



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2014

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MAY 2014

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAY 2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAY 2013 RM'000	CURRENT YEAR TO DATE 31 MAY 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2013 RM'000
Revenue	61,295	48,385	254,271	137,996
Cost of sales	(57,444)	(42,057)	(219,083)	(114,498)
Gross profit	3,851	6,328	35,188	23,498
Other income	204	1,088	5,940	2,124
Administrative expenses	(1,766)	(4,089)	(6,555)	(8,835)
Operating profit	2,289	3,327	34,573	16,787
Finance costs	53	(48)	(269)	(81)
Profit before tax	2,342	3,279	34,304	16,706
Income tax expense	190	(199)	(5,519)	(3,251)
Profit for the period	2,532	3,080	28,785	13,455
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	104	(20)	82	300
- transfer to profit or loss on disposal	-	-	(44)	(25)
Foreign currency translation gain	(169)	(54)	675	(62)
Total other comprehensive income	(65)	(74)	713	213
Total comprehensive income for the period	2,467	3,006	29,498	13,668
Profit for the period attributable to owners of the Parent	2,532	3,080	28,785	13,455
Total comprehensive income attributable to owners of the Parent	2,467	3,006	29,498	13,668
Earnings per share (sen)				
- Basic	1.44	1.75	16.37	7.65
- Diluted	1.44	1.75	16.37	7.65

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 31 MAY 2014 RM'000	CURRENT YEAR TO DATE 31 MAY 2014 RM'000
Interest income	802	840
Other income including investment income	104	428
Interest expense	370	1,046
Depreciation & amortization	489	1,547
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	754	(1,366)
Foreign exchange (gain)/loss - unrealised	52	52
(Gain)/loss on derivatives	(21)	(36)
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2014

	UNAUDITED AS AT 31 MAY 2014 RM'000	AUDITED AS AT 31 MAY 2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	26,224	26,311
Available-for-sale investment	14,385	15,258
Deferred tax assets	-	780
	<u>40,609</u>	<u>42,349</u>
Current Assets		
Inventories	83,928	48,805
Amount due from contract customers	106,394	51,885
Trade and other receivables	102,216	51,950
Tax recoverable	41	-
Deposits, cash and bank balances	22,098	26,840
	<u>314,677</u>	<u>179,480</u>
Total Assets	<u><u>355,286</u></u>	<u><u>221,829</u></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	(1,645)	(1,613)
Reserves	58,692	36,226
Total Equity	<u>174,687</u>	<u>152,253</u>
Non-Current Liabilities		
Retirement benefits	557	-
Deferred tax liabilities	2,953	2,437
	<u>3,510</u>	<u>2,437</u>
Current Liabilities		
Trade and other payables	140,316	46,655
Amount due to contract customers	731	102
Borrowings	35,783	18,835
Derivative financial liabilities	-	36
Current tax payable	259	1,511
	<u>177,089</u>	<u>67,139</u>
Total Liabilities	<u>180,599</u>	<u>69,576</u>
Total Equity and Liabilities	<u><u>355,286</u></u>	<u><u>221,829</u></u>
Net assets per share (sen)	97.05	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 31 May 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			(32)				(32)
Profit for the period						28,785	28,785
Other comprehensive income				38	676		714
Total comprehensive income for the period				38	676	28,785	29,499
Interim dividend of 2.0 sen per share in respect of the financial year ended 31 May 2013						(7,033)	(7,033)
Balance as at 31 May 2014	90,001	27,639	(1,645)	132	614	57,946	174,687

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 31 MAY 2014

	CURRENT YEAR TO DATE 31 MAY 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	34,304	16,706
Adjustments for:		
Retirement benefits	557	
Depreciation of property, plant and equipment	1,547	1,426
Interest expense	1,046	351
Interest income	(840)	(415)
Dividend income	(428)	(569)
Reversal of impairment loss on trade receivables	(3,262)	3,262
Property, plant and equipment written off	5	13
Loss/(Gain) on disposal of investment	(74)	(2)
Unrealised foreign exchange (gain)/loss	52	(36)
Loss/(gain) on fair value changes of derivative financial liabilities	(36)	(727)
Operating profit before changes in working capital	32,871	20,009
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(35,392)	(26,467)
(Increase)/Decrease in amount due from contract customers	(53,359)	(12,345)
(Decrease)/Increase in amount due to contract customers	(102)	(4,300)
(Increase)/Decrease in trade and other receivables	(46,893)	17,023
Increase/(decrease) in trade and other payables	90,136	8,143
Net cash (used in)/from operations	(12,739)	2,063
Interest received	840	93
Interest paid	(244)	(70)
Tax paid	(5,516)	(4,859)
Net cash (used in)/from operating activities	(17,659)	(2,773)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	428	569
Proceeds from disposal of available-for-sale investment	9,219	2,000
Purchase of property, plant and equipment	(1,466)	(1,777)
Purchase of available-for-sale investment	(8,233)	(6,402)
Net cash (used in)/from investing activities	(52)	(5,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(3,517)	(2,638)
Repurchase of shares	(32)	(119)
Net movements in trade financing	15,009	14,970
Repayment of term loans	(5)	(348)
Net cash used in financing activities	11,455	11,865
Net (decrease)/increase in cash and cash equivalents	(6,256)	3,482
Cash and cash equivalents at beginning of financial period	24,183	20,771
Effect of foreign exchange rate changes	522	(70)
Cash and cash equivalents at the end of financial period	18,449	24,183

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MAY 2014 (CONT'D)

	CURRENT YEAR TO DATE 31 MAY 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2013 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	22,098	26,840
Bank overdrafts	(3,649)	(2,657)
	<u>18,449</u>	<u>24,183</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

For the period ended 31 May 2014, 10,000 ordinary shares of RM0.50 each were repurchased from the open market at an average price of RM1.36 per share. The total consideration paid for the repurchase including transaction costs amounted to RM13,699.68 was funded by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 May 2014, the total number of ordinary shares repurchased and retained as treasury shares are 4,195,400 ordinary shares of RM0.50 each.

Save as disclosed above, there were no other issue, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2014

(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 2014 amounted to RM3,516,132 on 12 June 2014.

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 31 May 2014 RM'000	Current Period to date 31 May 2014 RM'000
Malaysia	682	9,328
Singapore	422	36,698
United Arab Emirates	21,496	100,565
Indonesia	36,653	75,373
Saint Vincent Island	2,039	32,304
Papua New Guinea	3	3
	<u>61,295</u>	<u>254,271</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 31 May 2014 RM'000	Current Period-To-Date 31 May 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	2
Nguong Mee Dockyard Sdn Bhd - Rental of slipway	-	40
	<u>1</u>	<u>42</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 31 MAY 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 RM61.3 million and profit before tax of RM2.3 million for the current quarter ended 31 May 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 2014 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 May 2014	Preceding quarter ended 28 Feb 2014	Variance	
	RM'000	RM'000	RM'000	
Revenue	61,295	114,290	(52,995)	-46%
Profit before tax	2,342	12,280	(9,938)	-81%

The Group recorded lower revenue of RM61.3 million representing a decrease of RM53.0 million or 46% below the preceding quarter. During the preceding 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 decreased by 81% when compared with preceding quarter figures mainly due to the higher profit recognised on the abovementioned vessels during the preceding quarter.

B3. Commentary on prospects

The increase in demand for energy and high resilient crude oil price of about US\$110 per barrel will continue to spur oil majors to maintain if not increase the strong expenditures on exploration and particularly, production. Increase in demand for modern jack-up rigs entering the market will result in needs of more offshore support vessels. Thus, we expect the demand for both platform support vessels and anchor handling tug supply vessels to be strong. We also expect some of these offshore developments to come from Indonesia, Malaysia and Myanmar 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 and demand for offshore support vessels use in shallow water remains firm.

Our built-to-stock business model has propelled the group to a favourable position to meet the market demand for the offshore support vessels and shorter delivery time period required by the buyers.

Our order book remains healthy and we are optimistic of our prospect but will remain cautious in our business operation as the global economic climate remains 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	(245)	4,223
Deferred income tax	55	1,296
Total tax expense	<u>(190)</u>	<u>5,519</u>
Effective tax rate	-8%	16%

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

B6. Group borrowings and debt securities

Total Group's borrowing as at 31 May 2014 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	3,648	3,648
- Revolving credit	32,135	32,135
Total Borrowings	<u>35,783</u>	<u>35,783</u>

B7. 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.

B8. 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.

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

B9. Earnings per share

	Current Quarter ended 31 May 2014	Current Year-to-Date 31 May 2014
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>2,532</u>	<u>28,785</u>
Weighted average number of shares in issue ('000)	<u>175,823</u>	<u>175,823</u>
Basic earnings per share (sen)	1.44	16.37
Diluted earnings per share (sen)	1.44	16.37

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.

B10. Disclosure of realised and unrealised profits/losses

	As At 31 May 2014 RM'000	As At 31 May 2013 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	101,897	78,569
- Unrealised	<u>(616)</u>	<u>814</u>
	101,281	79,383
Less : Consolidation adjustments	<u>(43,335)</u>	<u>(43,189)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>57,946</u>	<u>36,194</u>