



# **TAS OFFSHORE BERHAD**

*(Company No : 810179-T)*

## **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 NOVEMBER 2015**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 NOVEMBER 2015**

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 30 NOV 2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 NOV 2014 RM'000	CURRENT YEAR TO DATE 30 NOV 2015 RM'000	PRECEDING YEAR TO DATE 30 NOV 2014 RM'000
<b>Revenue</b>	36,330	51,281	111,848	127,599
Cost of sales	(33,720)	(47,886)	(104,025)	(116,014)
<b>Gross profit</b>	<u>2,610</u>	<u>3,395</u>	<u>7,823</u>	<u>11,585</u>
Other income	738	1,451	7,344	1,729
Administrative expenses	(1,083)	(511)	(2,228)	(2,235)
<b>Operating profit</b>	<u>2,265</u>	<u>4,335</u>	<u>12,939</u>	<u>11,079</u>
Finance costs	(249)	(112)	(515)	(348)
<b>Profit before tax</b>	<u>2,016</u>	<u>4,223</u>	<u>12,424</u>	<u>10,731</u>
Income tax expense	(349)	(72)	(2,028)	(1,129)
<b>Profit for the period</b>	<u>1,667</u>	<u>4,151</u>	<u>10,396</u>	<u>9,602</u>
<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	635	9	386	210
- transfer to profit or loss on disposal	-	-	-	-
Foreign currency translation gain	826	1,549	6,486	1,153
<b>Total other comprehensive income</b>	<u>1,461</u>	<u>1,558</u>	<u>6,872</u>	<u>1,363</u>
<b>Total comprehensive income for the period</b>	<u>3,128</u>	<u>5,709</u>	<u>17,268</u>	<u>10,965</u>
Profit for the period attributable to owners of the Parent	1,667	4,151	10,396	9,602
Total comprehensive income attributable to owners of the Parent	3,128	5,709	17,268	10,965
Earnings per share (sen)				
- Basic	0.95	2.36	5.92	5.46
- Diluted	0.95	2.36	5.92	5.46

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 2015 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 2015 RM'000	CURRENT YEAR TO DATE 30 NOV 2015 RM'000
Interest income	3	24
Other income including investment income	97	153
Interest expense	270	589
Depreciation & amortization	454	905
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	(2,569)	(5,000)
Foreign exchange (gain)/loss - unrealised	(2,308)	(2,308)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2015**

	UNAUDITED AS AT 30 NOV 2015 RM'000	AUDITED AS AT 31 MAY 2015 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	24,589	24,811
Available-for-sale investment	25,746	15,207
Deferred tax assets	17	17
	50,352	40,035
<b>Current Assets</b>		
Inventories	276,829	167,987
Amount due from contract customers	223,591	160,736
Trade and other receivables	40,703	87,693
Tax recoverable	2,494	2,852
Deposits, cash and bank balances	19,681	26,810
	563,298	446,078
<b>Total Assets</b>	<b>613,650</b>	<b>486,113</b>
<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	(1,773)	(1,661)
Reserves	92,529	75,261
<b>Total Equity</b>	<b>208,396</b>	<b>191,240</b>
<b>Non-Current Liabilities</b>		
Bank borrowings	229	-
Retirement benefits	696	696
Deferred tax liabilities	3,392	3,044
	4,317	3,740
<b>Current Liabilities</b>		
Trade and other payables	364,714	248,801
Bank borrowings	36,187	42,311
Current tax payable	36	21
	400,937	291,133
<b>Total Liabilities</b>	<b>405,254</b>	<b>294,873</b>
<b>Total Equity and Liabilities</b>	<b>613,650</b>	<b>486,113</b>
 Net assets per share (RM)	<b>1.19</b>	<b>1.09</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 2015 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 2015**

	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 2015	90,001	27,639	(1,661)	633	4,138	70,490	191,240
Shares repurchased during the period			(112)				(112)
Profit for the period						10,396	10,396
Other comprehensive income				386	6,486		6,872
Total comprehensive income for the period				386	6,486	10,396	17,268
Balance as at 30 November 2015	90,001	27,639	(1,773)	1,019	10,624	80,886	208,396

**For the period ended 31 May 2015**

	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	613	57,947	174,687
Shares repurchased during the period			(16)				(16)
Profit for the period						12,543	12,543
Other comprehensive income				501	3,525		4,026
Total comprehensive income for the period				501	3,525	12,543	16,569
Balance as at 31 May 2015	90,001	27,639	(1,661)	633	4,138	70,490	191,240

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 2015 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 NOVEMBER 2015**

	CURRENT YEAR TO DATE 30 NOV 2015 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2015 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,424	12,932
Adjustments for:		
Defined benefit obligations	-	139
Depreciation of property, plant and equipment	905	1,747
Interest expense	589	1,231
Interest income	(24)	(234)
Dividend income	(153)	(598)
Property, plant and equipment written off	-	10
Loss/(Gain) on disposal of property, plant and equipment	(9)	-
Unrealised foreign exchange (gain)/loss	(2,308)	(1,177)
Operating profit before changes in working capital	11,424	14,050
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(79,642)	(72,993)
(Increase)/Decrease in amount due from contract customers	(37,795)	(42,068)
(Decrease)/Increase in amount due to contract customers	-	(731)
(Increase)/Decrease in trade and other receivables	52,775	21,575
Increase/(decrease) in trade and other payables	67,879	89,734
Net cash (used in)/from operations	14,641	9,567
Interest received	24	234
Interest paid	(12)	(156)
Tax refunded	-	241
Tax paid	(1,311)	(3,608)
Net cash (used in)/from operating activities	13,342	6,278
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend Received	153	598
Proceeds from disposal of available-for-sale investment	2,000	2,913
Proceeds from disposal of property, plant and equipment	9	-
Purchase of property, plant and equipment	(683)	(345)
Purchase of available-for-sale investment	(12,153)	(3,233)
Net cash (used in)/from investing activities	(10,674)	(67)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend Paid	-	(3,516)
Repurchase of shares	(112)	(16)
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(10,965)	3,571
Interest paid on bankers' acceptances and revolving credit	(570)	(1,075)
Net movement in hire purchase payable	358	-
Hire purchase interest paid	(6)	-
Net cash used in financing activities	(11,295)	(1,036)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,627)</b>	<b>5,175</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>24,290</b>	<b>18,449</b>
<b>Effect of foreign exchange rate changes</b>	<b>2,256</b>	<b>666</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b>17,919</b>	<b>24,290</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 NOVEMBER 2015 (CONT'D)**

	CURRENT YEAR TO DATE 30 NOV 2015 <b>RM'000</b>	PRECEDING YEAR TO DATE 31 MAY 2015 <b>RM'000</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits and cash and bank balances	19,681	26,810
Bank overdrafts	(1,762)	(2,520)
	<u>17,919</u>	<u>24,290</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 NOVEMBER 2015

**(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").

The Group has applied the following new MFRSs and amendments to MFRSs that have been issued by MASB and are effective for annual periods beginning on or after 1 July 2014.

- Amendments to MFRS 119 - Defined Benefit Plans : Employee Contributions
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2010 - 2012 Cycle"
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2011 - 2013 Cycle"

The initial application of the above new MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group.

The Group has not early adopted the following new MFRSs and amendments to MFRSs that are not yet effective :-

***Effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 - Agriculture : Bearer Plants
- Amendments to MFRS 127 - Equity Method in Separate Financial Statements
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

***Effective for annual periods beginning on or after 1 January 2017***

- MFRS 15, Revenue from Contracts with Customers

***Effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

***Effective date deferred to a date to be announced***

- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new MFRSs and amendments that are applicable once they become effective. The adoption of the above new MFRSs and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group.

**A2. 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 2015 were not qualified.



INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 NOVEMBER 2015

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

**A3. 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.

**A4. 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.

**A5. Material changes in estimates**

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

**A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities**

For the period ended 30 November 2015, 10,000 ordinary shares of RM0.50 each were repurchased from the open market at an average price of RM0.76 per share. The total consideration paid for the repurchase including transaction costs amounted to RM7,608 was funded by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 30 November 2015, the total number of ordinary shares repurchased and retained as treasury shares are 4,395,400 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.

**A7. Dividends**

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

**A8. 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 2015 <b>RM'000</b>	Current Period to date 30 Nov 2015 <b>RM'000</b>
Malaysia	12,631	14,469
Singapore	154	2,378
Egypt	49,192	57,204
Indonesia	263	1,878
Saint Vincent Island	(25,910)	35,919
	<u>36,330</u>	<u>111,848</u>

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

**A9. 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.

**A10. Capital commitments**

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

**A11. 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.

**A12. 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.

**A13. Contingent Liabilities and Contingent Assets**

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

**A14. 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 2015 RM'000	Current Period-To-Date 30 Nov 2015 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	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 30 NOVEMBER 2015

**(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 RM36.3 million and profit before tax of RM2.0 million for the current quarter ended 30 November 2015.

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 2015 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 2015 <b>RM'000</b>	Preceding quarter ended 31 Aug 2015 <b>RM'000</b>	Variance <b>RM'000</b>	
Revenue	36,330	75,518	(39,188)	-52%
Profit before tax	2,016	10,408	(8,392)	-81%

The Group recorded lower revenue of RM36.3 million representing a decrease of RM39.2 million or 52% lower than the preceding quarter. The lower revenue reported in current quarter was attributable to slowdowns in shipbuilding activities which had affected the revenue recognition on projects on hand.

Profit before tax decreased by 81% when compared with preceding quarter figures mainly due to the significant amount of gain on foreign exchange recorded during preceding quarter as United States Dollar and Singapore Dollar strengthened.

**B3. Commentary on prospects**

The unwillingness of oil producing nations to reduce their production, coupled with the impending return of Iran to the oil market and a lower global demand for oil, has resulted in a glut of oil supply and the current depressing oil price of about US\$30 per barrel.

As the offshore support vessel (OSV) market depends highly on the price of oil, the slump in oil price since the second half of 2014, has resulted in the reduction in demand for the OSV and lower charter rates. The number of oil rig being deployed had also fallen substantially and this had affected the demand for anchor handling tug supply vessels (AHTS). Thus, we expect, in the short term, the demand for both platform support vessels and anchor handling tug supply vessels to remain weak.

However, in the long term, we expect the oil price to recover due to the increase in demand for energy when industrial activities increase in tandem with the population growth. Thus, we are cautiously optimistic that in the long term outlook the 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 return.

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	538	1,680
Deferred income tax	(189)	348
Total tax expense	<u>349</u>	<u>2,028</u>
Effective tax rate	17%	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 30 November 2015 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	1,762	1,762
- Revolving credit	34,296	34,296
- Hire purchase	129	129
2. <u>Long term borrowings</u>		
- Hire purchase	229	229
<b>Total Borrowings</b>	<u>34,654</u>	<u>34,654</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 2015	Current Year-to-Date 30 Nov 2015
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>1,667</u>	<u>10,396</u>
Weighted average number of shares in issue ('000)	<u>175,637</u>	<u>175,637</u>
Basic earnings per share (sen)	0.95	5.92
Diluted earnings per share (sen)	0.95	5.92

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 2015 <b>RM'000</b>	As At 31 May 2015 <b>RM'000</b>
Total retained profits / (accumulated losses) of the group		
- Realised	123,189	113,479
- Unrealised	<u>1,249</u>	<u>491</u>
	124,438	113,970
Less : Consolidation adjustments	<u>(43,552)</u>	<u>(43,480)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>80,886</u>	<u>70,490</u>