



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 NOVEMBER 2014

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 NOVEMBER 2014

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 30 NOV 2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 NOV 2013 RM'000	CURRENT YEAR TO DATE 30 NOV 2014 RM'000	PRECEDING YEAR TO DATE 30 NOV 2013 RM'000
Revenue	51,281	49,042	127,599	78,686
Cost of sales	(47,886)	(37,977)	(116,014)	(61,733)
Gross profit	<u>3,395</u>	<u>11,065</u>	<u>11,585</u>	<u>16,953</u>
Other income	1,451	49	1,729	5,205
Administrative expenses	(511)	(1,547)	(2,235)	(2,326)
Operating profit	<u>4,335</u>	<u>9,567</u>	<u>11,079</u>	<u>19,832</u>
Finance costs	(112)	(104)	(348)	(151)
Profit before tax	<u>4,223</u>	<u>9,463</u>	<u>10,731</u>	<u>19,681</u>
Income tax expense	(72)	(2,198)	(1,129)	(3,884)
Profit for the period	<u>4,151</u>	<u>7,265</u>	<u>9,602</u>	<u>15,797</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	9	29	210	(34)
- transfer to profit or loss on disposal	-	(13)	-	(13)
Foreign currency translation gain	1,549	(166)	1,153	535
Total other comprehensive income	<u>1,558</u>	<u>(150)</u>	<u>1,363</u>	<u>488</u>
Total comprehensive income for the period	<u>5,709</u>	<u>7,115</u>	<u>10,965</u>	<u>16,285</u>
Profit for the period attributable to owners of the Parent	4,151	7,265	9,602	15,797
Total comprehensive income attributable to owners of the Parent	5,709	7,115	10,965	16,285
Earnings per share (sen)				
- Basic	2.36	4.13	5.46	8.98
- Diluted	2.36	4.13	5.46	8.98

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 30 NOV 2014 RM'000	CURRENT YEAR TO DATE 30 NOV 2014 RM'000
Interest income	8	217
Other income including investment income	125	266
Interest expense	121	480
Depreciation & amortization	336	676
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	(337)	(403)
Foreign exchange (gain)/loss - unrealised	(1,116)	(1,116)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2014

	UNAUDITED AS AT 30 NOV 2014 RM'000	AUDITED AS AT 31 MAY 2014 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	25,769	26,224
Available-for-sale investment	14,777	14,385
	<u>40,546</u>	<u>40,609</u>
Current Assets		
Inventories	87,068	83,928
Amount due from contract customers	124,386	106,394
Trade and other receivables	60,743	102,216
Tax recoverable	813	41
Deposits, cash and bank balances	25,089	22,098
	<u>298,099</u>	<u>314,677</u>
Total Assets	<u><u>338,645</u></u>	<u><u>355,286</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	(1,655)	(1,645)
Reserves	69,657	58,692
Total Equity	<u>185,642</u>	<u>174,687</u>
Non-Current Liabilities		
Retirement benefits	557	557
Deferred tax liabilities	2,690	2,953
	<u>3,247</u>	<u>3,510</u>
Current Liabilities		
Trade and other payables	120,318	136,800
Amount due to contract customers	-	731
Dividend payable	-	3,516
Borrowings	29,406	35,783
Current tax payable	32	259
	<u>149,756</u>	<u>177,089</u>
Total Liabilities	<u>153,003</u>	<u>180,599</u>
Total Equity and Liabilities	<u><u>338,645</u></u>	<u><u>355,286</u></u>
Net assets per share (RM)	1.03	0.97

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 30 November 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			(10)				(10)
Profit for the period						9,602	9,602
Other comprehensive income				210	1,153		1,363
Total comprehensive income for the period				210	1,153	9,602	10,965
Balance as at 30 November 2014	90,001	27,639	(1,655)	342	1,767	67,548	185,642

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 30 NOVEMBER 2014

	CURRENT YEAR TO DATE 30 NOV 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2014 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,731	34,304
Adjustments for:		
Retirement benefits	-	557
Depreciation of property, plant and equipment	676	1,547
Interest expense	480	1,046
Interest income	(217)	(840)
Dividend income	(266)	(428)
Reversal of impairment loss on trade receivables	-	(3,262)
Property, plant and equipment written off	6	5
Loss/(Gain) on disposal of investment	-	(74)
Loss/(Gain) on disposal of property, plant and equipment	-	1
Unrealised foreign exchange (gain)/loss	(1,116)	(146)
Loss/(gain) on fair value changes of derivative financial liabilities	-	(36)
Operating profit before changes in working capital	10,294	32,674
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(790)	(33,644)
(Increase)/Decrease in amount due from contract customers	(14,993)	(52,827)
(Decrease)/Increase in amount due to contract customers	928	628
(Increase)/Decrease in trade and other receivables	44,563	(44,445)
Increase/(decrease) in trade and other payables	(21,841)	86,749
Net cash (used in)/from operations	18,161	(10,865)
Interest received	217	840
Interest paid	(87)	(244)
Tax paid	(2,392)	(5,517)
Net cash (used in)/from operating activities	15,899	(15,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	266	428
Proceeds from disposal of available-for-sale investment	-	9,219
Purchase of property, plant and equipment	(227)	(1,466)
Purchase of available-for-sale investment	(183)	(8,233)
Net cash (used in)/from investing activities	(144)	(52)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	(3,516)	(3,517)
Repurchase of shares	(9)	(32)
Net movements in trade financing	(7,107)	14,284
Repayment of term loans	-	(5)
Net cash used in financing activities	(10,632)	10,730
Net (decrease)/increase in cash and cash equivalents	5,123	(5,108)
Cash and cash equivalents at beginning of financial period	18,449	24,183
Effect of foreign exchange rate changes	403	(626)
Cash and cash equivalents at the end of financial period	23,975	18,449

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 NOVEMBER 2014 (CONT'D)

	CURRENT YEAR TO DATE 30 NOV 2014 RM'000	PRECEDING YEAR TO DATE 31 MAY 2014 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	25,089	22,098
Bank overdrafts	(1,114)	(3,649)
	<u>23,975</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

For the period ended 30 November 2014, 10,000 ordinary shares of RM0.50 each were repurchased from the open market at an average price of RM0.937 per share. The total consideration paid for the repurchase including transaction costs amounted to RM9,369 was funded by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 November 2014, the total number of ordinary shares repurchased and retained as treasury shares are 4,205,400 ordinary shares of RM0.50 each.

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

(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 30 Nov 2014 RM'000	Current Period to date 30 Nov 2014 RM'000
Malaysia	3,651	6,464
Singapore	576	15,730
United Arab Emirates	744	8,817
Indonesia	14,584	43,905
Saint Vincent Island	31,726	52,683
	<u>51,281</u>	<u>127,599</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 30 Nov 2014 RM'000	Current Period-To-Date 30 Nov 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
	<u>-</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 30 NOVEMBER 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 RM51.3 million and profit before tax of RM4.2 million for the current quarter ended 30 November 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 30 Nov 2014 RM'000	Preceding quarter ended 31 Aug 2014 RM'000	Variance RM'000	
Revenue	51,281	76,318	(25,037)	-33%
Profit before tax	4,223	6,507	(2,284)	-35%

The Group recorded lower revenue of RM51.3 million representing a decrease of RM25.0 million or 33% below the preceding quarter. The higher revenue reported in preceding 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 decreased by 35% 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 fall in oil price by over 40% over the past few months has affected the oil and gas industries adversely. With current crude oil price of about US\$60 per barrel as compared to above US\$100 per barrel a few months back, some of the oil majors have indicated that they are going to cut down their capital expenditures by about 20% or more in year 2015. With the OPEC, United States and other oil producing countries unwilling to cut down their production, it is going to put further pressure on the oil price.

In the short term, we foresee a fall in demand for oil and gas vessels. However, in the long term, we expect the demand for oil to increase and oil price to recover when the less efficient producers are forced out and production stabilises by market forces.

We are cautiously optimistic in the long term outlook that demands for both the offshore support vessels with higher technical specifications suitable for deep sea operation and offshore support vessels for the Enhanced Oil Recovery projects which allow optimum extraction of oil resources, will help to support the new offshore support vessels market.

We are positive of our prospect and remain cautious in our 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 RM'000	Current Period to date RM'000
Malaysian income tax	346	1,391
Deferred income tax	(273)	(262)
Total tax expense	<u>73</u>	<u>1,129</u>
 Effective tax rate	 2%	 11%

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 30 November 2014 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	1,114	1,114
- Revolving credit	26,633	26,633
 Total Borrowings	 <u>27,747</u>	 <u>27,747</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

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 30 Nov 2014	Current Year-to-Date 30 Nov 2014
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>4,151</u>	<u>9,602</u>
Weighted average number of shares in issue ('000)	<u>175,801</u>	<u>175,801</u>
Basic earnings per share (sen)	2.36	5.46
Diluted earnings per share (sen)	2.36	5.46

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 30 Nov 2014 RM'000	As At 31 May 2014 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	110,165	101,700
- Unrealised	<u>790</u>	<u>(419)</u>
	110,955	101,281
Less : Consolidation adjustments	<u>(43,407)</u>	<u>(43,335)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>67,548</u>	<u>57,946</u>