

TEKALA CORPORATION BERHAD

(Company no. 357125-D)

(Incorporated in Malaysia)

Interim Financial Report

For The Fourth Quarter Ended 31 March 2012

TEKALA CORPORATION BERHAD (357125-D)
Interim financial report for the fourth quarter ended 31 March 2012

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Condensed Consolidated Statement of Comprehensive Income

	Note	Individual Quarter		Financial Year-to-date	
		3 months ended		12 months ended	
		31/03/2012	31/03/2011	31/03/2012	31/03/2011
		RM'000	RM'000	RM'000	RM'000
Revenue	8	13,703	29,509	105,948	130,944
Cost of sales		(14,036)	(23,693)	(85,488)	(106,042)
Gross profit/(loss)		(333)	5,816	20,460	24,902
Other income		1,129	1,355	6,236	6,089
Distribution costs		(93)	(213)	(575)	(1,030)
Other expenses		1,264	(797)	(1,187)	(1,039)
Impairment losses	13	-	-	(67,442)	-
Administrative expenses		(4,242)	(3,805)	(12,755)	(12,081)
Profit/(Loss) from operations		(2,275)	2,356	(55,263)	16,841
Interest on fixed deposits		56	185	428	728
Finance costs		(820)	(1,352)	(3,710)	(4,814)
Share of results of an associate	16	-	(19,000)	-	(59,408)
Loss before taxation		(3,039)	(17,811)	(58,545)	(46,653)
Income tax expense	14	(8)	(4)	(91)	(113)
Loss for the period		(3,047)	(17,815)	(58,636)	(46,766)
Other comprehensive income, net of tax:		-	-	-	-
Total comprehensive income for the period		(3,047)	(17,815)	(58,636)	(46,766)
Loss attributable to:					
Owners of the Company		(3,047)	(19,296)	(36,360)	(53,508)
Non-controlling interests		-	1,481	(22,276)	6,742
		(3,047)	(17,815)	(58,636)	(46,766)
Total comprehensive income attributable to:					
Owners of the Company		(3,047)	(19,296)	(36,360)	(53,508)
Non-controlling interests		-	1,481	(22,276)	6,742
		(3,047)	(17,815)	(58,636)	(46,766)
Loss per share attributable to owners of the Company:	15	Sen	Sen	Sen	Sen
- Basic/Diluted		(2.18)	(13.69)	(25.89)	(37.76)

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

TEKALA CORPORATION BERHAD (357125-D)

Interim financial report for the fourth quarter ended 31 March 2012

Condensed Consolidated Statement of Financial Position

ASSETS	Note	AS AT 31/03/2012 RM'000	AS AT 31/03/2011 RM'000
Non-current Assets			
Property, plant and equipment		115,247	180,078
Investment in an associate	16	-	-
Other investments		125	125
		<u>115,372</u>	<u>180,203</u>
Current Assets			
Inventories		20,671	18,973
Trade receivables		4,677	4,118
Other receivables		6,197	1,825
Prepayments		468	528
Tax refundable		202	808
Short-term investments		1,027	5,263
Fixed deposits		6,850	28,390
Cash and bank balances		2,665	846
		<u>42,757</u>	<u>60,751</u>
Total Assets		<u>158,129</u>	<u>240,954</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		152,983	152,983
Reserves		(42,401)	(4,474)
Treasury shares	7	(9,384)	(8,925)
		<u>101,198</u>	<u>139,584</u>
Non-controlling Interests		-	36,619
Total Equity		<u>101,198</u>	<u>176,203</u>
Non-current Liability			
Bank borrowings	18	25,484	41,938
Deferred tax liabilities		499	499
		<u>25,983</u>	<u>42,437</u>
Current Liabilities			
Trade payables		2,833	3,445
Other payables		5,790	2,093
Bank borrowings	18	22,325	16,776
Income tax payable		-	-
		<u>30,948</u>	<u>22,314</u>
Total Liabilities		<u>56,931</u>	<u>64,751</u>
Total Equity and Liabilities		<u>158,129</u>	<u>240,954</u>
Net assets per share attributable to owners of the Company (RM)		0.72	0.99

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Changes in Equity

	< -----Attributable to owners of the Company----- >							
	<u>Non-distributable</u>				<u>Distributable</u>			
Note	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Other Reserves RM'000	(Accumulated Losses)/ Retained Profits RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 April 2010	152,983	16,549	(7,523)	23,279	14,760	200,048	29,992	230,040
Total comprehensive income for the period	-	-	-	-	(53,508)	(53,508)	6,742	(46,766)
Purchase of treasury shares	-	-	(1,402)	-	-	(1,402)	-	(1,402)
Dividend	-	-	-	-	(5,669)	(5,669)	-	(5,669)
Pursuant to subscription of additional shares in a subsidiary					115	115	(115)	-
At 31 March 2011	<u>152,983</u>	<u>16,549</u>	<u>(8,925)</u>	<u>23,279</u>	<u>(44,302)</u>	<u>139,584</u>	<u>36,619</u>	<u>176,203</u>
At 1 April 2011	152,983	16,549	(8,925)	23,279	(44,302)	139,584	36,619	176,203
Total comprehensive income for the period	-	-	-	-	(36,360)	(36,360)	(22,276)	(58,636)
Purchase of treasury shares 7	-	-	(459)	-	-	(459)	-	(459)
Arising from acquisition of non-controlling interest	-	-	-	1,242	-	1,242	(14,343)	(13,101)
Dividend					(2,809)	(2,809)		(2,809)
At 31 March 2012	<u>152,983</u>	<u>16,549</u>	<u>(9,384)</u>	<u>24,521</u>	<u>(83,471)</u>	<u>101,198</u>	<u>-</u>	<u>101,198</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

Condensed Consolidated Statement of Cash Flows

	12 months ended	
	31/03/2012	31/03/2011
	RM'000	RM'000
Cash flows from operating activities		
Loss before taxation	(58,545)	(46,653)
Adjustments for:		
Depreciation of property, plant and equipment	6,035	9,528
Dividend income	(23)	(184)
Equipment scrapped	1	2
Finance cost	3,710	4,814
Gain on disposal of short-term investments	(33)	(17)
Gain on disposal of plant and equipment	(134)	(67)
Interest on fixed deposits	(428)	(728)
Impairment loss of vessel	57,618	-
Impairment loss of receivables	9,824	-
Share of results of an associate	-	59,408
Unrealised loss/(gain) on foreign exchange	1,859	(4,293)
Operating profit before working capital changes	<u>19,884</u>	<u>21,810</u>
(Increase)/decrease in inventories	(1,698)	2,749
Increase in receivables	(14,660)	(837)
Decrease in payables	(2,071)	(5,221)
Cash generated from operations	<u>1,455</u>	<u>18,501</u>
Income tax paid	(214)	(40)
Income tax refunded	750	1,027
Net cash generated from operating activities	<u>1,991</u>	<u>19,488</u>
Cash flows from investing activities		
Dividend income	23	184
Interest on fixed deposits received	426	713
Part payment for acquisition of non-controlling interest	(7,850)	-
Proceeds from disposal of plant and equipment	137	116
Purchase of property, plant and equipment	(192)	(1,295)
Net cash used in investing activities	<u>(7,456)</u>	<u>(282)</u>
Cash flows from financing activities		
Dividend paid	(2,809)	(5,669)
Finance cost	(3,710)	(4,814)
Proceeds from short-term borrowings	5,336	-
Purchase of treasury shares	(459)	(1,402)
Repayment of bank borrowings	(16,850)	(22,682)
Net cash used in financing activities	<u>(18,492)</u>	<u>(34,567)</u>
Net decrease in cash and cash equivalents	(23,957)	(15,361)
Cash and cash equivalents at beginning of financial year	34,499	49,860
Cash and cash equivalents at end of financial year	<u>17 10,542</u>	<u>34,499</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2011 and the accompanying explanatory notes attached to the interim financial report.

(A) Notes to the interim financial report

1) Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the requirement of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 March 2011. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2011.

2) Accounting Policies

The accounting policies and presentation adopted for the interim financial reporting are consistent with those adopted for the audited financial statements for the year ended 31 March 2011.

Further, the Group has adopted applicable financial reporting standards and interpretations which are effective in respect of the current financial year.

3) Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company for the preceding financial year ended 31 March 2011 was not subject to any qualification.

4) Seasonal and cyclical factors

The Group's operations are not seasonal and cyclical in nature.

5) Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period under review.

6) Changes in estimates of amounts reported

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or the prior financial year that have a material effect in the interim period under review.

7) Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period under review except for the following:

Share Buy-back

During the interim period, the Company repurchased 837,000 of its issued ordinary shares from the open market at an average price of RM0.55 per share. The total consideration paid for the repurchase including transaction costs was RM459,436 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

As at 31 March 2012, 13,003,000 out of the total 152,983,300 issued and fully paid ordinary shares were held as treasury shares by the Company and the total consideration paid including transaction costs was RM9,384,444. The number of outstanding ordinary shares in issue and fully paid is therefore 139,980,300 ordinary shares of RM1 each.

8) Segmental information

Business Segments

	12 months ended 31 March 2012					
	Timber processing RM'000	Oil and Gas RM'000	Investment holding RM'000	Others RM'000	Elimination /adjustment RM'000	Consolidated RM'000
Revenue						
External	83,766	22,182	-	-	-	105,948
Inter-segment	-	-	-	1,080	(1,080)	-
Total	83,766	22,182	-	1,080	(1,080)	105,948
Results						
Depreciation	2,626	3,025	-	452	(68)	6,035
Interest on fixed deposits	271	-	5	152	-	428
Finance costs	-	3,710	-	-	-	3,710
Unrealised loss on foreign exchange	-	1,859	-	-	-	1,859
Impairment loss of vessel	-	57,618	-	-	-	57,618
Impairment loss of receivables	-	9,824	-	-	-	9,824
Segment profit/(loss)	(1,095)	(54,897)	(978)	(1,734)	68	(58,636)

9) Valuations of property, plant and equipment

The above is not applicable as the Group's property, plant and equipment are stated at cost less accumulated depreciation and less impairment losses.

10) Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period.

11) Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period under review other than the acquisition of 4,900 ordinary shares in subsidiary, Offshore Constructor (Labuan) Ltd.(OCL), which increased the Group's effective interest from 63.25% to 100% as announced on 14 November 2011.

12) Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date, 31 March 2011 to 21 May 2012, the latest practicable date which is not earlier than 7 days from the issue of this interim financial report.

13) Impairment losses

These comprise impairment losses of vessel and receivables of subsidiary, Offshore Constructor (Labuan) Ltd, amounting to RM57,617,831 and RM9,823,835 respectively.

14) Income tax expense

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2012 RM'000	31.03.2011 RM'000	31.03.2012 RM'000	31.03.2011 RM'000
Current income tax	8	32	91	141
Overprovision of deferred tax in prior years	-	(28)	-	(28)
	<u>8</u>	<u>4</u>	<u>91</u>	<u>113</u>

The Group's effective tax rate for the current quarter and period differed from the statutory income tax rate in Malaysia principally due losses of subsidiaries.

15) Loss per share

	Individual Quarter 3 months ended		Financial Year-to-date 12 months ended	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
(a) Basic loss per share				
Loss attributable to owners of the Company (RM'000)	(3,047)	(19,296)	(36,360)	(53,508)
Weighted average number of ordinary shares in issue, excluding treasury shares ('000)	140,009	140,984	140,424	141,699
Basic loss per share (sen)	(2.18)	(13.69)	(25.89)	(37.76)
(b) Diluted loss per share				
Loss attributable to owners of the Company (RM'000)	(3,047)	(19,296)	(36,360)	(53,508)
Adjusted weighted average number of ordinary shares in issue and issuable for dilutive effects of share options granted ('000)	140,009	140,984	140,424	141,699
Diluted loss per share (sen)	(2.18)	(13.69)	(25.89)	(37.76)

The Company has no potential ordinary shares in issue as at the end of financial period and therefore, basic and diluted loss per share are equal.

16) Investment in an associate

	RM'000
Balance as at 31.03.2012	-

As disclosed previously, the Group has ceased recognizing losses relating to its associate, Offshoreworks Holdings Sdn Bhd, where its share of losses exceeds the Group's interest in this associate which comprises unquoted shares at a cost of RM16,016,870. The Group has no obligation in respect of these losses.

The associate is currently in the process of undergoing a financial restructuring under Section 176 of the Companies Act, 1965 and the Group's equity stake of 25% in Offshoreworks Holdings Sdn Bhd is expected to be diluted to an ordinary investment in the event it undergoes a successful financial restructuring exercise in due course.

17) Cash and Cash Equivalent

	As at 31.03.2011 RM'000
Short-term investments	1,027
Fixed deposits	6,850
Cash and bank balances	2,665
	10,542

18) Bank Borrowings

These are stated in note 7 of part (B) of the interim financial report.

(B) Additional information required by Bursa Malaysia Securities Berhad's Listing Requirements

1. Review of Performance of the Company and its Principal Subsidiaries

For the current quarter ended 31 March 2012, the Group recorded a revenue of RM13.70 million as compared to the previous corresponding quarter of RM29.51 million and loss before taxation of RM3.04 million as compared to loss before taxation of RM17.81 million in the previous corresponding quarter.

For the current year ended 31 March 2012, the Group recorded a revenue of RM105.95 million as compared to the previous corresponding year of RM130.94 million and loss before taxation of RM58.55 million as compared to loss before taxation of RM46.65 million in the previous corresponding year.

The decrease in revenue for the current quarter was mainly due to the lower plywood sales and vessel chartering income for the current quarter under review. Plywood sales decreased by 46% and vessel chartering income decreased by 87% as compared to the previous corresponding quarter whereas the decrease in revenue for the year was mainly due to lower plywood sales which was 22% lower than the previous corresponding year and the vessel chartering income for the year was comparable with the previous corresponding year.

The lower loss before taxation for the current quarter was mainly due to the Group's share of losses of the associate in the previous corresponding quarter whereas the higher loss for the current year was mainly due to impairment losses of vessel and receivables of the oil and gas segment.

2. Material Changes in Quarterly Results compared to the Results of the Preceding Quarter

The Group recorded a loss before taxation of RM3.04 million for the current quarter as compared to the immediate preceding quarter profit before taxation of RM8.61 million. The loss before taxation for the current quarter was mainly due to lower vessel chartering income.

3. Commentary on Prospects

Barring any unforeseen circumstances, the Directors expect the Group's operating environment for the next financial year to remain challenging.

4. Profits Forecast and Profit Guarantee

The above is not applicable as no profit forecast and profit guarantee were provided.

5. Income Tax Expense

This is stated in note 14 to the interim financial report.

6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21 May 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

7. Group Borrowings and Debt Securities

The Group's borrowings and debt securities as at 31 March 2012 are as follows:

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Short term borrowings		
Secured	22,325	16,776
Long term borrowings		
Secured	25,484	41,938
	<u>47,809</u>	<u>58,714</u>
 Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
United States Dollars	13,860	42,474

8. Changes in Material Litigation

The Group did not have any material litigation as at 21 May 2012, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report.

9. Dividends

For the year ended 31 March 2012, the Directors do not recommend the payment of dividend (2011: final tax exempt dividend of 2%).

The total dividend for the current financial year is Nil (2011: 2% tax exempt).

10. Earnings per share

This is stated in note 15 to the interim financial report.

11. Statement of comprehensive income

The Statement of comprehensive income for the current quarter and financial year to date includes the following items as set out in item 16, part A of Appendix 9B:

	Individual Quarter		Financial Year-to-date	
	3 months ended		12 months ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	56	185	428	728
(b) Other income including investment income	1,129	40	6,236	450
(c) Interest expenses	820	1,352	3,710	4,814
(d) Depreciation and amortization	684	2,369	6,035	9,528
(e) Provision for and write off of receivables	-	-	9,824	-
(f) Provision for and write off of inventories	N/A	N/A	N/A	N/A
(g) Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A	N/A	N/A
(h) Impairment of assets	-	-	57,618	-
(i) Foreign exchange gain/(loss)	1,392	1,315	(901)	5,639
(j) Gain or loss on derivatives	N/A	N/A	N/A	N/A
(k) Exceptional items	N/A	N/A	N/A	N/A

12. Realised and Unrealised Profits/Losses Disclosure

The above disclosure in the format prescribed by Bursa Malaysia Securities Bhd is as follows:

	As at 31.03.2012 RM'000	As at 31.03.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(6,045)	55,970
- Unrealised	4,781	4,293
	(1,264)	60,263
Total share of losses from associated company:		
- Realised	(39,296)	(39,296)
- Unrealised	-	-
	(39,296)	(39,296)
Less: Consolidation adjustments	(42,911)	(65,269)
Total Group accumulated losses as per consolidated accounts	(83,471)	(44,302)

(C) Authorisation for issue of interim financial report

The Board of Directors of the Company had authorised this unaudited interim financial report for issue on 24 May 2012.