



# **TAS OFFSHORE BERHAD**

*(Company No : 810179-T)*

## **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2014**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1 - 2
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5 - 6
NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134)	7 - 9
ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS	10 - 12



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

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2013 RM'000	CURRENT YEAR TO DATE 31 AUG 2014 RM'000	PRECEDING YEAR TO DATE 31 AUG 2013 RM'000
<b>Revenue</b>	76,318	29,644	76,318	29,644
Cost of sales	(68,128)	(23,756)	(68,128)	(23,756)
<b>Gross profit</b>	8,190	5,888	8,190	5,888
Other income	278	5,574	278	5,574
Administrative expenses	(1,724)	(1,197)	(1,724)	(1,197)
<b>Operating profit</b>	6,744	10,265	6,744	10,265
Finance costs	(237)	(47)	(237)	(47)
<b>Profit before tax</b>	6,507	10,218	6,507	10,218
Income tax expense	(1,056)	(1,686)	(1,056)	(1,686)
<b>Profit for the period</b>	5,451	8,532	5,451	8,532
<b>Other comprehensive income / (loss)</b>				
<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	200	(63)	200	(63)
- transfer to profit or loss on disposal	-	-	-	-
Foreign currency translation gain	(396)	701	(396)	701
<b>Total other comprehensive income</b>	(196)	638	(196)	638
<b>Total comprehensive income for the period</b>	5,255	9,170	5,255	9,170
Profit for the period attributable to owners of the Parent	5,451	8,532	5,451	8,532
Total comprehensive income attributable to owners of the Parent	5,255	9,170	5,255	9,170
Earnings per share (sen)				
- Basic	3.10	4.85	3.10	4.85
- Diluted	3.10	4.85	3.10	4.85

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 2014 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 AUG 2014 RM'000	CURRENT YEAR TO DATE 31 AUG 2014 RM'000
Interest income	209	209
Other income including investment income	141	141
Interest expense	359	359
Depreciation & amortization	340	340
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	-	-
Foreign exchange (gain)/loss - realised	(66)	(66)
Foreign exchange (gain)/loss - unrealised	668	668
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2014**

	UNAUDITED AS AT 31 AUG 2014 RM'000	AUDITED AS AT 31 MAY 2014 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	26,025	26,224
Available-for-sale investment	14,685	14,385
	<u>40,710</u>	<u>40,609</u>
<b>Current Assets</b>		
Inventories	70,769	83,928
Amount due from contract customers	122,986	106,394
Trade and other receivables	96,192	102,216
Tax recoverable	34	41
Deposits, cash and bank balances	22,624	22,098
	<u>312,605</u>	<u>314,677</u>
<b>Total Assets</b>	<u><u>353,315</u></u>	<u><u>355,286</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Owners of the Parent</b>		
Share capital	90,001	90,001
Share premium	27,639	27,639
Treasury shares	(1,645)	(1,645)
Reserves	63,947	58,692
<b>Total Equity</b>	<u>179,942</u>	<u>174,687</u>
<b>Non-Current Liabilities</b>		
Retirement benefits	557	557
Deferred tax liabilities	2,964	2,953
	<u>3,521</u>	<u>3,510</u>
<b>Current Liabilities</b>		
Trade and other payables	151,372	136,800
Amount due to contract customers	-	731
Dividend payable	-	3,516
Borrowings	18,455	35,783
Current tax payable	25	259
	<u>169,852</u>	<u>177,089</u>
<b>Total Liabilities</b>	<u>173,373</u>	<u>180,599</u>
<b>Total Equity and Liabilities</b>	<u><u>353,315</u></u>	<u><u>355,286</u></u>
Net assets per share (sen)	<b>99.97</b>	<b>97.05</b>

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 2014 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the period ended 31 August 2014**

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000		
Balance as at 1 June 2014	90,001	27,639	(1,645)	132	614	57,946	174,687
Shares repurchased during the period							-
Profit for the period						5,451	5,451
Other comprehensive income				200	(396)		(196)
Total comprehensive income for the period				200	(396)	5,451	5,255
Balance as at 31 August 2014	90,001	27,639	(1,645)	332	218	63,397	179,942

**For the period ended 31 May 2014**

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign 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

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 2014 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2014**

	CURRENT YEAR TO DATE 31 AUG 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2014 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,507	34,304
Adjustments for:		
Retirement benefits	-	557
Depreciation of property, plant and equipment	340	1,547
Interest expense	358	1,046
Interest income	(209)	(840)
Dividend income	(141)	(428)
Reversal of impairment loss on trade receivables	-	(3,262)
Property, plant and equipment written off	-	5
Loss/(Gain) on disposal of investment	-	(74)
Loss/(Gain) on disposal of property, plant and equipment	-	1
Unrealised foreign exchange (gain)/loss	668	(146)
Loss/(gain) on fair value changes of derivative financial liabilities	-	(36)
Operating profit before changes in working capital	<u>7,523</u>	<u>32,674</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	12,377	(33,644)
(Increase)/Decrease in amount due from contract customers	(17,741)	(52,827)
(Decrease)/Increase in amount due to contract customers	(730)	628
(Increase)/Decrease in trade and other receivables	4,450	(44,445)
Increase/(decrease) in trade and other payables	16,881	86,749
Net cash (used in)/from operations	<u>22,760</u>	<u>(10,865)</u>
Interest received	209	840
Interest paid	(46)	(244)
Tax paid	<u>(1,271)</u>	<u>(5,517)</u>
Net cash (used in)/from operating activities	21,652	(15,786)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	141	428
Proceeds from disposal of available-for-sale investment	-	9,219
Purchase of property, plant and equipment	(141)	(1,466)
Purchase of available-for-sale investment	(100)	(8,233)
Net cash (used in)/from investing activities	<u>(100)</u>	<u>(52)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	(3,516)	(3,517)
Repurchase of shares	-	(32)
Net movements in trade financing	(17,034)	14,284
Repayment of term loans	-	(5)
Net cash used in financing activities	<u>(20,550)</u>	<u>10,730</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	1,002	(5,108)
<b>Cash and cash equivalents at beginning of financial period</b>	18,449	24,183
<b>Effect of foreign exchange rate changes</b>	<u>(225)</u>	<u>(626)</u>
<b>Cash and cash equivalents at the end of financial period</b>	<u>19,226</u>	<u>18,449</u>

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

	CURRENT YEAR TO DATE 31 AUG 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2014 RM'000
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits and cash and bank balances	22,624	22,098
Bank overdrafts	(3,398)	(3,649)
	<u>19,226</u>	<u>18,449</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 2014 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 2014 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 quarter under review.

As at 31 August 2014, the total number of ordinary shares repurchased and retained as treasury shares are 4,195,400 ordinary shares of RM0.50 each.



INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 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 Aug 2014 RM'000	Current Period to date 31 Aug 2014 RM'000
Malaysia	2,813	2,813
Singapore	15,154	15,154
United Arab Emirates	8,073	8,073
Indonesia	29,321	29,321
Saint Vincent Island	20,957	20,957
	<u>76,318</u>	<u>76,318</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 Aug 2014 <b>RM'000</b>	Current Period-To-Date 31 Aug 2014 <b>RM'000</b>
<b>(i)</b> Transaction with companies in which certain directors of the Company have substantial interest :		
Tuong Aik (Sarawak) Sdn Bhd		
- Purchase of marine paint	1	1
	<u>1</u>	<u>1</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 AUGUST 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 RM76.3 million and profit before tax of RM6.5 million for the current quarter ended 31 August 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 Aug 2014 <b>RM'000</b>	Preceding quarter ended 31 May 2014 <b>RM'000</b>	Variance <b>RM'000</b>	
Revenue	76,318	61,295	15,023	25%
Profit before tax	6,507	2,342	4,165	178%

The Group recorded higher revenue of RM76.3 million representing an increase of RM15.0 million or 25% above the preceding quarter. The higher revenue reported in current quarter was attributable to contract revenue recognised on sale of four units of tugboat and one unit of anchor handling tug supply vessel.

Profit before tax increased by 178% when compared with preceding quarter figures mainly due to the higher profit recognised on the abovementioned vessels during the current quarter.

**B3. Commentary on prospects**

The current crude oil price of about US\$85 per barrel will continue to spur oil majors to maintain the expenditures on exploration and particularly, production. Increasing in demand for modern jack-up rigs entering the market will result in needs for more offshore support vessels. Thus, we expect the demand for both platform support vessels and anchor handling tug supply vessels to be strong.

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 that demand for offshore support vessels for the Enhanced Oil Recovery projects which allow optimum extraction of oil resources, will also helps to support the new offshore support vessels market.

Our order book remains healthy and we are optimistic of our prospect but will remain cautious in our business operation.

**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 <b>RM'000</b>	Current Period to date <b>RM'000</b>
Malaysian income tax	1,045	1,045
Deferred income tax	11	11
<b>Total tax expense</b>	<b>1,056</b>	<b>1,056</b>
 Effective tax rate	 16%	 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 August 2014 were as follows:

	Secured <b>RM'000</b>	Total <b>RM'000</b>
1. <u>Short term borrowings</u>		
- Bank overdraft	3,398	3,398
- Revolving credit	15,057	15,057
 <b>Total Borrowings</b>	 <b>18,455</b>	 <b>18,455</b>

**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**

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

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

**B9. Earnings per share**

	Current Quarter ended 31 Aug 2014	Current Year-to-Date 31 Aug 2014
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>5,451</u>	<u>5,451</u>
Weighted average number of shares in issue ('000)	<u>175,807</u>	<u>175,807</u>
Basic earnings per share (sen)	3.10	3.10
Diluted earnings per share (sen)	3.10	3.10

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 Aug 2014 <b>RM'000</b>	As At 31 May 2014 <b>RM'000</b>
Total retained profits / (accumulated losses) of the group		
- Realised	108,024	101,700
- Unrealised	<u>(1,256)</u>	<u>(419)</u>
	106,768	101,281
Less : Consolidation adjustments	<u>(43,371)</u>	<u>(43,335)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>63,397</u>	<u>57,946</u>