT 28 FEB 2014 RM'000	AUDITED AS AT 31 MAY 2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	26,429	26,311
Available-for-sale investment	14,218	15,258
Deferrec tax assets	-	780
	<u>40,647</u>	<u>42,349</u>
Current Assets		
Inventories	40,635	48,805
Amount due from contract customers	97,888	51,885
Trade and other receivables	112,337	51,950
Deposits, cash and bank balances	8,491	26,840
	<u>259,351</u>	<u>179,480</u>
Total Assets	<u>299,998</u>	<u>221,829</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	90,001	90,001
Share premium	27,639	27,639
Treasury shares	(1,631)	(1,613)
Reserves	59,740	36,226
Total Equity	<u>175,749</u>	<u>152,253</u>
Non-Current Liabilities		
Deferred tax liabilities	2,898	2,437
	<u>2,898</u>	<u>2,437</u>
Current Liabilities		
Trade and other payables	64,225	46,655
Amount due to contract customers	-	102
Borrowings	55,046	18,835
Derivative financial liabilities	21	36
Current tax payable	2,059	1,511
	<u>121,351</u>	<u>67,139</u>
Total Liabilities	<u>124,249</u>	<u>69,576</u>
Total Equity and Liabilities	<u>299,998</u>	<u>221,829</u>
 Net assets per share (sen)	 97.64	 84.58

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 2013 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 28 February 2014

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent Foreign			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Currency Translation Reserve RM'000		
Balance as at 1 June 2013	90,001	27,639	(1,613)	94	(62)	36,194	152,253
Shares repurchased during the period			(18)				(18)
Profit for the period						26,253	26,253
Other comprehensive income				(66)	844		778
Total comprehensive income for the period				(66)	844	26,253	27,031
Interim dividend of 2.0 sen per share in respect of the financial year ended 31 May 2013						(3,517)	(3,517)
Balance as at 30 November 2013	90,001	27,639	(1,631)	28	782	58,930	175,749

For the period ended 31 May 2013

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent Foreign			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Currency Translation Reserve RM'000		
Balance as at 1 June 2012	90,001	27,639	(1,494)	(180)	(1)	25,376	141,341
Shares repurchased during the period			(119)				(119)
Profit for the period				-		13,456	13,456
Other comprehensive income				274	(61)		213
Total comprehensive income for the period				274	(61)	13,456	13,669
Interim dividend of 1.5 sen per share in respect of the financial year ended 31 May 2012						(2,638)	(2,638)
Balance as at 31 May 2013	90,001	27,639	(1,613)	94	(62)	36,194	152,253

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 2013 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 28 FEBRUARY 2014

	CURRENT YEAR TO DATE 28 FEB 2014 RM'000	PRECEDING YEAR TO DATE 28 FEB 2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	31,962	13,428
Adjustments for:		
Depreciation of property, plant and equipment	1,058	1,069
Interest expense	676	171
Interest income	(38)	(55)
Dividend income	(324)	(424)
Reversal of impairment loss on trade receivables	(3,262)	-
Property, plant and equipment written off	5	13
Loss/(Gain) on disposal of investment	(75)	(27)
Unrealised foreign exchange (gain)/loss	650	229
Loss/(gain) on fair value changes of derivative financial liabilities	(15)	685
Operating profit before changes in working capital	30,637	15,089
Changes in working capital		
Decrease/(Increase) in inventories	8,170	(18,438)
(Increase)/Decrease in amount due from contract customers	(46,003)	12,038
(Decrease)/Increase in amount due to contract customers	(102)	537
(Increase)/Decrease in trade and other receivables	(57,758)	17,445
Increase/(decrease) in trade and other payables	17,593	(15,623)
Net cash (used in)/from operations	(47,463)	11,048
Interest received	38	55
Interest paid	(87)	(22)
Tax refunded	-	241
Tax paid	(3,922)	(3,325)
Net cash (used in)/from operating activities	(51,434)	7,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	324	424
Proceeds from disposal of available-for-sale investment	9,218	2,000
Purchase of property, plant and equipment	(1,182)	(1,271)
Purchase of available-for-sale investment	(8,170)	(6,298)
Net cash (used in)/from investing activities	190	(5,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(3,517)	(2,638)
Repurchase of shares	(18)	(112)
Net movements in trade financing	36,713	5,584
Repayment of term loans	(5)	(261)
Net cash used in financing activities	33,173	2,573
Net (decrease)/increase in cash and cash equivalents	(18,071)	5,425
Cash and cash equivalents at beginning of financial period	24,183	20,771
Effect of foreign exchange rate changes	807	(175)
Cash and cash equivalents at the end of financial period	6,919	26,021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 28 FEBRUARY 2014 (CONT'D)

	CURRENT YEAR TO DATE 28 FEB 2014 RM'000	PRECEDING YEAR TO DATE 28 FEB 2013 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	8,491	26,901
Bank overdrafts	(1,572)	(880)
	<u>6,919</u>	<u>26,021</u>

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

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

A1. Basis of reporting preparation

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards 134 (MFRS 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 Malaysian Financial Reporting Standards ("MFRS").

A2. Changes in accounting policies

TAS has adopted MFRSs in previous financial year. There is no significant financial effects arising from the adoption of MFRSs.

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 2013 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.

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

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

As at 28 February 2014, the total number of ordinary shares repurchased and retained as treasury shares are 4,185,400 ordinary shares of RM0.50 each.

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

A8. Dividends

The Company has paid a single tier interim dividend of 2.0 sen per ordinary share for the financial year ended 31 May 2013 amounted to RM3,516,732 on 27 September 2013.

A9. Segmental information

The Group'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 28 Feb 2014 RM'000	Current Period to date 28 Feb 2014 RM'000
Malaysia	3,522	8,646
Singapore	6,317	36,276
United Arab Emirates	39,812	79,069
Indonesia	38,551	38,720
Saint Vincent Island	26,088	30,265
	<u>114,290</u>	<u>192,976</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

There was no material capital commitment as at the end of the current quarter.

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.

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.

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

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 28 Feb 2014 RM'000	Current Period-To-Date 28 Feb 2014 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	-	1
Nguong Mee Dockyard Sdn Bhd - Rental of slipway	-	40
	<u>-</u>	<u>41</u>

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 28 FEBRUARY 2014

(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 RM114.3 million and profit before tax of RM12.3 million for the current quarter ended 28 February 2014.

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 2013 and the date of this report.

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

	Current quarter ended 28 Feb 2014 RM'000	Preceding quarter ended 30 Nov 2013 RM'000	Variance RM'000	
Revenue	114,290	49,042	65,248	133%
Profit before tax	12,280	9,463	2,817	30%

The Group recorded higher revenue of RM114.3 million representing an increase of RM65.2 million or 133% above the preceding quarter. During the current quarter, higher revenue was recorded because of the completion and delivery of two units anchor handling tug supply vessel, one unit of harbour tug and two units of tugboat.

Profit before tax increased by 30% when compared with preceding quarter figures mainly due to the profit recognised on the abovementioned vessels, partially offset by higher administrative expenses due to bonus payment during the current quarter.

B3. Commentary on prospects

The demand for oil and gas, driven by the growth in population and better living standard, together with the high resilient crude oil price of above US\$100 per barrel will continue to spur oil majors to increase their offshore deep sea exploration and production activities. DNV GL was upbeat about the offshore deepwater development especially in gas in Asia as disclosed in a Seatrade Asia Week recent issue.

We expect some of these offshore development to come from Indonesia, Malaysia and Vietnam and foresee the oil and gas industry in the region will require the provision of various offshore support vessels. We are optimistic in our outlook that new demand for offshore support vessels with higher technical specifications suitable for deep sea operation will grow.

In addition, our involvement with build-to-stock model has also placed the Group in a favourable situation to meet the market demand for offshore support vessels as we will be able to meet the demand of vessel owners who require shorter delivery period for their vessels.

Our order book is healthy and we are optimistic of our prospect but will remain cautious in our business operations as the global economic climate remains unsettled and challenging.

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.

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

B5. Taxation

Current tax expense:	Current Quarter RM'000	Current Period to date RM'000
Malaysian income tax	2,038	4,987
Deferred income tax	(213)	722
Total tax expense	<u>1,825</u>	<u>5,709</u>
Effective tax rate	15%	18%

The lower effective tax rate for the current quarter and period to date under review was attributed to the different income tax rate applicable to subsidiary company in other jurisdictions.

B6. 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	Proposed Utilisation RM'000	Actual Utilisation RM'000	Surplus / (Deficit) RM'000	Remarks
(i) Expansion of existing operations	within 36 months	10,000	9,839	161	Available for use
(ii) Working capital	within 36 months	56,300	56,300	-	
(iii) Estimated listing expenses	upon listing	3,000	3,161	(161)	*
		<u>69,300</u>	<u>69,300</u>	<u>-</u>	

* The excess of actual utilisation over proposed utilisation has been deducted from the funds available for use in (i).

B7. Group borrowings and debt securities

Total Group's borrowing as at 28 February 2014 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	1,572	1,572
- Revolving credit	52,424	52,424
- Bankers' Acceptance	1,050	1,050
Total Borrowings	<u>55,046</u>	<u>55,046</u>

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2014

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

B8. 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.

B9. Dividends

The Board of Directors has declared a single-tier interim dividend of 2.0 sen per ordinary share for the financial year ending 31 May 2014, payable on 12 June 2014 to depositors whose names appear in the Record of Depositors on 15 May 2014.

B10. Earnings per share

	Current Quarter ended 28 Feb 2014	Current Year-to-Date 28 Feb 2014
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>10,455</u>	<u>26,253</u>
Weighted average number of shares in issue ('000)	<u>175,823</u>	<u>175,823</u>
Basic earnings per share (sen)	5.95	14.93
Diluted earnings per share (sen)	5.95	14.93

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.

B11. Disclosure of realised and unrealised profits/losses

	As At 28 Feb 2014 RM'000	As At 31 May 2013 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	103,397	78,569
- Unrealised	<u>(1,168)</u>	<u>814</u>
	102,229	79,383
Less : Consolidation adjustments	<u>(43,299)</u>	<u>(43,189)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>58,930</u>	<u>36,194</u>