



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2016

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 AUGUST 2016

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2015 RM'000	CURRENT YEAR TO DATE 31 AUG 2016 RM'000	PRECEDING YEAR TO DATE 31 AUG 2015 RM'000
Revenue	2,245	75,518	2,245	75,518
Cost of sales	(1,762)	(70,305)	(1,762)	(70,305)
Gross profit/(loss)	483	5,213	483	5,213
Other income	34	6,606	34	6,606
Administrative expenses	(1,289)	(1,144)	(1,289)	(1,144)
Operating profit/(loss)	(772)	10,675	(772)	10,675
Finance costs	(280)	(267)	(280)	(267)
Profit/(loss) before tax	(1,052)	10,408	(1,052)	10,408
Income tax expense	(78)	(1,678)	(78)	(1,678)
Profit/(Loss) for the period	(1,130)	8,730	(1,130)	8,730
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	312	(249)	312	(249)
- transfer to profit or loss on disposal	(159)	-	(159)	-
Foreign currency translation gain	(402)	5,660	(402)	5,660
Total other comprehensive income / (loss)	(249)	5,411	(249)	5,411
Total comprehensive income / (loss) for the period	(1,379)	14,141	(1,379)	14,141
Profit / (loss) for the period attributable to owners of the Parent	(1,130)	8,730	(1,130)	8,730
Total comprehensive income / (loss) attributable to owners of the Parent	(1,379)	14,141	(1,379)	14,141
Earnings per share (sen)				
- Basic	(0.64)	4.97	(0.64)	4.97
- Diluted	(0.64)	4.97	(0.64)	4.97

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 2016 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 2016 RM'000	CURRENT YEAR TO DATE 31 AUG 2016 RM'000
Interest income	29	29
Other income including investment income	311	311
Interest expense	280	280
Depreciation & amortization	443	443
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	-	-
Impairment loss on trade and other receivable	-	-
Foreign exchange (gain)/loss - realised	(4)	(4)
Foreign exchange (gain)/loss - unrealised	319	319
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2016

	UNAUDITED AS AT 31 AUG 2016 RM'000	AUDITED AS AT 31 MAY 2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	23,386	23,796
Available-for-sale investment	26,274	26,014
Deferred tax assets	20	20
	<u>49,680</u>	<u>49,830</u>
Current Assets		
Inventories	434,798	407,972
Amount due from contract customers	17,348	56,744
Trade and other receivables	57,458	30,190
Tax recoverable	231	2,906
Deposits, cash and bank balances	16,717	26,398
	<u>526,552</u>	<u>524,210</u>
Total Assets	<u>576,232</u>	<u>574,040</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	(1,777)	(1,777)
Reserves	55,931	57,310
Total Equity	<u>171,794</u>	<u>173,173</u>
Non-Current Liabilities		
Bank borrowings	128	162
Retirement benefits	845	845
Deferred tax liabilities	2,188	2,200
	<u>3,161</u>	<u>3,207</u>
Current Liabilities		
Trade and other payables	368,613	364,406
Bank borrowings	32,458	33,048
Current tax payable	206	206
	<u>401,277</u>	<u>397,660</u>
Total Liabilities	<u>404,438</u>	<u>400,867</u>
Total Equity and Liabilities	<u>576,232</u>	<u>574,040</u>
 Net assets per share (RM)	 0.9783	 0.9860

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 2016 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 2016

	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 2016	90,001	27,639	(1,777)	983	7,698	48,629	173,173
Shares repurchased during the period							-
Profit/(loss) for the period						(1,130)	(1,130)
Other comprehensive income				153	(402)		(249)
Total comprehensive income for the period				153	(402)	(1,130)	(1,379)
Balance as at 31 August 2016	90,001	27,639	(1,777)	1,136	7,296	47,499	171,794

For the period ended 31 May 2016

	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	(1,662)	633	4,139	70,489	191,239
Shares repurchased during the period			(115)				(115)
Profit for the period						(21,860)	(21,860)
Other comprehensive income				350	3,559		3,909
Total comprehensive income for the period				350	3,559	(21,860)	(17,951)
Balance as at 31 May 2016	90,001	27,639	(1,777)	983	7,698	48,629	173,173

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2016

	CURRENT YEAR TO DATE 31 AUG 2016 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(1,052)	(21,221)
Adjustments for:		
Defined benefit obligations	-	149
Depreciation of property, plant and equipment	443	1,836
Interest expense	280	1,264
Interest income	(29)	(35)
Dividend income	(311)	(622)
Property, plant and equipment written off	-	3
Loss/(Gain) on disposal of available-for-sale financial assets	-	(8)
Impairment loss on trade and other receivable	-	17,121
Deposit forfeited	-	170
Loss/(Gain) on disposal of property, plant and equipment	-	(8)
Unrealised foreign exchange (gain)/loss	319	(1,689)
Operating profit before changes in working capital	<u>(350)</u>	<u>(3,040)</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(33,461)	(211,125)
(Increase)/Decrease in amount due from contract customers	39,090	114,512
(Increase)/Decrease in trade and other receivables	(27,915)	43,777
Increase/(decrease) in trade and other payables	10,710	79,651
Net cash from operations	<u>(11,926)</u>	<u>23,775</u>
Interest received	29	35
Interest paid	-	(19)
Tax refunded	2,812	51
Tax paid	(227)	(1,408)
Net cash from operating activities	<u>(9,312)</u>	<u>22,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	311	622
Proceeds from disposal of available-for-sale investment	9,000	2,000
Proceeds from disposal of property, plant and equipment	-	12
Purchase of property, plant and equipment	(33)	(428)
Purchase of available-for-sale investment	(9,107)	(12,449)
Net cash used in investing activities	<u>171</u>	<u>(10,243)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	-	(115)
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	-	(10,879)
Interest paid on bankers' acceptances and revolving credit	(276)	(1,232)
Payments of hire-purchase instalments	(36)	(119)
Net cash used in financing activities	<u>(312)</u>	<u>(12,345)</u>
Net (decrease)/increase in cash and cash equivalents	(9,453)	(154)
Cash and cash equivalents at beginning of financial period	26,398	24,290
Effect of foreign exchange rate changes	(228)	2,262
Cash and cash equivalents at the end of financial period	<u>16,717</u>	<u>26,398</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2016 (CONT'D)

	CURRENT YEAR TO DATE 31 AUG 2016 RM'000	PRECEDING YEAR TO DATE 31 MAY 2016 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	16,717	26,398
Bank overdrafts	-	-
	<u>16,717</u>	<u>26,398</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 2016 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2016

(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 January 2016.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 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 2017

- Amendments to MFRS 107 - Disclosure Initiative
- Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

- MFRS 15, Revenue from Contracts with Customers
- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- Clarifications to MFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

Effective for annual periods beginning on or after a date to be determined by the MASB

- 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 2016 were not qualified.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2016

(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

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

As at 31 August 2016, the total number of ordinary shares repurchased and retained as treasury shares are 4,405,400 ordinary shares of RM0.50 each.

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 31 Aug 2016 RM'000	Current Period to date 31 Aug 2016 RM'000
Malaysia	524	524
Singapore	715	715
Indonesia	396	396
Saint Vincent Island	610	610
	<u>2,245</u>	<u>2,245</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

On 1 July 2016, the Company acquired the entire share capital of a shelf company, TAS Epic Sdn Bhd ("TAS Epic") comprising 2 ordinary shares of RM1 each for a total cash consideration of RM2.

TAS Epic is a company incorporated in Malaysia under the Companies Act, 1965 with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1 each and a paid up capital of RM2. TAS EPIC has not commenced operation since its incorporation.

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

There were no related parties transaction during the financial period under review.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2016

(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 RM2.2 million for the current quarter ended 31 August 2016. The Group suffered loss before tax of RM1.0 million for the quarter under review.

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 2016 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 2016 RM'000	Preceding quarter ended 31 May 2016 RM'000	Variance RM'000	
Revenue	2,245	(6,489)	8,734	135%
Profit/(Loss) before tax	(1,052)	(20,115)	19,063	95%

The negative revenue recorded in preceding quarter was due to price adjustment for vessel sold.

Loss before tax decreased by 95% when compared with preceding quarter figures. The losses recorded in preceding quarter was mainly due to price adjustment for vessel sold and impairment loss on other receivable.

B3. Commentary on prospects

The decision by OPEC to reduce the production of oil in their September meeting had helped to push the oil price to about US\$50 per barrel. With Iran's current oil production almost reaching the pre-sanctions level, any decision made by them in sync with the OPEC's decision will help to further stabilise the current oil price.

However, the global economy remains weak and the recent increase in the number of oil rigs being redeployed in the USA in response to the movement in oil price may put a dent to the sustainability of the upward movement of oil price in the short term. In the long term, we envisage the oil price to recover due to the increase in demand for energy when industrial and development activities increase in tandem with the population growth and thus, the demand for offshore support vessels to return.

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

Income tax expense:	Current Quarter RM'000	Current Period to date RM'000
Current tax	90	90
Deferred tax expense/(income)	(12)	(12)
Total tax expense	<u>78</u>	<u>78</u>
Effective tax rate	-7%	-7%

B6. Group borrowings and debt securities

Total Group's borrowing as at 31 August 2016 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Revolving credit	32,324	32,324
- Hire purchase	134	134
2. <u>Long term borrowings</u>		
- Hire purchase	128	128
Total Borrowings	<u>32,586</u>	<u>32,586</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 is 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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2016

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

B9. Earnings per share

	Current Quarter ended 31 Aug 2016	Current Year-to-Date 31 Aug 2016
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>(1,130)</u>	<u>(1,130)</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	(0.64)	(0.64)
Diluted earnings per share (sen)	(0.64)	(0.64)

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 2016 RM'000	As At 31 May 2016 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	91,368	90,452
- Unrealised	<u>(299)</u>	<u>1,710</u>
	91,069	92,162
Less : Consolidation adjustments	<u>(43,570)</u>	<u>(43,533)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>47,499</u>	<u>48,629</u>