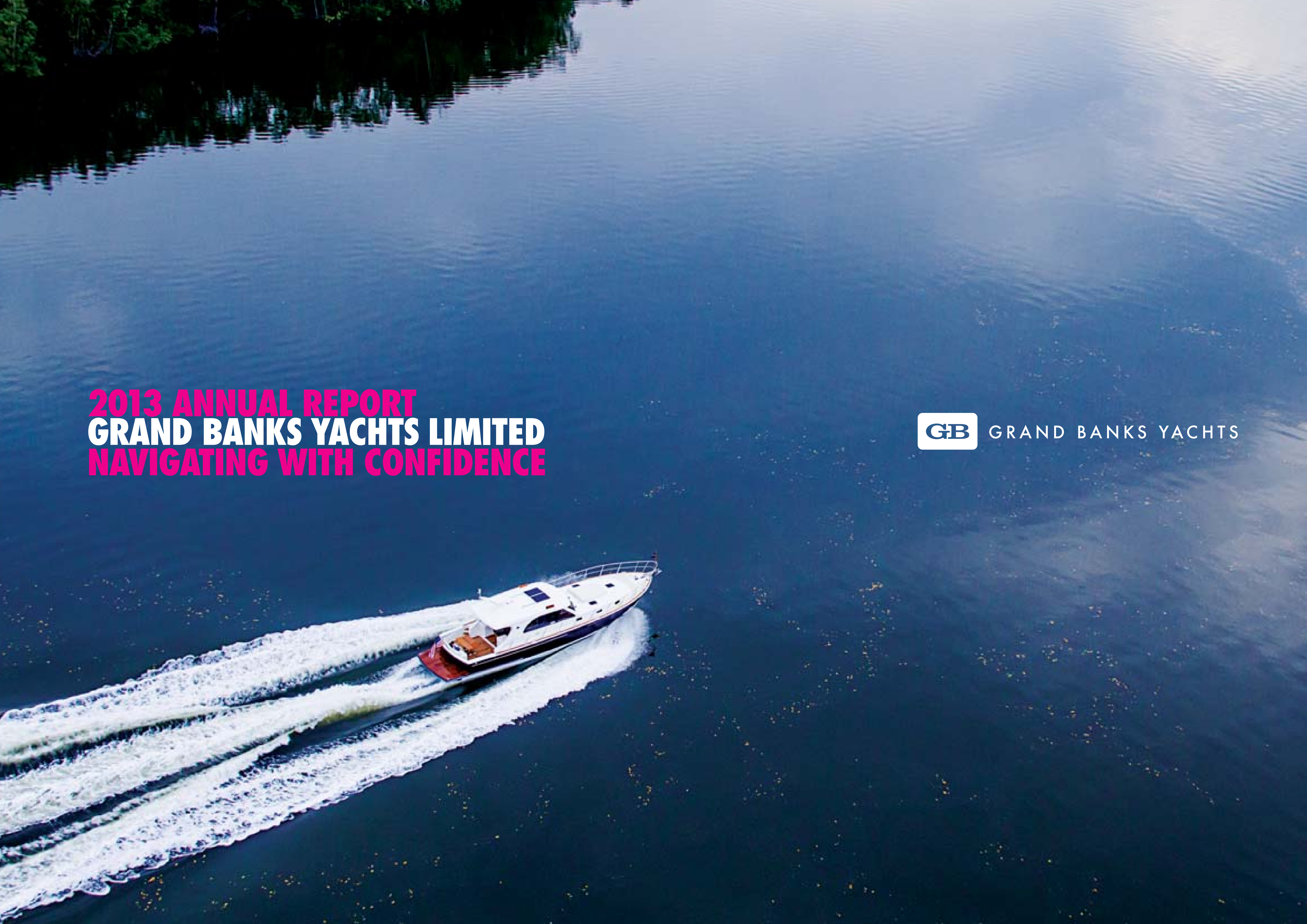
2013 ANNUAL REPORT
GRAND BANKS YACHTS LIMITED
NAVIGATING WITH CONFIDENCE

GRAND BANKS YACHTS



AT GRAND BANKS, WE ASPIRE TO BUILD ONLY THE WORLD'S MOST HIGHLY RESPECTED CRUISING YACHTS

ABOUT GRAND BANKS YACHTS LIMITED

Grand Banks—a renowned manufacturer of luxury recreational motor yachts for over 50 years—has designed and developed vessels that have become icons among boaters across the globe. Grand Banks invented the recreational trawler-style yacht, known today as the Heritage Series; pioneered the contemporary Down East segment with the launch of the Eastbay Series; and set the standard for luxury and seaworthiness among coastal cruisers with the Aleutian Series.

Grand Banks was listed on the SGX in 1987 and upgraded to the Main Board in 1993. Its manufacturing facility is located in Pasir Gudang in Malaysia. With a global sales network comprising over 25 dealers in 23 countries, Grand Banks continues to attract new customers with its timeless style, unique innovation and unyielding commitment to quality.

CORPORATE SOCIAL RESPONSIBILITY

We at Grand Banks are promoting online services for shareholders, as part of our corporate social responsibility efforts to conserve the environment. Shareholders can now choose to receive electronic versions of annual reports, press releases, announcements amongst others directly to your email account.

No more bulky paper documents in your mailbox, easy online proxy appointments for general meetings, instant delivery of materials and last but not least, reduction of our paper and transportation costs. A click away to get started, visit www.sgx.com/eproxy.

In addition, the Company distributes food items to all employee families at the Malaysian production facility every quarter.

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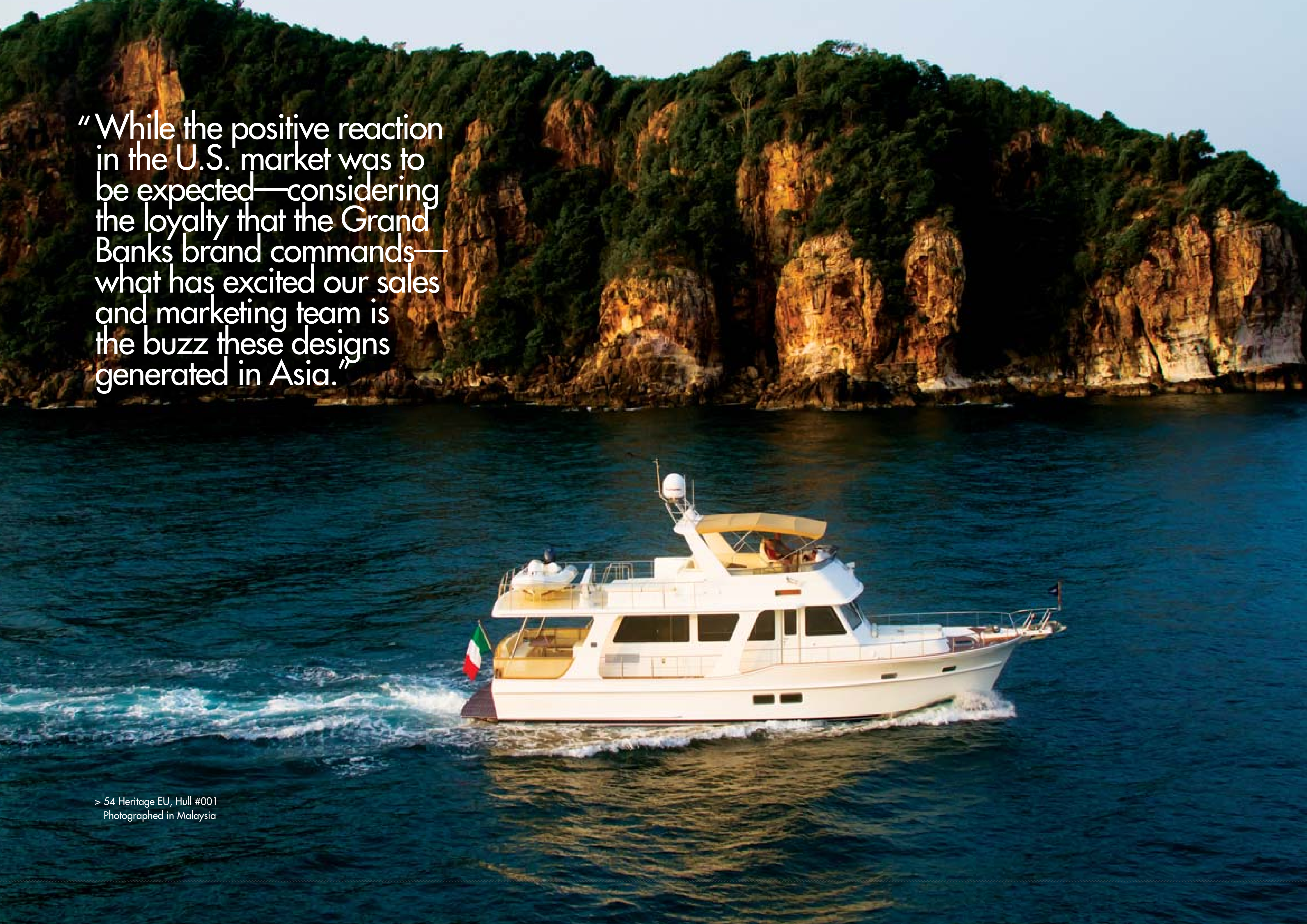


"While the positive reaction in the U.S. market was to be expected—considering the loyalty that the Grand Banks brand commands—what has excited our sales and marketing team is the buzz these designs generated in Asia."

> 54 Heritage EU, Hull #001
Photographed in Malaysia

CHAIRMAN'S MESSAGE I/II [HEINE ASKAER-JENSEN]

Dear Shareholders,

The financial year ended 30 June, 2013 (FY 2013) has been an eventful one for Grand Banks Yachts. In line with our strategic roadmap, we achieved important milestones and improved on our performance over last year.

Our revenue for the financial year rose 7.6% to S$35.3 million from S$32.8 million the previous year, on account of the partial recovery in the U.S. market, increased demand from the Asia-Pacific and our renewed focus on sales and operational efficiencies. Our gross profit increased year-on-year to S$4.8 million from S$3.1 million, while our net loss narrowed to S$5.2 million from S$11.2 million.

Despite the narrowed losses, it is clear that more needs to be done so as to return to profitability by FY 2014 as a prelude to our removal from the Watch-List administered by the Singapore Exchange.

The Operating Environment, Reaction To New Designs and Boat Shows

The U.S. yacht market is continuing to recover from the global financial crisis but the situation in Europe is much more challenging in view of the debt crisis, which has led to delays in buying decisions. However, the Asia-Pacific region is clearly emerging, contributing strongly to the Group's revenue in the year under review.

The Group had anticipated the recovery in the U.S. market – still our most important geographic segment – and introduced new models in FY 2012 and FY 2013 which featured innovative designs. The 43 Heritage EU and the 54 Heritage EU – both introduced in FY 2013 – were very well received, and secured buyers even before the first boats had been completed. Another new model, the 50 Eastbay SX, also gained orders before production commenced. Its compelling new design was enough to draw buyers eager to be among the first to own it. Reflecting the success of the new designs, the new models designs accounted for 95% of our order book as at 30 June, 2013.

North American sales increased 24.4% to S$19.4 million in FY 2013 from S$15.6 million the year before. While the positive reaction in the U.S. market was to be expected – considering the loyalty that the Grand Banks brand commands – what has excited our sales and marketing team is the buzz these designs generated in Asia. Sales in the Asia-Pacific continued its growth path, reaching S$10.0 million in FY 2013 from S$9.0 million in FY 2012.

Building on our brand awareness in Japan, we increased participation in boat shows at Osaka and Yokohama. We are also developing our first foreign-language website —in Japanese—for launch in early FY 2014.

Elsewhere in the Asian region we have forged new sales partnerships with Taiwan-based Ocean Alexander and with Malaysia-based Pen-Marine Sdn Bhd to represent the Grand Banks brand in China and Malaysia, respectively. With these new partnerships, Grand Banks is well positioned to take advantage of the increasing demand of luxury yachts in China and Malaysia, to achieve optimal levels of yacht inventory, and to explore potential commercial vessel ventures.

To bolster our existing Australian dealerships in Queensland and Sydney, as well as those in Auckland and Nelson in New Zealand, we are looking to expand our dealer network to West Australia and eventually to other parts of that country and elsewhere in the Pacific.

These recent additions to the network in the Asia-Pacific, together with the appointment of Bay Marine as our authorized representative for the Great Lakes region in the United States in December 2012, bring our total worldwide network to 28 representative companies with over 50 retail sales office locations.

[continued next page]

Financial Review

Reflecting efforts to execute our strategic roadmap, revenue increased 7.6% to S$35.3 million in FY 2013 from S$32.8 million a year ago. Together with a 23.1% decrease in operating expenses, we have narrowed our net loss by 53.5% to S$5.2 million from S$11.2 million in FY 2012.

We have continued to fine-tune the Group's operational efficiencies. Losses from operations were slashed significantly on account of reduced operating expenses, to S$9.5 million in FY 2013; lowest since in 2010, and a 23.1% decline from S$12.4 million in FY 2012.

Gross profit increased to S$4.8 million in FY 2013 from S$3.1 million in FY 2012, while gross margin improved by 4.2 percentage points to 13.6%—the highest for any financial year since FY 2009—compared to 9.4% last year.

As noted, total FY 2013 operating expenses dropped 23.1% to S$9.5 million from S$12.4 million a year earlier. This was mainly due to the absence of exceptional items amounting to S$3.4 million (principal provision for doubtful debts of S$1.2 million and asset impairment of S$2.2 million) in FY 2012.

Our cash balance as at 30 June, 2013 declined by S$9.0 million to S$13.6 million from S$22.6 million as at 30 June, 2012; this was mainly due to the S$9.9 million increase in inventory—a result of the increases in company-owned boats, raw materials and work-in-progress from dealer and customer orders.

Corporate Matters During The Year Under Review

In July 2012, the Company received a requisition from two shareholders seeking to remove the entire Board of Directors. At the Extraordinary General Meeting (EGM) convened on 10 October, 2012, this resolution was rejected by shareholders.

Twelve days following the EGM, the incumbent directors were re-elected at our Annual General Meeting to serve another term. This is a clear indication of the continued trust our shareholders place on the current board. On behalf of my fellow directors I want to express my sincere appreciation to our shareholders for their faith and support.

During the year under review, the Company placed approximately 19.2 million new shares worth S$5.2 million to two strategic investors—the first is a trust linked to Tan Sri Lim Kok Thay, Chairman of the Genting group of companies, and the second is Mr Koh Cheng Keong, a well-known theme park operator.

In addition, the board was further strengthened with the appointment on 21 February, 2013 of two new non-executive, non-independent directors, Mr. William C. Fink and Mr. Gerard Lim Ewe Keng. We warmly welcome the new directors. Their experience, track record and connections have added diversity and expertise to the board leadership.

Mr Robert Livingston II resigned as Chief Executive Officer effective 31 December, 2012 following the expiry of his contract. We thank him for his many contributions and long association with the company and wish him well for his future endeavours. Following his resignation, we appointed Mr. Peter Poli, an Executive Director and Chief Financial Officer, as Acting Chief Executive Officer. He is well-versed with the company's affairs and has helped to provide leadership continuity during the changes.

Rights Issue Proposed Subsequent To The Close of FY 2013

Subsequent to the year end, the Group proposed on 29 August 2013 to issue a one-for-two rights issue at S$0.22 per share (a discount of approximately 30.8% to the 30-day volume-weighted average share price through 29 August, 2013). Assuming full subscription, the share capital base will be enlarged from 115.3 million currently to 173.0 million and the Company will raise up to S$12.3 million in net proceeds. The proceeds will be used to fund the Company's investment initiatives including investments in new products and inventory, other business opportunities, possible acquisitions which have synergies with Grand Banks and for general working capital.

Outlook

The Group is riding on the recovery of the U.S. market, increased demand from Asia, the success of our new boat designs and ongoing efforts to improve operational efficiency. As of 30 June, 2013, the Group's net order book stood at S$13.3 million.

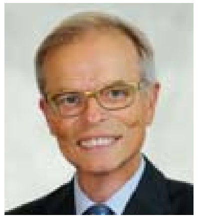
While these indicators are all positive, our immediate imperative is to return to profitability by the end of FY 2014. More needs to be done, and done quickly, to improve the financial performance in the next few months. My fellow directors and I are reviewing the operational structure and processes so as to accelerate the improvement in our performance in order to be removed from the Watch-List administered by the Singapore Exchange.

On behalf of the board, I would like to thank our customers, business partners and valued employees for their dedication and hard work in delivering the operating and financial results achieved in FY 2013. To all our shareholders who have shown such support and patience, we also owe you a debt of gratitude.

In appreciation,

Heine Askaer-Jensen
Chairman of the Board of Directors

BOARD OF DIRECTORS I/II



Heine Askaer-Jensen
Chairman of the Board
Independent Director

Chairman of Remuneration Committee
Member of Audit Committee
Member of Nominating Committee

Mr. Heine Askaer-Jensen was appointed to the Board on 14 November 2011.

Mr. Heine Askaer-Jensen holds a Bachelor Degree from Sonderborg Handelshojskole a department of Copenhagen Business School in Denmark complemented by business studies at the Penn State University, USA (EMP) and the Harvard Business School, USA (AMP/ISMP).

Mr. Askaer-Jensen has executive experience as the immediate past Group Managing Director / Executive Vice Chairman of Jebsen & Jessen (SEA) Pte Ltd, a diversified ASEAN group with approximately S$1 billion in revenue and more than 4,000 employees which is engaged in trading, manufacturing and engineering activities. Mr. Askaer-Jensen, a Singapore permanent resident, is also the past Deputy Chairman and member of the board at the Singapore International Chamber of Commerce from 1994 to 2011, and an avid yachtsman who is intimately familiar with the Company's products (including as proud owner of a GB 47 Heritage EU).

Jeffrey Stewart Bland
Independent Director

Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit Committee

Dr. Jeffrey Stewart Bland was appointed to the Board on 2 March 2007. He was last re-elected to the Board on 22 October 2012.

Dr. Bland holds a Ph.D. in Chemistry from the University of Oregon, and a Bachelor of Science in Biology from the University of California. He is a Fellow in the American College of Nutrition, and the National Academy of Clinical Biochemistry.

Dr. Bland is the Chief Executive Officer of KinDex Therapeutics Ltd, a medical research company, and the Founder and President of the Personalized Lifestyle Medicine Institute.

Dr. Bland is uniquely familiar with the business of the Company, with more than five years of service as a Director and having owned more than 30 different vessels (including GB yachts). He is currently the proud owner of a GB 72 Aleutian RP. Dr. Bland is an active member in the Puget Sound Grand Banks Owners Association and has previously been a principal in the Gig Harbour Yacht Club and Fox Island Yacht Club. He has also been a part-owner of Northwest Explorations, the largest exclusive Grand Banks yacht charter company in the world, and has helped the Company secure new customers by tapping on his diverse and valuable network. Dr. Bland has been internationally recognized as a leader in the nutritional medicine field for over 30 years and has served on numerous boards of both the private and public companies.

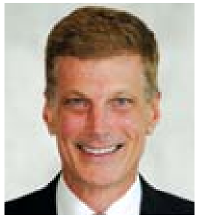
Basil Chan
Independent Director

Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Mr. Basil Chan was appointed to the Board on 14 November 2011.

Mr. Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science & Technology, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a Member of the Institute of Singapore Chartered Accountants ("ISCA") (formerly the Institute of Certified Public Accountants of Singapore ("ICPAS").

Mr. Chan is a Council member and director of the Singapore Institute of Directors ("SID"). He is a Chartered Accountant by training, having qualified in the UK with ICAEW. Mr. Chan was a former Treasurer of SID and previously chaired SID's professional development sub-committee which focuses on director training programmes. He is currently SID's Audit Committee Chairman. He was also a member of the Corporate Governance Committee in 2001 which published the Singapore Code of Corporate Governance. Mr. Chan further serves as an independent director of four other SGX Mainboard-listed companies and as audit committee chairman on three of them. In addition, he previously sat on the Accounting Standards Committee of ICPAS and currently sits on the Audit and Assurance Standards Committee of ISCA. He is also the Founder and Managing Director of MBE Corporate Advisory which provides corporate and financial advisory to both listed and private companies.



Peter Kevin Poli
Executive Director

Executive Vice President
Acting CEO & Chief Financial Officer

Mr. Peter Kevin Poli joined Grand Banks in August 2004 and was appointed to the Board on 31 March 2008. He was last re-elected to the Board on 8 October 2010.

Mr. Poli holds an MBA from Harvard Business School and a BA in Economics and Engineering from Brown University. He was also elected a Fellow of The Institute of Chartered Secretaries and Administrators on 2 November 2010.

Mr. Poli has served as the Company's Chief Financial Officer for over eight years and has played an instrumental role in the Company's most successful earning years and in guiding it through this turbulent time of transition, without succumbing to the bankruptcies and financial hardships that many other boat builders faced. He has established excellent relations and rapport with the Company's customers, dealers, suppliers and other industry players. Prior to joining Grand Banks, he spent twelve years in the securities business, of which he was the Chief Financial Officer for a company in the Morgan Stanley group for the last three years. He was also the Chief Financial Officer of specialty retailer FTD and helped take the company public in 1999.

He is a member of the Singapore Institute of Directors ("SID") and a graduate of both the Singapore Association of the Institute of Chartered Secretaries & Administrators professional qualification scheme and the Executive Certificate in Directorship programme jointly organized by SMU and SID.

In 2011, he successfully completed the five modules comprising the Listed Company Director Programme organized by the SID and supported by Singapore Exchange Ltd (SGX). Mr. Poli commenced work on the Effective Leadership Programme jointly sponsored by SID and SGX and has completed the Effective Board, Investor & Media Relations and The Board & Fund Raising modules. In addition, he attended the SGX Briefing on Shareholder Rights and Communications.

Gerard Lim Ewe Keng
Non-Independent Director

Mr. Gerard Lim Ewe Keng was appointed to the Board on 21 February 2013.

Mr. Lim holds a Bachelor of Science Degree in Chemical Engineering from the University of Birmingham and an MBA from University of Aston, UK.

Mr. Lim is the General Manager of Kien Huat Realty Sdn. Bhd.(Kien Huat), an investment holding company which is a substantial shareholder of Genting Berhad (Genting). Genting and its subsidiaries Genting Malaysia Berhad and Genting Plantations Berhad are listed on Bursa Malaysia and Genting Singapore PLC is listed on Singapore Exchange.

He is also a director of Golden Hope Ltd acting as the trustee of the Golden Hope Unit Trust (Golden Hope) - an investment holding company which is substantial shareholder of Genting Hong Kong Ltd, a company listed on the Hong Kong Stock Exchange.

He also oversees the private investments of Kien Huat and Golden Hope which include investments in a ski resort near Beijing, casino resorts in the US, genomics, intellectual property and trade-marks, mineral exploration and real estate and leisure lifestyle.

Prior to joining Kien Huat and Golden Hope, he was the Chief Financial Officer of Genting Hong Kong Ltd responsible for finance, legal and IT and was closely involved in the setting up of the cruise division in Genting Hong Kong (formerly known as Star Cruises Limited). He started his career in corporate planning in the Genting Group and has worked in various companies in the Group.

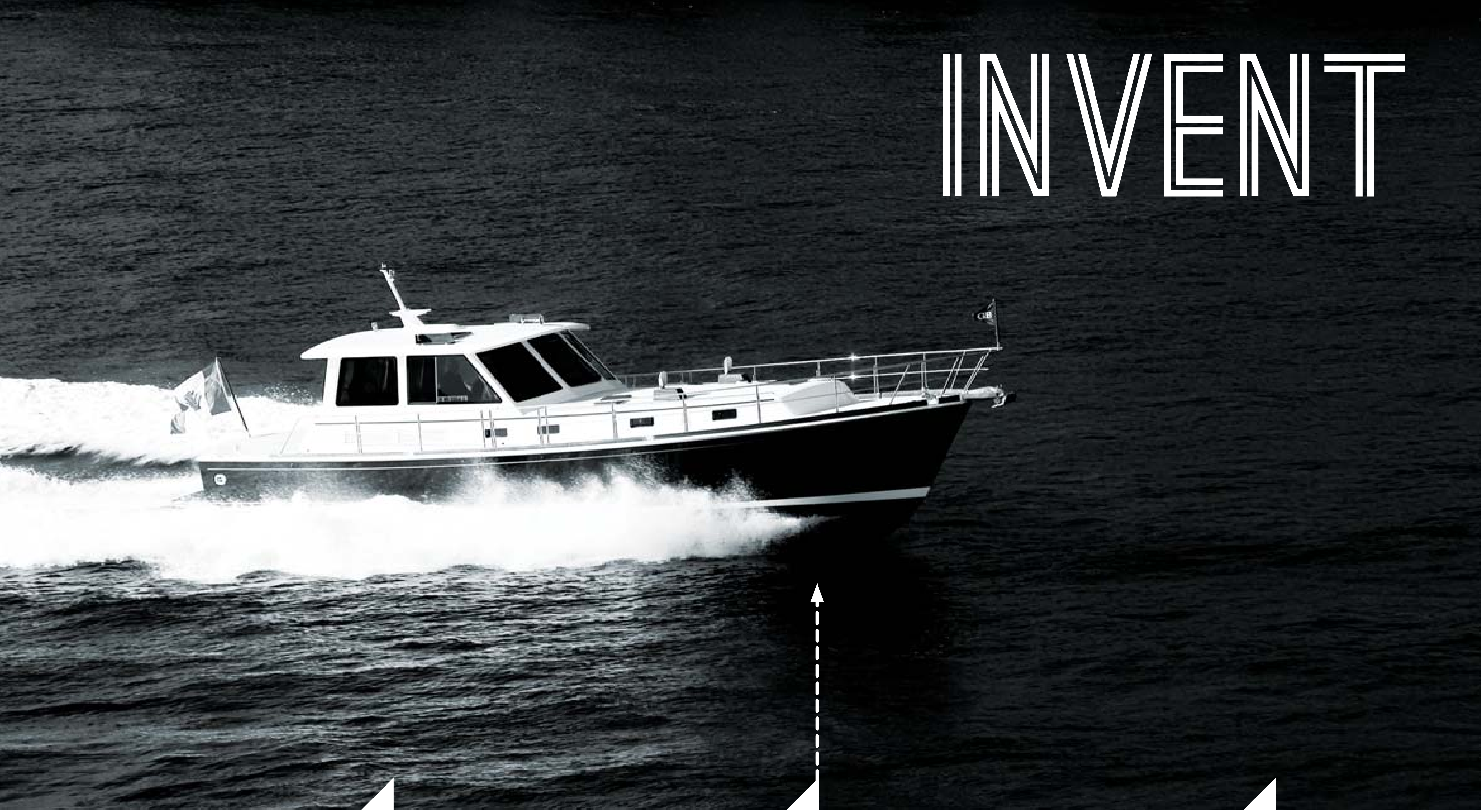
William Charles Fink
Non-Independent Director

Mr. William Charles Fink was appointed to the Board on 21 February 2013.

Mr. Fink holds a Bachelor of Science Degree (with honors) in Electrical Engineering from the University of Michigan, College of Engineering.

Mr. Fink is a retired Senior Executive of Delphi Corporation, an international supplier of automotive components. He served as Managing Director of GM Singapore (now Delphi Singapore) and later as Director for Engineering of Delco Electronics Asia Pacific, residing seven years in Singapore. He served additional appointments as resident Vice President for Operations of Delco Electronics Japan, Director for Engineering of Delco Electronics Europe, Director for Engineering of Delphi Packard Reinshagen Germany, and Chief Engineer of GM wiring products at Delphi World HQ in the United States. While resident in Singapore, he served three terms on the National Productivity Board. Subsequent to retirement, he served as special projects consultant for Grand Banks performing a variety of services for the company. Mr. Fink is a board certified professional engineer, a USCG licensed merchant mariner with a 100 ton Masters certificate, and a licensed private pilot. He is an avid recreational boater and has cruised over 13,000 nautical miles on board his personal GB 42 Heritage EU.

INVENT



1993

GRAND BANKS PIONEERS THE DOWN EAST CRUISER SEGMENT WITH THE LAUNCH OF OUR FIRST EASTBAY MODEL, THE 38EX

1998

THE 49 EASTBAY HX (ABOVE) LAUNCHES TO CRITICAL ACCLAIM, WITH OVER 100 SOLD THROUGHOUT ITS LIFETIME

2003

GRAND BANKS DELIVERS THE $1,000^{TH}$ EASTBAY AND LEADS THE INCREASINGLY COMPETITIVE DOWN EAST CRUISER SEGMENT

REINVENT

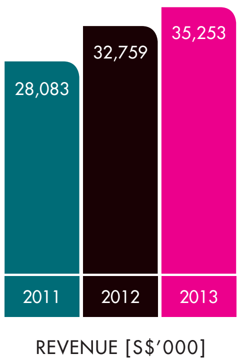
2005

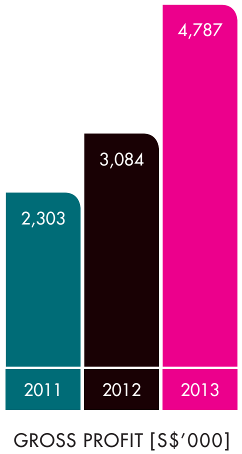
FOR THE FIRST TIME, EASTBAY MODELS REPRESENT THE MAJORITY OF UNITS SOLD BY GRAND BANKS FOR THE FISCAL YEAR

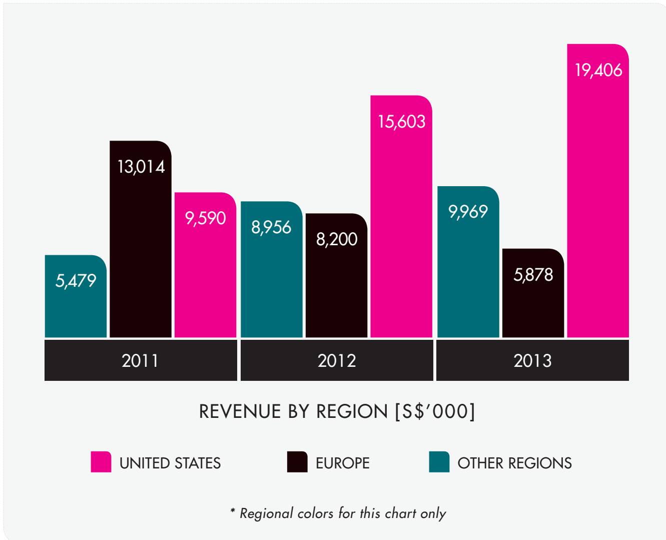
2013

GRAND BANKS DEVELOPS THE 50 EASTBAY—A BOLD AND EXCITING NEW CHAPTER FOR THE EASTBAY SERIES. ITS COMPELLING DESIGN AND INNOVATIVE FEATURES HELP SECURE MULTIPLE RETAIL ORDERS LONG BEFORE THE FIRST BOAT IS BUILT.

2013 FINANCIAL HIGHLIGHTS







2013 OPERATIONAL HIGHLIGHTS

Grew revenues by 7.6% to S$35.3 million compared to last year's S$32.8 million—while cutting operating expenses by 23.1% to S$9.5 million, lowest since 2010.

Increased gross margin by over four percentage points to 13.6%—the highest for any financial year since 2009—and raised gross profit to S$4.8 million from S$3.1 million in FY 2012.

Issued 19.223 million new shares to two key strategic investors, including a trust linked to Tan Sri Lim Kok Thay, Chairman of the Genting group of companies.

Recorded the highest sales in the Asia-Pacific region, since the 2008-2009 global financial crisis, from buyers in Japan, Singapore, Australia and Micronesia.

Forged new sales partnerships that establish new sales presence in mainland China and Malaysia, while growing its dealer network in North America.

Boosted sales in North America by 24.4% in the wake of a recovering U.S. economy that has buoyed the boating market within the region.

The Directors of Grand Banks Yachts Limited (the "Company") are committed to maintaining a high standard of corporate governance within the Company and its subsidiary companies (the "Group"). The Board has also considered practices in the revised Code of Corporate Governance 2012 issued on 2 May 2012 which is effective from financial year commencing on or after 1 November 2012.

This report outlines the Company's main corporate governance practices that were in place through the financial year with reference to the principles set out in the Code of Corporate Governance 2005 (the "Code") established by the Singapore Corporate Governance Committee. Where there are deviations from the Code, appropriate explanations are provided. The Board confirms that the Group has generally adhered to the principles and guidelines as set out in the Code.

BOARD MATTERS

The Board's Conduct Of Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

Guidelines	Grand Banks Corporate Governance Practices
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed; (c) review management performance; and (d) set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.	The Board views one of its primary functions as protecting and enhancing shareholder value. In addition, the Board oversees the management of the Group and meets regularly to do so. The Board sets the overall strategies of the Group as well as policies covering various matters with an emphasis on internal controls, budget, financial performance, quarterly reporting and risk management procedures. The Board also reviews and approves all major investment and divestment proposals, acquisitions and disposal of assets and interested person transactions, if any.
1.2 All directors must objectively take decisions in the interests of the company.	Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the interests of the Group.

1.3	If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.	The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer (CEO) and the Group's management team. The Board has established a Nominating Committee, a Remuneration Committee and an Audit Committee to facilitate the discharge of certain of its responsibilities. All the Board Committees are actively engaged and play an important role in ensuring corporate governance of the Group. Please refer to Table A for Board and Board Committees.
1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.	The Board held nine meetings in the financial year ended 30 June 2013 including ad hoc Board meetings held whenever the Board's guidance or approval was required, outside of the scheduled Board meetings. The number of Board and Committee meetings and the record of attendance of each director during the financial year ended 30 June 2013 are set out in Table B. In addition, the Board held several conference calls throughout the year to expedite decision-making on critical areas. The Board and Board Committees also make decisions through circulating resolutions. Dates of Board, Board Committees and Annual General Meetings are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend a Board or Committee meeting in person is invited to participate in the meeting via telephone or video conference.
1.5	Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transaction that require board approval under such guidelines.	Matters which specifically require the Board's approval or guidance are those involving: material acquisitions and disposals of assets; material new investments, borrowings, corporate or financial restructuring; share issuances, dividends and other returns to shareholders; establishment of strategies and objectives; setting the Group's budget and financial plans; monitoring financial and management performances; authorizing executive compensation; evaluating internal controls and risk management; approving quarterly and year-end financial reports as well as commitments to banking facilities granted by financial institutions and overseeing corporate governance.

1.6	Every director should receive appropriate training (including his or her duties as a director and how to discharge those duties) when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices. It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	All newly appointed Directors undergo an orientation program to provide them with background information on the Group and industry-specific knowledge. The Directors continuously update themselves on new laws, regulations and changing commercial risks. Every Director is also invited and encouraged to seek additional trainings to further their skills in performing their duties, including attending classes and/or events sponsored by the Singapore Institute of Directors. Directors are also informed of upcoming conferences or seminars relevant to their roles as directors of the Group. The Directors may, at any time, visit the Group's production facilities and sales locations or attend dealer meetings, trade shows and customer activities to gain a better understanding of the Group's business. If regulatory changes have a material impact on either the Group or the Directors, the Management briefs the Directors at the Board meetings.
1.7	Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.	The Group has prepared a draft letter for review by the Nominating Committee (NC) of the Board. Upon approval by the NC, each Director will be issued a formal letter.
1.8	The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.	Please refer to the Group's practices in Guideline 1.6. Furthermore, the Group retained a prominent local attorney to perform a half day session on Directors' Duties and Responsibilities attended by all of the Group's directors in March 2013. In addition, the Group also retained consultants during the financial year to prepare an industry survey for the Board of Directors including a strengths, weaknesses, opportunities and threats analysis of various geographical markets.

Board Composition And Guidance

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Guidelines		Grand Banks Corporate Governance Practices
2.1	There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	The Board of Directors consists of three independent directors, two non-executive non-independent directors and one executive director. The Board is able to exercise objective judgement on corporate affairs independently as independent directors comprise 50% of the Board. Further, all Board committees are chaired by independent directors and comprised solely of independent directors. Please refer to Table A for Board and Board Committees.
2.2	The relationships as defined in the Code which would deem a director not to be independent are not intended to be exhaustive, and are only examples of situations which would deem a director to be not independent. If the company wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The Nominating Committee ("NC") is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. The Nominating Committee conducts the review annually and requires each independent director to submit a confirmation of independence based on the guidelines provided in the Code. With three of the directors deemed to be independent, including independence from the substantial shareholders of the Group, the Board exercises independent and objective judgement on all corporate matters and constructively challenges key decisions, and strategies taking into consideration the long-term interests of the Group and its shareholders.
2.3	The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company.	The NC is satisfied that the Board continues to operate effectively for the Group given the current board size and composition. During financial year 2013, the NC recommended an increase in the size of the Board to assist the Group in , amongst other objectives, developing alternative revenue streams. As a result, the Board appointed two new directors during the year.

2.4	The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	The NC periodically reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board. The NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Board's three independent directors and two non-executive directors are respected professionals drawn from a broad spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both Board and Board Committee meetings. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 6 and 7 of this Annual Report.
2.5	Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	The independent and non-executive directors confer regularly with the executive director and management to develop strategies for the Group, review the performance of management, assess remuneration and discuss corporate governance matters.
2.6	To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without management present.	The Group's independent and non-executive directors hold regular conference calls and meetings without the presence of management.

Chairman And Chief Executive Officer

Principle 3: *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

	Guidelines	Grand Banks Corporate Governance Practices
3.1	The Chairman and chief executive officer ("CEO") should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are immediate family members.	The role of the Chairman is separate from that of the Chief Executive Officer ("CEO") and these are separate and unrelated persons. There is adequate accountability and transparency as independent directors make up 50% of the Board. The Board is able to exercise its power objectively and independently from management. No individual or small group of individuals dominates the Board's decision making.

3.2	The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda; (b) ensure that the directors receive accurate, timely and clear information; (c) ensure effective communication with shareholders; (d) encourage constructive relations between the Board and Management; (e) facilitate the effective contribution of non-executive directors in particular; (f) encourage constructive relations between executive directors and non-executive directors; and (g) promote high standards of corporate governance.	The Group's Chairman plays a key role in promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Chairman also participates in communicating with key stakeholders, including shareholders, employees, independently-owned dealers and customers. The CEO's responsibilities encompass managing the day-to-day business activities of the Group, developing and executing the Group's strategies, reporting back to the Board on the performance of the Group, and providing guidance to the Group's employees. The CEO also encourages constructive relations between Management and the Board.
3.3	Companies may appoint an independent non-executive director to be the lead independent director where the Chairman and the CEO is the same person, where the Chairman and the CEO are related by close family ties, or where the Chairman and the CEO are both part of the executive management team. The lead independent director (if appointed) should be available to shareholders where they have concerns which were not resolved through normal channels or for which such contact is inappropriate.	This Guideline is not applicable as the Group's Chairman and CEO are two separate and unrelated persons.

Board Membership

Principle 4: *There should be a formal and transparent process for the appointment of new directors to the Board.*

	Guidelines	**Grand Banks Corporate Governance Practices**
4.1	Companies should establish a Nominating Committee ("NC") to make recommendations to the Board on all board appointments. The NC should comprise at least three directors, a majority of whom, including the Chairman, should be independent. In addition, the NC Chairman should be a director who is not, or who is not directly associated with, a substantial shareholder (with interest of 5% or more in the voting shares of the company). Its membership should be disclosed in the annual report. The NC should have written terms of reference that describe the responsibilities of its members.	The NC, whose terms of reference are approved by the Board, is comprised of three independent directors. The Group's NC met four times this past year. Please refer to Table A for the composition of the Committee.

4.2	The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.	The NC makes recommendations to the Board on all Board appointments and on the composition of executive and independent directors of the Board. It is also charged with re-nominating directors who are retiring by rotation as well as determining annually whether or not a director is independent. In accordance with the Group's Articles of Association, half of the members of the Board of Directors shall retire from office annually. The Group has proposed alterations to its Articles of Association which will be voted upon at the upcoming Extraordinary General Meeting. One of the alterations proposes reducing the number of Directors required to retire from office at each annual general meeting of the Company to one-third of the Directors (or, if the number is not three or a multiple of three, then the number nearest to one-third). The Board recognizes the contribution of its directors who over time have developed deep insight into the Group's operations and industry and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for any of its directors.
4.3	The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2. Conversely, the NC has the discretion to determine that a director is non-independent even if he does not fall under the circumstances set forth in Guideline 2.1.	A director who has no relationship with the Group or its offices that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement, is considered to be independent. The NC conducts an annual review of directors' independence and is of the view that Mr. Askaer-Jensen, Mr. Bland and Mr. Chan are independent and that, no one individual or small group dominates the Board's decision-making process.
4.4	When a director has multiple board representations, he or she must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.	All directors declare their board memberships annually. The NC has reviewed and is satisfied that all directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as directors of the Group. None of the directors hold more than five directorships in listed companies concurrently.

4.5	A description of the process for the selection and appointment of new directors to the Board should be disclosed. This should include disclosure on the search and nomination process.	When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.
4.6	Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its subsidiaries, board committees served on (as a member or Chairman), date of first appointment as a director, date of last re-election as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, should be disclosed in the annual report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.	Details of the Directors' academic and professional qualifications, date of first appointment and other relevant information are set out on pages 6 and 7 of this Annual Report as well as in Table C.

Board Performance

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

Guidelines		Grand Banks Corporate Governance Practices
5.1	Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.	The NC assesses the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board. It does so by requiring all Directors to complete both a board evaluation and self-evaluation questionnaire to seek their view on Board performance and effectiveness as well as areas for improvement. The NC periodically engages external consultants to help in this evaluation process.
5.2	The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholders' value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.	Please refer to the Group's practices in Guideline 5.1.
5.3	In addition to any relevant performance criteria which the Board may propose, the performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.	The Board does consider the Company's share price performance as one of several performance criteria for both the Board and Management. In evaluating share performance, the Board also takes into account the historically thin trading volume of the Company's shares.
5.4	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of directors, in consultation with the NC.	Please refer to the Group's practices in Guideline 5.1. The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

5.5	Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.	The Committee views the suggested financial performance criteria to be more relevant for the evaluation of management performance as the Board's role is more in formulating, rather than executing, strategies and policies. The Board uses similar performance criteria in evaluating compensation awards for management.

Access To Information

Principle 6: *In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

Guidelines		Grand Banks Corporate Governance Practices
6.1	Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfill his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.	The Directors have separate and independent access to the Group's senior management and all Company records at all times in carrying out their duties. Detailed Board papers and books are prepared and circulated in advance for each meeting. This is to give Directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. However, sensitive matters may be tabled at the meeting and discussed without papers being distributed. The Board books include sufficient information from the Management on financial, operating and corporate issues to brief Directors properly on issues to be considered at both Board and Board Committee meetings. Such information may also be in the form of presentations made by senior management in attendance at the meetings, or by external consultants engaged on specific projects.
6.2	Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Directors are regularly provided with complete and timely information prior to meetings to enable them to fulfill their duties. Management provides members of the Board with detailed quarterly management accounts, as well as summary monthly data comparing key actual financial metrics relative to budget and results from prior periods.

6.3	Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	The Directors have separate and independent access to the Company Secretary. The Company Secretary helps to ensure that applicable rules and regulations are complied with and assists the Board in implementing corporate governance practices. In addition, the sole Executive Director and currently the Acting CEO, who attends all Board and Board Committee meetings of the Group, is a certified graduate of the Singapore Association of the Institute of Chartered Secretaries.
6.4	The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Group's secretary are subject to the Board's approval.
6.5	The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.	All Directors have direct access to the Group's independent professional advisors, when necessary, to perform their responsibilities effectively. In addition, the Directors, either individually or as a group, may seek separate independent professional advice, if necessary. The Group's Chief Financial Officer will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of all such professional advice is borne by the Group.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Guidelines		**Grand Banks Corporate Governance Practices**
7.1	The Board should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent. This is to minimise the risk of any potential conflict of interest.	The Remuneration Committee ("RC") whose terms of reference are approved by the Board comprises three independent directors. It meets at least twice a year. Please refer to Table A for composition of the Committee.

7.2	The RC will recommend to the Board a framework of remuneration, and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. The RC will also review the remuneration of senior management.	The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, the Directors and the Group's senior executives. The RC reviews the remuneration packages and employment contracts in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director, the CEO and select senior executives.
7.3	If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors.	The RC regularly utilizes external expert advice and data to assist in the evaluation of its compensation recommendations. None of the RC members or Directors is involved in deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him or someone related to him.

Level And Mix Of Remuneration

Principle 8: *The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

	Guidelines	Grand Banks Corporate Governance Practices
8.1	The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.	In reviewing and determining the remuneration packages of the CEO and the Group's senior executives, the Remuneration Committee considers the executive's responsibilities, skills, expertise and contribution to the Group's performance when designing remuneration packages.

8.2	The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised.	No Independent and non-Executive Directors have Service Agreements with the Group. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors as well as certain benchmarking data provided by external experts retained by the Singapore Institute of Directors. The Directors' fees are subject to approval by the Shareholders at each AGM. Please see Table D for the detailed schedule of annual fees for Independent and non-Executive Directors being proposed to shareholders.
8.3	In the case of service of contracts, there should be a fixed appointment period for all executive directors. In any case, service contracts should not be excessively long or with onerous removal clauses. The RC should review what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performance.	Executive directors do not receive directors' fees but are remunerated as members of Management. The Executive Director does not have a fixed appointment period. However, the service contract contains termination provisions whose removal clauses are not considered onerous and have been reviewed by an external compensation expert.
8.4	Long-term incentive schemes are generally encouraged. The RC should review whether directors should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.	In line with this Guideline which encourages long-term incentive schemes, the RC currently administers the Group's Performance Incentive Plan which was approved by Shareholders at the EGM held on 14 July 2008 with the objective of attracting and retaining key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group. Each year, the Board seeks approval from the Group's shareholders to grant awards and to allot and issue shares in accordance with the provisions of the Performance Incentive Plan in order to align the interests of management with shareholders.
8.5	In setting remuneration packages, the company should be aware of pay and employment conditions within the industry and in comparable companies. But they should use such comparison with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.	In setting remuneration packages, the Group takes into consideration the remuneration and employment conditions within the industry and in comparable companies as well as, the location of employment and the scope of the job. It does so by retaining external experts who perform such analysis.
8.6	Notice periods in service contracts should be set at a period of six months or less.	The notice periods in the service contracts are six months or less except in the case of certain events occurring in connection with a change in control of the Group or termination in the event of disabilities.

Disclosure On Remuneration

Principle 9: *Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

Guidelines		Grand Banks Corporate Governance Practices
9.1	The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main vehicle through which the company reports to shareholders on remuneration matters. The members of the RC should be listed in the report.	Please refer to Table D for remuneration bands for the Directors and the top six Senior Executives. Please refer to Table A for the members of the RC.
9.2	The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.	Please refer to Table D for remuneration bands for the Directors and the top six Senior Executives.
9.3	For transparency, the report should disclose the same details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$150,000 during the year. This can be done on a no-name basis with clear indication of which director or the CEO the employee is related to.	N.A.
9.4	The report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	Please refer to Note 22 of the Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

Guidelines		Grand Banks Corporate Governance Practices
10.1	The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board provides a balanced and understandable assessment of the Group's performance, position and prospects in its annual financial statements and quarterly announcements to shareholders.
10.2	The Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	Management provides the Board with a continuous flow of relevant information on a timely basis so that it can effectively perform its duties. Management also provides to the Board timely, comprehensive quarterly financial statements and analysis of the results relative to both budget and prior years' performance, so that the Board may effectively perform its duties. On a monthly basis, Board members are provided with summary financial data and other operating information for effective monitoring and decision making.

Audit Committee

Principle 11: *The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.*

Guidelines		Grand Banks Corporate Governance Practices
11.1	The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.	The Audit Committee consists of three independent directors who are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. It meets at least four times a year.
11.2	The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	Please see Table A for the composition of the AC. The AC is suitably qualified to discharge its responsibilities. Two of its members are trained in accounting and financial management.

11.3	The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	The Committee has full access to and the cooperation of the Group's management team to enable it to properly discharge its responsibilities. The AC has full discretion to invite any executive officer to attend its meetings and has access to other outside resources to enable it to perform its duties. The AC has explicit authority to investigate any matter within its terms of reference.
11.4	The duties of the AC should include:	
	(a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;	The AC reviews the following: the scope of the independent auditors' audit plan; the cost-effectiveness of the independent audit; the independent auditor's reports and the significant financial reporting issues and judgements to assess the integrity of the Group's financial statements. The AC also reviews the independence and objectivity of the external auditors as well as the Group's compliance with the Listing Manual and Code of Corporate Governance including interested person transactions and whistle-blowing activities, if any.
	(b) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;	The AC meets at least once each quarter to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes that would have an impact on the financials.
	(c) reviewing the adequacy of the company's internal controls;	The AC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Company through discussion with Management and both its internal and external auditors.
	(d) reviewing the effectiveness of the company's internal audit function; and	The AC discusses the significant internal audit observations, as well as Management's responses and actions to correct any deficiencies, with Management and the external auditors. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.
	(e) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

11.5	The AC should meet with the external auditors, and with the internal auditors, without the presence of the company's Management, at least annually.	The Committee meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any matters that might have arisen.
11.6	The AC should review the independence of the external auditors annually.	The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as by reviewing the non-audit services provided and the fees paid to them. It is the opinion of the AC that the non-audit services provided by the external auditor do not affect the independence of the external auditors. The AC is satisfied with their independence and recommends the re-appointment of the external auditors at the AGM of the Company.
11.7	The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.	The Group has established a code of conduct and Business Principles against Corruption that set the guidelines regarding appropriate corporate behavior and business ethics within the Group. The Group has also established a whistle-blowing policy which provides a channel for employees of the Group to raise, in good faith and in confidence, any concerns about improprieties in financial reporting or other matters. There were no reported incidents pertaining to whistle-blowing in FY 2013.
11.8	The Board should disclose the names of the members of the AC and details of the Committee's activities in the company's annual report.	Please refer to Table A, and the Group's practices in Guideline 11.4.

Internal Controls

Principle 12: *The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

	Guidelines	Grand Banks Corporate Governance Practices
12.1	The AC should review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). The AC should ensure that a review of the effectiveness of the company's internal controls is conducted at least annually. Such review can be carried out by the internal and/or public accountants, provided that where the public accountant is also the external auditor of the company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the company.	Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by the Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2013.

12.2	The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.	Please refer to the Group's practices in Guideline 12.1. The internal controls provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. Reviews and tests of the internal control procedures and systems are carried out by an independent internal audit firm. The Board is thus satisfied with the adequacy of the Group's internal controls.

Internal Audit

Principle 13: *The company should establish an internal audit function that is independent of the activities it audits.*

Guidelines		Grand Banks Corporate Governance Practices
13.1	The Internal Auditor's primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.	The internal auditor reports directly to the Audit Committee.
13.2	The Internal Auditor should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The internal auditor is a Certified Internal Auditor and is guided by the Standards of The Institute of Internal Auditors in his work.
13.3	The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	The internal audit function is outsourced to an external organization, JF Virtus Pte Ltd.

13.4	The AC should, at least annually, ensure the adequacy of the internal audit function.	The Committee has determined the internal audit firm has met or exceeded its obligations under the terms of engagement. The internal audit firm reports to the Audit Committee and has unrestricted, direct access to the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan as well as reviews the results of the regular audits including the monitoring of the implementation of the improvements required on internal control weaknesses identified. The Board is satisfied with the adequacy of the internal audit function and is confident it has an appropriate standing within the Group, is adequately resourced and is independent of the activities it audits.

Communication With Shareholders

Principle 14: *Companies should engage in regular, effective and fair communication with shareholders*

Guidelines		Grand Banks Corporate Governance Practices
14.1	Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	The Company has adopted quarterly results reporting since the quarter ended 31 December 2008. In line with the Group's disclosure obligations pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET and press releases on an immediate basis. Shareholders of the Company receive the Annual Reports and notices of Annual General Meetings (AGMs) which are also advertised in the newspapers at least 14 days prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through the course of the financial year.
14.2	Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.	All material information on the performance and development of the Group and of the Company is disclosed in a timely, fair and transparent manner. The Company does not practise selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNET. The Group also maintains a comprehensive website accessible to the public which describes the Group's products and independent dealers, among other items, and includes an investor relations tab to assist shareholders.

Principle 15: *Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

	Guidelines	Grand Banks Corporate Governance Practices
15.1	Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. In this regard, companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting method such as by mail, email, fax, etc, if the shareholders so consent.	The Board has put forth changes to the Company's Article of Association to provide more voting flexibility. These proposed changes will be voted on by shareholders at the extraordinary general meeting of the Company to be held on 31 October 2013.
15.2	There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", companies should explain the reasons and material implications.	All the resolutions at general meetings are single item resolutions.
15.3	The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	Where possible, the Chairmen of the Audit, Remuneration and Nominating Committees are present at the AGM to answer queries raised at the meetings. The Chairman of the Audit, Remuneration and Nominating Committees will, where possible, be present at all extraordinary general meetings to answer queries provided that such extraordinary meetings are scheduled in advance. The Company's external auditors, KPMG LLP, and internal auditor, JF Virtus Pte Ltd, are also invited to attend the AGM to address any shareholders' queries about the conduct of their audits.
15.4	Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	The Company's Articles of Association do not place a limit on the number of proxies a shareholder can appoint.
15.5	Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.	The Company prepares minutes of general meetings and makes them available upon request by shareholders.

Dealing in Securities
(Listing Manual Rule 1207(19))

The Company has adopted and complied with the best practices on dealings in securities.

Directors and senior executives of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's interim results and one month before the announcement of the Group's annual results and ending on the date of announcement of those results. Such reminders include a computer generated email sent to all Directors and Senior Executives on a quarterly basis. Directors and Senior Executives are required to report to the company secretary whenever they deal in the Company's shares. The company secretary assists the Audit Committee and the Board in monitoring such share transactions and making the necessary announcements. Directors and Senior Executives are also reminded to be mindful of the laws on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading as determined by the Securities and Futures Act, the Companies Act and other appropriate regulatory authorities.

"Directors and Senior Executives" include the following classes of employees:

1) All officers and directors;
2) All sales managers and those sales employees managing the independent dealers who sell the Group's yachts;
3) All significant participants in the financial consolidation process;
4) Others with significant management responsibility whose decisions can materially impact the Company's financial results; and
5) Certain administrative personnel who assist both the Company's Chief Financial Officer and Company Secretary in preparing all public announcements and materials distributed to the Board of Directors.

Interested Person Transactions
(Listing Manual Rule 907 & 1207 (17))

There were no material interested person transactions during the year.

Material Contracts
(Listing Manual Rule 1207(8))

No material contracts of the Company or its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholders existed at the end of the financial year or have been entered into since the end of the previous financial year other than that disclosed in Note 25 to the Financial Statements. In addition, no Director or a related company with a Director has received a benefit from any contract entered into by the Group since the end of the previous financial year.

Risk Management

With the help of the external independent internal auditor, JF Virtus Pte Ltd, the Group has designed an enterprise risk management (ERM) framework to monitor, manage and build awareness within the Group of the various risks to which the Group is exposed. The Board also reviews the Group's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks within the Group's policies and business strategies. The independent internal auditor retained to perform the Group's internal audit function continues to update the Group's enterprise risk profile by facilitating management risk self-assessment to generate an updated risk register to be used by the Audit Committee to monitor and the independent internal auditor to review the manner in which the Group manages such risks. The objective of the risk assessment is to identify and assess risks which include key financial, operational, strategic and compliance risks.

The Audit Committee is regularly updated on the Group's risk management program.

Use of Proceeds

(Listing Manual Rule 1207 (20))

In September 2012, the Company made a placement of 19,223,250 new ordinary shares. The net proceeds of approximately S$5,200,000 were fully utilized as at 29 August 2013.

The utilisation of the net proceeds is as follows:

Use of Proceeds	Initial Estimates (S$ in million)	Status (S$ in million)
1. New Product Development	S$2.60	- S$0.74 has been used for development of three new models - See Note A
2. Improvement and enhancement to manufacturing facilities	S$1.04	- S$0.20 has been used in upgrading inspection shed, electrical installations, new fencing and other items - See Note B
3. Open new retail stores, expansion of distribution network and increase inventory of new yachts	S$1.04	- -S$3.36 has been used to build three inventory yachts
4. General working capital	S$0.52	- S$0.90 has been used to purchase teak inventory and other miscellaneous items to meet increased production needs

Note A : The Board elected to cancel, at this juncture, the development of a large yacht model given the greater risks associated with this segment as well as the longer revenue gestation period.
Note B : The Board elected to scale back upgrading of the manufacturing facility so as not to burden the Group's operating expenses.

Table A

Board comprises:
Heine Askaer-Jensen (Chairman, Independent)
Jeffrey Stewart Bland (Independent)
Basil Chan (Independent)
William Charles Fink (Non-Executive and Non-Independent)
Gerard Lim Ewe Keng (Non-Executive and Non-Independent)
Peter Kevin Poli (Executive)

Nominating Committee comprises:
Jeffrey Stewart Bland (Chairman, Independent)
Heine Askaer-Jensen (Independent)
Basil Chan (Independent)

Remuneration Committee comprises:
Heine Askaer-Jensen (Chairman, Independent)
Jeffrey Stewart Bland (Independent)
Basil Chan (Independent)

Audit Committee comprises:
Basil Chan (Chairman, Independent)
Heine Askaer-Jensen (Independent)
Jeffrey Stewart Bland (Independent)

Table B

	Board of Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
Name of Director	**No. held**	**No. attended***	**No. held**	**No. attended***	**No. held**	**No. attended***	**No. held**	**No. attended***
Heine Askaer-Jensen	9	9/9	4	4/4	4	4/4	4	4/4
Jeffrey Stewart Bland	9	9/9	4	4/4	4	4/4	4	4/4
Basil Chan	9	9/9	4	4/4	4	4/4	4	4/4
William Charles Fink**	9	2/2	NA	NA	NA	NA	NA	NA
Gerard Lim Ewe Keng**	9	2/2	NA	NA	NA	NA	NA	NA
Peter Kevin Poli	9	9/9	NA	NA	NA	NA	NA	NA

NA - Not applicable as he is not a member of the Committee.
* - The numerator denotes the number of meetings the director attended while the denominator denotes the number of meetings he could have attended. For example, 5/5 means the director attended five meetings out of five meetings he could have attended i.e. 100% attendance.
** - Appointed on 21 February 2013, therefore did not attend meetings prior to 21 February 2013.

Table C

The directors named below are retiring and being eligible, offer themselves for re-election at the next annual general meeting (AGM). Please see the notice for the AGM on page 73 which identifies the third prospective director up for election.

Board Member	**Date of appointment**	**Date of last election**
Jeffrey Stewart Bland	2 March 2007	22 October 2012
Gerard Lim Ewe Keng	21 February 2013	N/A

Table D

The tables below show the remuneration bands of the Directors and the top six senior executives of the Group who are not directors as well as the approximate percentage breakdown of the remuneration.

Remuneration of Directors

Remuneration Band & Name of Director	Base/Fixed Salary [1]	Incentive Plan	Directors' Fees	Other Benefits[2]	Total
$250,000 to $500,000					
Peter Kevin Poli	74%	-	-	26%	100%
Below $250,000					
Heine Askaer-Jensen	-	-	100%	-	100%
Jeffrey Stewart Bland	-	-	100%	-	100%
Basil Chan	-	-	100%	-	100%
William Charles Fink	-	-	100%	-	100%
Gerard Lim Ewe Keng	-	-	100%	-	100%

Board member: $30,000
Chairman of the Board: additional $11,000
Member of the Audit Committee: $8,000
Chairman of the Audit Committee: additional $10,000
Member of other Committees: $4,000
Chairman of other Committees: additional $5,000

Remuneration of Top Six Senior Executives (who are not Directors)

Remuneration Band & Name of Senior Executive	Base/Fixed Salary [1]	Incentive Plan	Directors' Fees	Other Benefits[2]	Total
$250,000 to $500,000					
G.M. Bruce Livingston	92%	-	-	8%	100%
Below $250,000					
Samuel Henry Compton	100%	-	-	-	100%
Ler Ching Chua	100%	-	-	-	100%
Neil Barclay McCurdy	100%	-	-	-	100%
Mohidin Pitchai Rowther	100%	-	-	-	100%
Jock Tucker West	100%	-	-	-	100%

(1) Inclusive of Central Provident Fund contributions and other fixed monthly payments.
(2) Inclusive of benefits-in-kind.

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2013.

DIRECTORS

The directors in office at the date of this report are as follows:

Heine Askaer-Jensen	
Jeffrey Stewart Bland	
Basil Chan	
William Charles Fink	(Appointed on 21 February 2013)
Gerard Lim Ewe Keng	(Appointed on 21 February 2013)
Peter Kevin Poli	

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

The Company Ordinary shares	Holdings at beginning of year/ date of appointment	Holdings at end of year
Heine Askaer-Jensen *	1,000	1,000
Jeffrey Stewart Bland +*	1,000	1,000
Basil Chan *	1,000	1,000
William Charles Fink *	1,000	1,000
Gerard Lim Ewe Keng *	–	8,000
Peter Kevin Poli *	161,000	161,000

+ The 1,000 shares are held in trust.
* The Company's Articles of Association require each director to hold at least 1,000 shares. The Board has proposed an amendment to the Company's articles eliminating this requirement. Shareholders will vote on this at the extraordinary general meeting to be held on 31 October 2013.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year/date of appointment, or at the end of the financial year.

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2013.

Except for shares granted under the Performance Incentive Plan, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for short-term employee benefits received and as disclosed in the accompanying financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

During the financial year, there were
(i) no options granted by the Company to any person to take up unissued shares in the Company; and
(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

PERFORMANCE INCENTIVE PLAN

Grand Banks Yachts Limited's Performance Incentive Plan ("the Plan") was approved and adopted by its members at an Extraordinary General Meeting of the Company held on 14 July 2008. The Plan is based on the principle of pay for performance and is designed to enable the Company to reward, retain and motivate employees whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees who have contributed to the Group.

The Company's Board of Directors has authorised and appointed its Remuneration Committee, which comprises three independent directors, to administer the Plan. The Plan shall continue in force, at the discretion of the Remuneration Committee, subject to a maximum of ten years commencing 14 July 2008. Any awards made to participants prior to such expiry or termination will continue to remain valid.

Size of the Plan

The total number of new shares which may be allotted and issued to the participants shall not exceed 12% of the total number of issued shares of the Company.

Participants of the Plan

The following persons shall be eligible to participate in the Plan:

Group employees who have attained the age of 21 years, hold such rank as may be designated by the Remuneration Committee and where terms of employment are deemed acceptable to the Remuneration Committee. So far, the Remuneration Committee has kept participants to a minimum.

Grant of Shares

In accordance with the requirements of the SGX Listing Manual, specific shareholder approval must be sought to grant awards to one participant in the Plan who is an associate of a controlling shareholder of the Company. As an associate of a controlling shareholder, the total number of shares which may be allotted and issued to this participant shall not exceed 10% of the total number of shares available under the Plan.

Share awards granted and vested, during the financial year, and share awards outstanding at the end of the financial year, under the Plan, are as follows:

Date of grant	1 July 2012	Performance shares lapsed	Performance shares vested	30 June 2013
	'000	'000	'000	'000
1 October 2010	560	(392)	(168)	–

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are as follows:

Basil Chan	(Chairman, Independent director)
Jeffrey Stewart Bland	(Independent director)
Heine Askaer-Jensen	(Independent director)

The Audit Committee performs the functions specified by section 201B of the Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' REPORT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Heine Askaer-Jensen
Director

Peter Kevin Poli
Director

1 October 2013

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 40 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Heine Askaer-Jensen
Director

Peter Kevin Poli
Director

1 October 2013

INDEPENDENT AUDITORS' REPORT

Members of the Company
Grand Banks Yachts Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Grand Banks Yachts Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 30 June 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 71.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

1 October 2013

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	4	8,277	8,352	–	–
Subsidiaries	5	–	–	19,000	19,000
Intangible assets	6	–	–	–	–
Deferred tax assets	7	–	–	–	–
		8,277	8,352	19,000	19,000
Current assets					
Inventories	8	23,385	13,461	–	–
Trade and other receivables	10	1,331	218	167	38
Prepayments	11	1,580	865	15	1
Current tax recoverable		63	47	–	–
Derivative assets	12	1	–	–	–
Debt securities held-for-trading	13	792	1,077	792	818
Cash and cash equivalents	14	13,560	22,561	10,055	6,307
		40,712	38,229	11,029	7,164
Total assets		48,989	46,581	30,029	26,164

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Current liabilities					
Trade and other payables	15	8,891	6,995	266	377
Provision for warranty claims	16	1,681	1,448	–	–
Current tax payable		161	63	–	–
		10,733	8,506	266	377
Total liabilities		10,733	8,506	266	377
Capital and reserves					
Share capital	17	29,062	23,823	29,062	23,823
Share-based compensation reserve	18	142	87	142	87
Foreign currency translation reserve	19	(21,582)	(21,684)	–	–
Accumulated profits		30,634	35,849	559	1,877
Total equity		38,256	38,075	29,763	25,787
Total equity and liabilities		48,989	46,581	30,029	26,164

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	20	35,253	32,759
Cost of sales		(30,466)	(29,675)
Gross profit		4,787	3,084
Selling and marketing expenses		(4,644)	(4,724)
Administrative expenses		(3,680)	(3,479)
Other operating expense, net		(1,218)	(4,205)
Total operating expenses, net		(9,542)	(12,408)
Loss from operations		(4,755)	(9,324)
Other non-operating (expense)/income, net	21	(276)	721
Loss before tax	21	(5,031)	(8,603)
Tax expense	23	(184)	(2,616)
Loss for the year		(5,215)	(11,219)
Loss per share (cents)	24		
- Basic		(4.70)	(11.67)
- Diluted		(4.70)	(11.67)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2013

	2013 $'000	2012 $'000
Loss for the year	(5,215)	(11,219)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	102	(460)
Other comprehensive income for the year, net of income tax	(102)	(460)
Total comprehensive income for the year	(5,113)	(11,679)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group					
At 1 July 2011	23,761	126	(21,224)	47,068	49,731
Total comprehensive income for the year					
Loss for the year	–	–	–	(11,219)	(11,219)
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(460)	–	(460)
Total other comprehensive income	–	–	(460)	–	(460)
Total comprehensive income for the year	–	–	(460)	(11,219)	(11,679)
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	62	(39)	–	–	23
At 30 June 2012	23,823	87	(21,684)	35,849	38,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group					
At 1 July 2012	23,823	87	(21,684)	35,849	38,075
Total comprehensive income for the year					
Loss for the year	–	–	–	(5,215)	(5,215)
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	102	–	102
Total other comprehensive income	–	–	102	–	102
Total comprehensive income for the year	–	–	102	(5,215)	(5,113)
Transactions with owners, recorded directly in equity					
Issues of new shares	5,239	–	–	–	5,239
Equity-settled performance shares	–	55	–	–	55
At 30 June 2013	29,062	142	(21,582)	30,634	38,256

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2013

	Note	Group 2013 $'000	Group 2012 $'000
Operating activities			
Loss before tax		(5,031)	(8,603)
Adjustments for:			
Depreciation of property, plant and equipment		1,632	3,541
Amortisation of intangible assets		–	57
Provision for doubtful debts		–	1,196
Impairment loss on property, plant and equipment		–	2,109
Property, plant and equipment written off		87	67
Impairment loss on intangible assets		–	96
Interest income		(233)	(319)
Provision for warranty claims		802	616
Fair valuation loss/(gain) on debt securities held-for-trading		41	(1)
Gain from change in fair value of financial derivatives		(1)	–
Equity-settled share-based compensation		55	23
		(2,648)	(1,218)
Changes in working capital:			
(Increase)/decrease in inventories		(10,091)	7,947
(Increase)/decrease in trade and other receivables		(1,155)	439
Increase in prepayments		(733)	(139)
Increase/(decrease) in trade and other payables		2,249	(650)
Net cash (used in)/generated from operations		(12,378)	6,379
Net income taxes paid		(102)	(3)
Warranty claims paid		(563)	(649)
Restricted cash		(317)	–
Cash flows (used in)/from operating activities		(13,360)	5,727

	Note	Group 2013 $'000	Group 2012 $'000
Investing activities			
Interest received		255	281
Proceeds from matured debt securities held-for-trading		244	–
Purchase of property, plant and equipment		(1,673)	(1,412)
Cash flows used in investing activities		(1,174)	(1,131)
Financing activities			
Proceeds from issue of shares		5,239	–
Deposits pledged		(998)	–
Cash flows from financing activities		4,241	–
Net (decrease)/increase in cash and cash equivalents		(10,293)	4,596
Cash and cash equivalents at beginning of year		22,561	18,161
Effect of exchange rate changes on balances held in foreign currency		(23)	(196)
Cash and cash equivalents at end of year	14	12,245	22,561

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 October 2013.

1 DOMICILE AND ACTIVITIES

Grand Banks Yachts Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 541 Orchard Road, #11-04 Liat Towers, Singapore 238881.

The principal activities of the Company are those of an investment holding company with significant subsidiaries in the business of manufacturing and selling luxury yachts worldwide. See Note 5 to the financial statements for additional information on the subsidiaries.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group).

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is also the Company's functional currency. The financial statements of the Company and its subsidiaries are measured in respective functional currencies determined by management. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of critical judgements and estimation uncertainty are described in the following notes:

Critical judgement

Review of indicators of impairment for non-financial assets

The Group assessed whether there were any indicators of impairment for all non-financial assets except for inventories and deferred tax assets at each reporting date. In performing its review, the Group considered the latest available management budgets, long term economic indicators, industry outlooks and sustainability, market competition, underlying business fundamentals and market perception of the corporate brand. The review requires significant assumptions given the uncertainty regarding the timing of economic recoveries in the regions where the Group sells its yachts.

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

Key sources of estimation uncertainty

a) Note 3.3 – estimation of useful lives of property, plant and equipment

b) Note 3.6 and 4 – estimation of recoverable amounts of non-financial assets grouped in cash-generating units

c) Note 3.9 and 16 – measurement for provision for warranty claims

d) Note 3.11 – recognition of revenue using percentage of completion method

e) Note 8 – measurement of allowance for inventories obsolescence

f) Note 29 – measurement of provision for legal claims

2.5 Changes in accounting policies

With effect from 1 July 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below.

Presentation of items of other comprehensive income

From 1 July 2012, the Group has applied Amendments to FRS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* which require items of other comprehensive income that would be reclassified to profit or loss in the future to be presented separately from those that would never be reclassified to profit or loss. Consequently, where these items are presented before their related tax effects, the aggregated tax amount would also have to be allocated between these sections.

The adoption of Amendments to FRS 1 affects only the presentation made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used by the Group as set out below have been applied consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Company

Investments in subsidiaries are stated in the Company's statement of financial position at cost less impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in term of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisitions were used.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control is transferred, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Buildings on leasehold land	-	22 - 28 years
Leasehold land	-	Lease period of 30 years
Plant and machinery	-	10 years
Furniture, fixtures and equipment	-	3 to 5 years
Toolings and moulds	-	4 to 8 years
Motor vehicles and work boats	-	5 to 10 years

Assets under construction are not depreciated. Depreciation commences when the assets are ready for use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

Research and development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of approximately 6 years.

Trade marks

Trade marks with finite useful life are stated at cost less accumulated amortisation and impairment losses.

Trade marks are amortised in profit or loss on a straight-line basis over their estimated useful life of 20 years.

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables and debt securities held-for-trading.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, cash and cash equivalents exclude short-term deposits which are pledged to the bank as security and cannot be withdrawn on demand.

Held-for-trading

Financial instruments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

The fair value of financial instruments classified as held-for-trading is determined as the quoted bid price at the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Derivative financial assets

Forward exchange contracts

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in its fair value are recognised immediately in profit or loss.

Non-derivative financial liabilities

The Group initially recognises all financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group's non-derivative financial liabilities comprise trade and other payables.

Share capital

Ordinary share are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

Non-derivative financial assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Construction contracts

The accounting policy for contract revenue is set out in Note 3.11. Construction contracts are measured at cost plus profit recognised to date less progress billings and recognised losses. Costs include all expenditure related directly to the construction of a specific yacht and an allocation of fixed and variable overheads incurred in the contract activities based on normal operating capacity. Construction contracts are presented either as unbilled receivables on contract work-in-progress or deferred income on contract work-in-progress.

Unbilled receivables on contract work-in-progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. Whereas, deferred income on contract work-in-progress represents payments received from customers which exceed the income recognised for contract work performed to date.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Provisions (Cont'd)

Provision for warranty claims

A provision for warranty claims is recognised when each boat is sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Claims, when incurred, are charged against this provision account.

3.10 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

Share-based compensation transactions

For equity-settled share-based payment transactions, the fair value of the services received is recognised as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the grant date. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognised as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

3.11 Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the hours incurred to date and the estimated total hours for each contract. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately in profit or loss.

Sale of stock boats

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and other sales taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.13 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results for operating segments are provided and reviewed regularly by the chief operating decision maker to make recommendations or decisions about resources to be allocated to the segment and to assess its performance.

Transfer pricing and allocation basis

Inter-segment pricing is determined on mutually agreed terms. Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

3.16 New standards and interpretations not adopted

New standards, amendments to standards and interpretations that have been issued but not yet effective for the financial year ended 30 June 2013 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on leasehold land $'000	Leasehold land $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Toolings and moulds $'000	Motor vehicles and work boats $'000	Assets under construction $'000	Total $'000
Cost								
At 1 July 2011	10,861	2,421	4,909	4,643	18,076	307	198	41,415
Additions	–	–	42	148	8	–	1,214	1,412
Write-off	–	–	–	(207)	–	–	(67)	(274)
Transfer	–	–	–	–	1,012	–	(1,012)	–
Translation adjustment	(208)	(48)	(94)	(75)	(316)	(2)	(7)	(750)
At 30 June 2012	10,653	2,373	4,857	4,509	18,780	305	326	41,803
At 1 July 2012	10,653	2,373	4,857	4,509	18,780	305	326	41,803
Additions	31	–	–	84	82	–	1,476	1,673
Write-off	–	–	–	–	(3)	–	(84)	(87)
Transfer	–	–	–	–	1,483	–	(1,483)	–
Translation adjustment	(38)	(8)	(17)	(24)	(68)	(1)	–	(156)
At 30 June 2013	10,646	2,365	4,840	4,569	20,274	304	235	43,233

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Buildings on leasehold land $'000	Leasehold land $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Toolings and moulds $'000	Motor vehicles and work boats $'000	Assets under construction $'000	Total $'000
Accumulated depreciation and impairment losses								
At 1 July 2011	5,232	1,293	3,850	4,236	13,732	216	–	28,559
Charge for the year	470	98	219	299	2,433	22	–	3,541
Write-off	–	–	–	(207)	–	–	–	(207)
Impairment loss	–	–	488	84	1,537	–	–	2,109
Translation adjustment	(110)	(28)	(77)	(73)	(261)	(2)	–	(551)
At 30 June 2012	5,592	1,363	4,480	4,339	17,441	236	–	33,451
At 1 July 2012	5,592	1,363	4,480	4,339	17,441	236	–	33,451
Charge for the year	463	98	64	106	879	22	–	1,632
Translation adjustment	(23)	(5)	(15)	(23)	(61)	–	–	(127)
At 30 June 2013	6,032	1,456	4,529	4,422	18,259	258	–	34,956
Carrying amount								
At 1 July 2011	5,629	1,128	1,059	407	4,344	91	198	12,856
At 30 June 2012	5,061	1,010	377	170	1,339	69	326	8,352
At 30 June 2013	4,614	909	311	147	2,015	46	235	8,277

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

Assets under construction relate mainly to expenditures incurred for retooling existing moulds and constructing new moulds.

Impairment losses

The Group continued to incur losses for the financial year ended 30 June 2013 which resulted in the Group reviewing the recoverable amounts of its property, plant and equipment to determine if the assets were impaired. The Group assessed the recoverable amount of an asset or a cash-generating unit which is the higher of its fair value less costs to sell and its value-in-use.

The recoverable amounts of leasehold land and buildings were based on fair value less cost to sell obtained from valuation performed by an independent valuer in April 2012. Based on this valuation, the Group determined that the buildings on leasehold land and leasehold land were not impaired. The recoverable amount of the remaining property, plant and equipment was based on calculations of its value-in-use, determined by using a pre-tax discount rate of 23.78% (2012: 20.58%) to discount the future cash flows from the continuing use of these assets back to a present value. The Group's calculation used cash flow projections covering years 2014 to 2016 (2012: 2013 to 2017).

Based on the above, an impairment loss of $Nil (2012: $2,109,000) was recognised in other operating expenses in the consolidated income statement.

5 SUBSIDIARIES

	Company	
	2013	2012
	$'000	$'000
Unquoted ordinary shares, at cost	6,190	6,190
Unquoted preference shares, at cost	12,810	12,810
	19,000	19,000

Details of the subsidiaries, all of which are wholly-owned, are as follows:

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2013 %	2012 %
+	GB Yachts Pte. Ltd.	This subsidiary discontinued its yacht manufacturing operations in Singapore and disposed of the plant in June 2009. This subsidiary provides certain management services to the Malaysian, United States and Australian subsidiaries.	Singapore	100	100
#	Grand Banks Yachts Ltd	This subsidiary carries out the Group's sales activities through one subsidiary in the US and several independently owned dealers around the world.	United States of America	100	100
#	Grand Banks Yachts Sales LLC	This subsidiary was incorporated in 2009. It sells new and previously owned yachts and is involved in the brokerage business in Seattle, Washington.	United States of America	100	100

5 SUBSIDIARIES (CONT'D)

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2013 %	2012 %
@	Grand Banks Yachts Sdn. Bhd.	This subsidiary operates the manufacturing plant of the Group which employed 456 people at 30 June 2013.	Malaysia	100	100
#	Grand Banks Yachts Australia Pty Ltd	This subsidiary carries out the Group's sales activities in Australia.	Australia	100	100

Not required to be audited by law of country of incorporation.
@ Audited by other member firm of KPMG International.
+ Audited by KPMG Singapore.

6 INTANGIBLE ASSETS

Group	Club memberships $'000	Trade marks $'000	Development costs $'000	Total $'000
Cost				
At 1 July 2011	68	241	344	653
Translation adjustment	–	–	(7)	(7)
At 30 June 2012	68	241	337	646
At 1 July 2012	68	241	337	646
Translation adjustment	–	–	(1)	(1)
At 30 June 2013	68	241	336	645
Accumulated amortisation				
At 1 July 2011	68	241	189	498
Charge for the year	–	–	57	57
Impairment loss	–	–	96	96
Translation adjustment	–	–	(5)	(5)
At 30 June 2012	68	241	337	646
At 1 July 2012	68	241	337	646
Translation adjustment	–	–	(1)	(1)
At 30 June 2013	68	241	336	645
Carrying amount				
At 1 July 2011	–	–	155	155
At 30 June 2012 and 30 June 2013	–	–	–	–

Development costs relate to prototype knowledge with regard to the construction of new yachts with improved designs, hence reducing the chances of rework due to discovery of design errors during production. The development costs capitalised are amortised over the estimated useful life of 6 years.

The Group holds trade marks for Grand Banks, Eastbay and Aleutian on a worldwide basis.

6 INTANGIBLE ASSETS (CONT'D)

Impairment losses

For the reasons indicated in Note 4, the Group performed the same analysis to determine if there were indicators of impairment.

In 2012, based on the cash flow analysis performed under a probability weighted approach, an impairment loss of $96,000 was recognised in other operating expenses in the consolidated income statement.

7 DEFERRED TAX ASSETS

Movements in deferred tax assets during the year are as follows:

	At 1 July 2011	Charged to profit or loss (Note 23)	At 30 June 2012	At 1 July 2012 and 30 June 2013
	$'000	$'000	$'000	$'000
Deferred tax assets				
Property, plant and equipment	264	(264)	–	–
Unabsorbed wear and tear allowances	1,052	(1,052)	–	–
Provisions	345	(345)	–	–
Accrued operating expenses, allowances for slow moving inventories and others	912	(912)	–	–
	2,573	(2,573)	–	–

Unrecognised deferred tax assets have been disclosed in Note 23.

8 INVENTORIES

	Note	Group 2013	Group 2012
		$'000	$'000
Raw materials and components		7,704	6,381
Stock boats		6,318	3,145
		14,022	9,526
Allowance for inventory obsolescence		(2,047)	(1,416)
		11,975	8,110
Work-in-progress		650	3,061
		12,625	11,171
Unbilled receivables on contract work-in-progress	9	10,760	2,290
		23,385	13,461

In 2013, raw materials and components, finished goods and work-in-progress recognised as cost of sales amounted to $28,920,000 (2012: $26,201,000).

Usage of raw materials, changes in work-in-progress and changes in finished goods are main components of the cost of sales shown in profit or loss. Cost of sales also includes an allowance for inventory obsolescence which was provided to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Estimates of net realisable value are based on the most reliable evidence available at the balance sheet date. These estimates take into consideration market demand, competition, selling price and cost directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

9 CONTRACTUAL CONSTRUCTION WORK-IN-PROGRESS

	Note	Group 2013 $'000	Group 2012 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date		15,795	5,414
Progress billings		(6,424)	(3,539)
		9,371	1,875
Presented as:-			
Unbilled receivables on contract work-in-progress	8	10,760	2,290
Deferred income on contract work-in-progress	15	(1,389)	(415)
		9,371	1,875

10 TRADE AND OTHER RECEIVABLES

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade receivables	2,327	1,254	–	–
Less: Allowance for doubtful debts	(1,168)	(1,172)	–	–
	1,159	82	–	–
Refundable deposits	87	93	–	–
Interest receivable	16	37	17	23
Sundry receivables	69	6	–	15
Amounts due from subsidiaries (non-trade)	–	–	150	–
Loans and receivables	1,331	218	167	38

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group 2013 $'000	Group 2012 $'000
Beginning of the year	1,172	–
Impairment loss recognised	–	1,196
Translation adjustment	(4)	(24)
End of the year	1,168	1,172

Loans and receivables were denominated in the following currencies at the balance sheet date:

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
United States Dollar	1,134	97	–	–
Singapore Dollar	61	66	167	38
Malaysia Ringgit	22	24	–	–
Others	114	31	–	–
	1,331	218	167	38

Goods are generally sold on cash terms with a portion of transactions occasionally arranged to be settled by secured letters of credit issued by reputable banks in countries where the customers or independently-owned dealers are based and even fewer instances where interest bearing notes signed by long established dealers are accepted.

As at 30 June 2013, the trade receivables comprised of an outstanding amount of $1,168,000 (2012: $Nil) that was past due for more than 12 months. The outstanding amount was fully provided as at 30 June 2013. The remaining balances are not past due (2012: not past due). These amounts are due from dealers, with no significant history of default or are customer funds held in escrow pending completion of the yacht. These amounts are not impaired.

10 TRADE AND OTHER RECEIVABLES (CONT'D)

In 2012, one of the Group's independently-owned European dealers whom the Group financed encountered difficulties as customers remain cautious given the Eurozone debt crisis. This resulted in the Group recognising an impairment of $1,196,000 with respect to this dealer. In 2013, the amount due from the European dealer remains outstanding.

Outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances with subsidiaries.

11 PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Payments in advance for purchases of property, plant and equipment	287	288	–	–
Payments in advance for purchases of raw materials and components	1,039	336	–	–
Prepaid operating expenses	254	241	15	1
	1,580	865	15	1

12 DERIVATIVE ASSETS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Forward exchange contracts	1	–	–	–

In 2013, the Group entered into a forward exchange contract to hedge the foreign currency exposure on the sales proceeds to be received in Australia Dollar.

13 DEBT SECURITIES HELD-FOR-TRADING

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
5.25% (2012: 5.25%) p.a. USD HSBC bond due 12 December 2012	–	259	–	–
5.60% (2012: 5.60%) p.a. SGD OCBC bond due 6 September 2019	459	490	459	490
3.75% (2012: 3.75%) p.a. SGD government bond due 1 September 2016	333	328	333	328
	792	1,077	792	818

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and bank balances	1,865	1,181	19	109
Short-term deposits	11,695	21,380	10,036	6,198
Cash and cash equivalents in the statements of financial position	13,560	22,561	10,055	6,307
Deposits pledged	(998)	–	–	–
Restricted cash	(317)	–	–	–
Cash and cash equivalents in the statement of cash flows	12,245	22,561	10,055	6,307

Deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities.

Restricted cash are bank balances held in Escrow bank accounts, which are not available for use by the Group until specified conditions for the sale transactions are met.

14 CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents were denominated in the following currencies at the balance sheet date:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
United States Dollar	2,391	6,997	14	14
Singapore Dollar	10,152	9,322	10,041	6,293
Malaysia Ringgit	435	2,976	–	–
Australia Dollar	545	3,077	–	–
Others	37	189	–	–
	13,560	22,561	10,055	6,307

Cash at banks earns interest at floating rates based on the daily bank deposits rates. Short-term deposits are placed for varying periods of between 4 to 365 days (2012: 7 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

15 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Trade payables		1,176	1,241	–	–
Accrued retirement benefits payable to a former director		–	195	–	–
Refundable deposit		21	21	–	–
Accrued operating expenses		3,534	3,348	266	377
Financial liabilities carried at amortised cost		4,731	4,805	266	377
Deferred income on contract work-in-progress	9	1,389	415	–	–
Advance payments received from customers before the related construction work is performed		2,771	1,775	–	–
		8,891	6,995	266	377

Financial liabilities which are carried at amortised costs are denominated in the following currencies at the balance sheet date:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
United States Dollar	2,186	2,371	–	–
Singapore Dollar	803	1,163	266	377
Malaysia Ringgit	1,513	1,155	–	–
Others	229	116	–	–
	4,731	4,805	266	377

16 PROVISION FOR WARRANTY CLAIMS

	Group 2013 $'000	Group 2012 $'000
Beginning of the year	1,448	1,509
Provision made during the year	802	616
Claims expended during the year	(563)	(649)
Translation adjustment	(6)	(28)
End of the year	1,681	1,448

The provision for warranty is set up to cover the estimated liability which may arise during the warranty period in respect of warranty claims for the sale of completed yachts. The provision is based on historical warranty data. The amounts at the end of the year are expected to be utilised over the next 12 months.

17 SHARE CAPITAL

	2013 Number of shares '000	2013 $'000	2012 Number of shares '000	2012 $'000
Fully paid with no par value:				
Beginning of the year	96,116	23,823	95,978	23,761
Issue of shares	19,223	5,239	138	62
End of the year	115,339	29,062	96,116	23,823

On 17 September 2012, the Company entered into a share placement agreement with two subscribers to subscribe for 19,223,250 new ordinary shares in the Company ("Placement Shares") for a consideration of $5,238,336 at the issue price of S$0.2725 per Placement Share. The placement shares were issued on 25 September 2012.

During the financial year ended 30 June 2013, nil shares (2012: 138,000 shares) were issued under the Grand Banks Yachts Limited's Performance Incentive Plan.

A holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group considers capital to be its share capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

18 SHARE-BASED COMPENSATION RESERVE

The share-based compensation reserve comprises the cumulative value of services received from employees for the issue of share awards under the Performance Incentive Plan of the Company.

19 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

20 REVENUE

	Group 2013 $'000	Group 2012 $'000
Revenue from construction contracts	30,821	22,382
Revenue from boat brokerage	492	316
Rendering of services	117	107
Sales of stock boats	3,501	9,345
Sales of parts	322	609
	35,253	32,759

21 LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Note	Group 2013 $'000	Group 2012 $'000
Expenses			
Wages, salaries and other employee benefits		11,466	10,065
Contributions to defined contribution plans, included in wages and salaries related costs		849	771
Equity-settled share-based compensation, included in wages and salaries related costs		55	23
Cost of sales – raw materials		18,315	17,787
Allowance for obsolescence in raw materials and components, included in cost of sales – raw materials		98	268
Allowance/(reversal of allowance) for obsolescence in finished products		229	(200)
Property, plant and equipment written off		87	67
Depreciation of property, plant and equipment	4	1,632	3,541
Amortisation of intangible assets	6	–	57
Provision for warranty claims	16	802	616
Selling and marketing expenses – advertising		395	395
Selling and marketing expenses – boat demonstrations, exhibition and events		604	714
Auditors' remuneration			
- auditors of the Company		88	82
- other member firms of KPMG International		30	32
Non-audit fees paid to:			
- auditors of the Company		36	24
- other member firms of KPMG International		3	7
Operating lease expenses		360	432
Impairment loss on property, plant and equipment	4	–	2,109
Impairment loss on intangible assets	6	–	96
Allowance for doubtful debts		–	1,196

21 LOSS BEFORE TAX (CONT'D)

	Group 2013 $'000	Group 2012 $'000
Other non-operating (income)/expense, net		
Foreign exchange loss/(gain)	535	(343)
Interest income		
- bank	(144)	(189)
- others	(89)	(130)
Rental income	(56)	(48)
Fair valuation loss/(gain) on debt securities held-for-trading	41	(1)
Gain from change in fair value of financial derivatives	(1)	–
Others	(10)	(10)
	276	(721)

22 SHARE-BASED COMPENSATION

The Group's Remuneration Committee which administers Grand Banks Yachts Limited Performance Incentive Plan (the "Plan") makes award grants of ordinary shares ("Performance Shares") in the capital of the Group to eligible participants. The participant's ability to receive the Performance Shares granted is conditional upon two distinct criteria: performance and time-based service vesting conditions. The performance targets are set based on corporate objectives established for a performance period not to exceed three years with the final number of Performance Shares earned dependent on the level of achievement of those targets. Additionally, the vesting periods for all Performance Shares shall not exceed three years. A participant only receives the Performance Shares granted after the shares are earned and vested.

The movements of the number of shares for the Plan during the financial year were as follows:

Date of grant	2 October 2009 '000	15 October 2009 '000	1 October 2010 '000
Number of shares			
Outstanding and unvested at 30 June 2011	138	560	560
Vested	(138)	–	–
Forfeited	–	(560)	–
Outstanding and unvested at 30 June 2012	–	–	560
Vested	–	–	(168)
Forfeited	–	–	(392)
Outstanding and unvested at 30 June 2013	–	–	–

	2013 $'000	2012 $'000
Fair value of awards vested during the year	55	62

The fair value of the shares is estimated using a Monte-Carlo simulation methodology at the grant dates of the Performance Share awards with the following assumptions outlined in the table below:

22 SHARE-BASED COMPENSATION (CONT'D)

Date of grant	2 October 2009	15 October 2009	1 October 2010
Fair value at measurement date	S$0.450	S$0.426 - S$0.560*	S$0.447 - S$0.638*
Assumptions under Monte-Carlo Model in respect of Grand Banks Yachts Limited			
• Share price at grant date	S$0.45	S$0.48	S$0.495
• Expected Volatility	35.40%	35.40%	46.65%
• Dividend Yield	4.44%	4.44%	4.04%
• Average risk-free interest rates	0.62%	0.62%	0.44%
• Expected achievement factor	NA	50% - 92%*	50% - 91%*

* The range in fair value and achievement factor can be attributed to the two different performance criteria currently being used, one of which is tied to the return of the Company's shares and the other based on an operating metric.

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group recognised a charge of $55,000 (2012: $23,000) to the income statement based on the estimated fair value of the performance shares at the grant date being expensed over the vesting period.

23 TAX EXPENSE

	Note	Group 2013 $'000	Group 2012 $'000
Current tax expense			
Current year		83	107
Under/(Over) provision in prior years		101	(64)
		184	43
Deferred tax expense			
Reversal of deferred tax assets	7	–	2,573
		184	2,616
Reconciliation of effective tax rate			
Loss before tax		(5,031)	(8,603)
Tax at the domestic rates applicable to profits in the countries where the Group operates		(1,544)	(1,940)
Adjustments:-			
Non-deductible expenses		349	481
Non-taxable income		–	(43)
Deferred tax assets not recognised		1,242	4,125
Under/(Over) provision in prior years		101	(64)
Others		36	57
		184	2,616

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Unrecognised deferred tax assets

Based on management's three year budgets, it is not probable that sufficient taxable profits will be available against which the Group can utilise the benefits therefrom. Accordingly, deferred tax assets have not been recognised in the last two financial years.

23 TAX EXPENSE (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2013	2012
	$'000	$'000
Deductible temporary differences	7,394	6,520
Unutilised tax losses	21,745	20,098
Unutilised capital allowances	12,557	10,629
	41,696	37,247

The unutilised tax losses, investment allowances and capital allowances are subject to agreement by the tax authorities and do not expire under current tax legislation.

24 LOSS PER SHARE

	Group	
	2013	2012
Basic loss per share is based on:		
Net loss for the year ($'000)	(5,215)	(11,219)

	Group	
	2013	2012
Number of shares outstanding at beginning of the year ('000)	96,116	95,978
Effect of Shares Placement	14,746	–
Effect of issue of bonus performance shares under Performance Incentive Plan ('000)	–	104
Weighted average number of ordinary shares at the end of the year ('000)	110,862	96,082

As at 30 June 2013, there were 168,000 vested ordinary shares which are potentially issuable to participating employees under the Grand Banks Yachts Limited's Performance Incentive Plan subject to Remuneration Committee's approval. As at 30 June 2012, there were 560,000 unvested ordinary shares that were potentially issuable to participating employees under the Grand Banks Yachts Limited's Performance Incentive Plan (Note 22). These potential ordinary shares are anti-dilutive as their conversion to ordinary shares would decrease, though insignificantly, the loss per share of the Group. As such, the calculation of diluted loss per share does not assume conversion of these potential ordinary shares. Accordingly for disclosure purposes, diluted loss per share is the same as basic loss per share.

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

Key management personnel of the Group are those having the authority and responsibility for planning, directing and controlling the activities of the Group. The Chief Executive Officer, Acting Chief Executive Officer and the Board of Directors are considered as key management personnel of the Group. During the year, the Group entered into a separation agreement with the former Chief Executive Officer. In this respect, the Group has recognised an expense of $658,000 during the year (2012: nil). Key management personnel compensation comprised:

	Group	
	2013	2012
	$'000	$'000
Short-term benefits	765	1,060
Contribution to defined contribution plans	46	102
Separation agreement	658	–
Performance incentive plan	(3)	19
	1,466	1,181

26 COMMITMENTS

Operating lease commitments

The Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013	2012
	$'000	$'000
Payable:		
Within 1 year	342	340
After 1 year but within 5 years	47	48
	389	388

The Group has non-cancellable operating leases for its Singapore, US and Australia offices. These leases are with renewal options and do not include contingent rentals.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group has established its general risk management philosophy to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risks to ensure that an appropriate balance between risk and control is achieved and to reflect changes in market conditions.

The Audit Committee oversees how management monitors compliance with the Group's risk management framework and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by an independent Internal Audit organisation. This independent Internal Audit organisation undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Evaluations are performed on all new dealers and when other circumstances require such analysis.

Goods are generally sold on cash terms with a portion of transactions occasionally arranged to be settled by secured letters of credit issued by reputable banks in countries where the customers or independently-owned dealers are based and even fewer instances where interest bearing notes signed by long established dealers are accepted. There are instances where the Group provides financing to independently-owned dealers and the Group monitors the credit risk of these dealers on an on-going basis.

The Group has entered into an arrangement with a third-party lender (the "Lender") who provides yacht financing to two independently-owned dealers of the Group for the purchase of yachts. In the event of a default by the dealer, the Lender will repossess the yacht and the Group has agreed to repurchase it from the Lender.

Contract work-in-progress represent production yachts backed by customers' orders. As it is the Group's policy to obtain deposits before commencement of construction work and only ship finished products to customers or independently-owned dealers upon payment, the risk of default by customers or independently-owned dealers associated with contract work-in-progress is not significant as the Group usually accepts cash payment and in certain circumstances, the Group accepts a combination of cash and a trade-in yacht as payment.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is the carrying amount of each financial asset on the balance sheet.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Group announced its intention on 29 August 2013 to launch a one-for-two rights share offering which, if fully subscribed, would raise approximately S$12 million (see Note 31).

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (Cont'd)

The Company has outstanding corporate guarantees of $Nil (2012: RM5,000,000 (equivalent to $1,997,000)) given to banks for facilities granted to the Malaysian subsidiary. The amount of facilities utilised as at 30 June 2013 was $Nil (2012: $Nil).

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Note	Carrying amount	Cash flows			
			Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000
Group						
2013						
Trade and other payables	15	4,731	(4,731)	(4,731)	–	–
2012						
Trade and other payables	15	4,805	(4,805)	(4,805)	–	–
Company						
2013						
Trade and other payables	15	266	(266)	(266)	–	–
2012						
Trade and other payables	15	377	(377)	(377)	–	–
Intragroup financial guarantees		–	(1,997)	(1,997)	–	–
		377	(2,374)	(2,374)	–	–

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to interest-earning cash and cash equivalents.

	Group Carrying amount		Company Carrying amount	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Debt securities held-for-trading	792	1,077	792	818
Variable rate instruments				
Cash and cash equivalents	13,560	22,561	10,055	6,307

Sensitivity analysis

For the variable rate financial assets, a 100 basis points (bp) increase at the reporting date would have the impact as shown below. A decrease of 100 bp would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
100 bp increase				
Decrease in loss for the year and increase in accumulated profits	136	226	10	6

There is no impact on other components of equity.

Foreign currency risk

The foreign currency exposure arising from transactions denominated in foreign currencies is mainly the USD. The Company is not exposed to foreign currency risk.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

Sensitivity analysis

A 1% strengthening of SGD and RM against USD at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and excludes the impact of any hedging.

	Profit from operations $'000
Group	
At 30 June 2013	
- USD	(15)
At 30 June 2012	
- USD	(50)

A 1% weakening of SGD and RM against the USD would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Fair values of financial assets and financial liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Trading $'000	Designated at fair value $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
30 June 2013							
Cash and cash equivalents	14	–	–	13,560	–	13,560	13,560
Trade and other receivables	10	–	–	1,331	–	1,331	1,331
Financial assets classified as held for trading	13	792	–	–	–	792	792
Derivative assets	12	–	1	–	–	1	1
		792	1	14,891	–	15,684	15,684
Trade and other payables	15	–	–	–	4,731	4,731	4,731
30 June 2012							
Cash and cash equivalents	14	–	–	22,561	–	22,561	22,561
Trade and other receivables	10	–	–	218	–	218	218
Financial assets classified as held for trading	13	1,077	–	–	–	1,077	1,077
		1,077	–	22,779	–	23,856	23,856
Trade and other payables	15	–	–	–	4,805	4,805	4,805

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Fair values of financial assets and financial liabilities (Cont'd)

Company	Note	Trading $'000	Designated at fair value $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
30 June 2013							
Cash and cash equivalents	14	–	–	10,055	–	10,055	10,055
Trade and other receivables	10	–	–	167	–	167	167
Financial assets classified as held for trading	13	792	–	–	–	792	792
		792	–	10,222	–	11,014	11,014
Trade and other payables	15	–	–	–	266	266	266
30 June 2012							
Cash and cash equivalents	14	–	–	6,307	–	6,307	6,307
Trade and other receivables	10	–	–	38	–	38	38
Financial assets classified as held for trading	13	818	–	–	–	818	818
		818	–	6,345	–	7,163	7,163
Trade and other payables	15	–	–	–	377	377	377

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Fair value hierarchy

The fair values of debt securities held-for-trading and forward exchange contracts are based on broker quotes. The Group has categorised debt securities held-for-trading and derivative assets as Level 2 of the fair value hierarchy.

The different levels are defined as follows:

Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices)
Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

28 OPERATING SEGMENTS

The Group, which engages predominantly in the manufacturing and sale of luxury yachts, has reportable operating segments as described below.

Reporting format

- Manufacturing & wholesale segment – comprising manufacturing and distribution of new yachts to dealers in world-wide wholesale market.
- Retail segment – comprising the sale of new and previously-owned yachts directly to retail customers through stores owned by the Group.

Reconciliation includes unallocated head office revenue, expenses, assets, liabilities and consolidation adjustments which are not directly attributable to a particular segment above.

In addition to the operating segment reporting, the Group closely tracks the geographical regions in which it sells its yachts.

28 OPERATING SEGMENTS (CONT'D)

	Manufacturing & Wholesale		Retail		Corporate (Reconciliation)		Adjustments (Reconciliation)		Consolidated	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue & expenses										
External revenues	29,894	23,397	5,359	9,362	–	–	–	–	35,253	32,759
Inter-segment revenue	4,817	6,362	–	–	632	588	(5,449)	(6,950)	–	–
Total revenue	34,711	29,759	5,359	9,362	632	588	(5,449)	(6,950)	35,253	32,759
Segment results*	590	394	(854)	(754)	(3,238)	(2,016)	(130)	453	(3,632)	(1,923)
Depreciation, amortisation and impairment	(2,897)	(4,709)	(32)	(35)	(50)	(50)	1,347	(2,205)	(1,632)	(6,999)
Interest income	199	326	14	41	51	88	(31)	(136)	233	319
Interest expense	–	–	(31)	(136)	–	–	31	136	–	–
Operating loss before tax	(2,108)	(3,989)	(903)	(884)	(3,237)	(1,978)	1,217	(1,752)	(5,031)	(8,603)
Income tax (expense)/credit	(58)	(2,549)	12	(13)	(138)	(39)	–	(15)	(184)	(2,616)
Segment loss	(2,166)	(6,538)	(891)	(897)	(3,375)	(2,017)	1,217	(1,767)	(5,215)	(11,219)
Other material non-cash items:										
Property, plant and equipment written off	87	67	–	–	–	–	–	–	87	67
Assets & liabilities										
Segment assets	36,558	35,769	2,462	849	18,591	16,008	(8,622)	(6,045)	48,989	46,581
Segment liabilities	13,429	10,668	4,959	2,651	967	1,232	(8,622)	(6,045)	10,733	8,506
Capital expenditures	1,670	1,335	2	1	1	76	–	–	1,673	1,412

* Segment results: Earnings Before Interest, Taxation, Depreciation, Amortisation and Impairment

28 OPERATING SEGMENTS (CONT'D)

Geographical segments

Geographical segment information is analysed by the principal geographical locations where the Group sells its yachts. The principal geographical locations are:

	2013	2012
	$'000	$'000
USA	19,406	15,603
Europe*	5,878	8,200
Australia	2,652	5,984
Singapore	3,353	2,024
Japan	2,148	948
Others	1,816	–
	35,253	32,759

** comprises mainly Holland and Italy (2012: Holland, Italy and France)*

The Group manufactures yachts and holds its corporate treasury and administrative functions at locations different from the principal geographical locations in which it sells its yachts as described above. The non-current assets, primarily the manufacturing facilities of $8,200,000 (2012: $8,100,000) are substantially located in Malaysia.

Major dealers/customers

One (2012: three) independently-owned dealership individually account for more than 10% of total revenue.

29 LEGAL MATTERS

The Group is involved in both claims and legal proceedings. Using the latest information available, the Group accrues for its exposure based upon the management's best estimates, made in consultation with legal counsel, of the likely range of exposure stemming from the claims. In the opinion of management, the Group's litigation or claims, when finally resolved, will not have a material adverse effect on the Group's consolidated financial position. Nevertheless, management continues to monitor both claims and legal proceedings to determine that its estimates are adequate. However, if current cost estimates for the resolution of these claims are later determined to be inadequate, then the results of the Group's operations could be adversely affected.

30 CONTINGENT LIABILITY

In 2013, the Group entered into an arrangement with a third-party financing entity (the "Lender") who provides yacht financing to only two independently-owned dealers whom are approved by the Group for the purchase of a yacht under this arrangement. In the event of a default by either of the two dealers, the Lender will repossess the yacht it financed after all avenues to recover the debt from the dealer have been exhausted. The Group agreed to repurchase the repossessed yacht from the Lender at a price that is equal to the total of principal and finance charges owed to the Lender by the dealer with respect to the yacht. As at 30 June 2013, the potential cash payment the Group could be required to make to repurchase the sole yacht is $1,551,000. The Group's risk under this repurchase arrangement is partially mitigated by the value which the Group will earn upon the sale of the repossessed yacht.

31 SUBSEQUENT EVENTS

Subsequent to the year end, the Group proposed on 29 August 2013 to issue a one-for-two rights issue at $0.22 per share (a discount of approximately 30.8% to the 30-day volume-weighted average share price through 29 August 2013). Assuming full subscription based on the current issued share capital base of 115,339,500 shares, the Group will raise up to appoximately $12 million in net proceeds which will enlarge the share capital base to 173,009,250 shares.

STATISTICS OF SHAREHOLDINGS

As at 23 September 2013
Issued Share Capital : 115,339,500 ordinary shares
Voting Rights : 1 vote per ordinary share

Directors' Shareholdings
As at 21 July 2013

Name of Directors	No. of Shares
Heine Askaer-Jensen	1,000
Jeffrey Stewart Bland	1,000
Basil Chan	1,000
William Charles Fink	1,000
Gerard Lim Ewe Keng	8,000
Peter Kevin Poli	161,000

Substantial Shareholders
As at 23 September 2013, shown in Register of Substantial Shareholders

Name of Substantial Shareholders	Shareholdings registered in the name of the Substantial Shareholders	Shareholdings in which the Substantial Shareholders are deemed to have an interest	Total	Percentage of Issued Shares (%)
Merlion LP	26,250,000	0	26,250,000	22.76
Robert William Livingston	1,178,180	26,250,000 *	27,428,180	23.78
Exa Limited	17,185,585	0	17,185,585	14.90
Tan Sri Lim Kok Thay **	-	17,185,585	17,185,585	14.90
Golden Hope Limited ***	-	17,185,585	17,185,585	14.90
IFG International Trust Company Limited ****	-	17,185,585	17,185,585	14.90
Cheng Lim Kong	9,700,000	0	9,700,000	8.41

* Robert William Livingston is a director of Merlion LP and deemed interested in the Shares held by Merlion LP by virtue of him holding 100% of its voting shares with his wife, Mary Isabella Livingston.
** Tan Sri Lim Kok Thay is deemed interested in the Shares held by Exa Limited.
*** Golden Hope Limited as trustee of Golden Hope Unit Trust is deemed interested in the Shares held by Exa Limited.
**** IFG International Trust Company Limited as a trustee of a discretionary trust is deemed interested in the Shares held by Exa Limited.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	292	15.10	43,876	0.04
1,000 - 10,000	1,302	67.36	5,005,929	4.34
10,001 - 1,000,000	323	16.71	17,141,931	14.86
1,000,001 and above	16	0.83	93,147,764	80.76
Total	1,933	100.00	115,339,500	100.00

As at 23 September 2013, approximately 52.6% of the Company's shares were held in the hands of the public. Therefore, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Merlion LP	26,250,000	22.76
2.	Exa Limited	17,185,585	14.90
3.	Cheng Lim Kong	9,700,000	8.41
4.	Maybank Kim Eng Securities Pte Ltd	4,892,000	4.24
5.	Citibank Nominees Singapore Pte Ltd	4,735,878	4.11
6.	DBS Vickers Securities (Singapore) Pte Ltd	4,720,225	4.09
7.	DMG & Partners Securities Pte Ltd	4,679,000	4.06
8.	Kwah Yeow Khong	4,000,000	3.47
9.	Sim Siew Tin Carol (Shen Xiuzhen Carol)	3,765,000	3.26
10.	United Overseas Bank Nominees (Private) Limited	2,645,850	2.29
11.	Or Lay Huat Daniel	2,050,000	1.78
12.	Koh Cheng Keong	2,037,665	1.77
13.	DBS Nominees Pte Ltd	1,932,894	1.68
14.	Ronald Clayton Filbert or Bernice Bernita Filbert	1,809,707	1.57
15.	UOB Kay Hian Private Limited	1,639,950	1.42
16.	OCBC Nominees Singapore Private Limited	1,104,010	0.96
17.	Chu Thomas	886,000	0.77
18.	Robert William Livingston or Mary Isabella Livingston	796,680	0.69
19.	Lee Siew Yuen	575,000	0.50
20.	Macquarie Portfolio Investments Pty Limited	500,000	0.43
	TOTAL	95,905,444	83.16

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **Hilton Singapore, 518 Orchard Road, Singapore 238883 on Thursday, 31 October 2013 at 10.00 a.m.** to transact the following businesses *(see Explanatory Note (i))*:

Ordinary Business

1) To receive and consider the Directors' Report and Audited Accounts for the year ended 30 June 2013 and the Auditors' Report thereon. **(Resolution 1)**

2) To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 2)**

3) To approve payment of additional Directors' fees of S$21,430 for the year ended 30 June 2013. *(see Explanatory Note (ii))* **(Resolution 3)**

4) To approve payment of Directors' fees of S$229,000 for the year ending 30 June 2014. (2013: S$169,000) *(see Explanatory Note (iii))* **(Resolution 4)**

5) To re-elect Mr. Jeffrey Stewart Bland, who is retiring by rotation under Article 86 of the Articles of Association and who, being eligible, offers himself for re-election as an independent Director. **(Resolution 5)**

6) To re-elect Mr. Gerard Lim Ewe Keng, whom being appointed by the Board of Directors after the last annual general meeting, is retiring from office in accordance with Article 88 of the Articles of Association and who, being eligible, offers himself for re-election as a non-executive and non-independent Director. **(Resolution 6)**

7) To note the retirement of Mr. William C. Fink, whom being appointed by the Board of Directors after the last annual general meeting, is retiring from office in accordance with Article 88 of the Articles of Association.

8) To elect Mr. Robert William Livingston, who offers himself for election as a non-executive and non-independent Director. *(see Explanatory Note (iv))* **(Resolution 7)**

9) To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

Special Business

10) To consider and, if thought fit, to pass the following resolution as an ordinary resolution, with or without amendments:

"THAT authority be and is hereby given to the Directors to:

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force), issue shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

provided that:

1. the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with sub-paragraph 2 below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the total number of issued shares, excluding treasury shares, in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);

2. (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of issued shares, excluding treasury shares, shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that this resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

   (ii) any subsequent bonus issue, consolidation or subdivision of shares;

3. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association; and

4. (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier." *(see Explanatory Note (v))* **(Resolution 8)**

11) To consider and, if thought fit, to pass the following resolution as an ordinary resolution, with or without amendments:

"THAT approval be and is hereby given to the Directors to offer and grant awards of fully paid-up shares in the capital of the Company in accordance with the Grand Banks Yachts Limited Performance Incentive Plan and, notwithstanding that the authority conferred by this resolution may thereafter cease to be in force, to allot and issue such shares pursuant thereto granted while the authority conferred by this resolution was in force." *(see Explanatory Note (vi))* (Resolution 9)

BY ORDER OF THE BOARD

Ler Ching Chua
Company Secretary

Singapore
9 October 2013

Explanatory Notes:

(i) A member is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member. The instrument appointing a proxy must be deposited at the Company's registered office at 541 Orchard Road, #11-04 Liat Towers, Singapore 238881 not less than 48 hours before the time for holding the Annual General Meeting.

(ii) Resolution 3 is to approve the payment of S$21,430 as additional Directors' fees for the financial year ended 30 June 2013, in respect of the two additional Directors appointed on 21 February 2013. The amount approved at the Annual General Meeting on 22 October 2012 for the year ended 30 June 2013 was S$169,000. If this Resolution is approved, the total Directors' fees for the year ended 30 June 2013 would be S$190,430.

(iii) Resolution 4 is to approve the payment of an aggregate S$229,000 as Directors' fees for the current financial year, commencing on 1 July 2013 and ending on 30 June 2014, to be paid out quarterly in arrears.

(iv) A copy of Mr. Livingston's curriculum vitae as well as his reason for seeking election to the Board is enclosed together with this notice.

(v) Resolution 8, if passed, authorises the Directors from the date of this Annual General Meeting up to the date of the next Annual General Meeting, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding 50% of the issued shares, excluding treasury shares, in the capital of the Company on a *pro-rata* basis to shareholders (of which up to 20% of the issued shares, excluding treasury shares, in the capital of the Company, may be issued on a non *pro-rata* basis to shareholders). For determining the aggregate number of shares that may be issued, the percentage of issued shares, excluding treasury shares, will be calculated based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that this resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

(vi) Resolution 9 authorises the Directors to grant awards under the Grand Banks Yachts Limited Performance Incentive Plan and to allot and issue fully paid-up shares in the capital of the Company, provided that the aggregate number of shares which may be allotted and issued pursuant to the Grand Banks Yachts Limited Performance Incentive Plan shall not exceed 12% of the total number of issued shares in the capital of the Company from time to time. Approval for the adoption of the Grand Banks Yachts Limited Performance Incentive Plan was given by the shareholders at an Extraordinary General Meeting of the Company held on 14 July 2008. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier. This authority is in addition to the general authority to issue shares sought under Resolution 8.

GRAND BANKS YACHTS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration no. 197601189E

IMPORTANT
1. For investors who have used their CPF monies to buy **Grand Banks Yachts Limited** shares, this Letter is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Grand Banks Yachts Limited not less than 48 hours before the time set for holding of the Meeting.

PROXY FORM
Please see notes overleaf before completing this form

I/We ____ (Name)

of ____ (Address)

being a member/members* of Grand Banks Yachts Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			
Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

or failing him/her/them*, the Chairman of the Meeting as my/our proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at **Hilton Singapore, 518 Orchard Road, Singapore 238883** on **Thursday, 31 October 2013 at 10.00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

Ordinary Resolutions	Number of Votes	
	For	Against
Ordinary Business		
Resolution 1 To receive and consider the Directors' Report and Audited Accounts for the year ended 30 June 2013 and the Auditors' Report thereon.		
Resolution 2 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 3 To approve payment of additional Directors' fees of S$21,430 for the year ended 30 June 2013.		
Resolution 4 To approve payment of Directors' fees of S$229,000 for the year ending 30 June 2014.		
Resolution 5 To re-elect Mr. Jeffrey Stewart Bland as an independent Director.		
Resolution 6 To re-elect Mr. Gerard Lim Ewe Keng as a non-executive and non-independent Director.		
Resolution 7 To elect Mr. Robert William Livingston as a non-executive and non-independent Director.		

Special Business		
Resolution 8 To approve the authority to issue shares and make or grant Instruments.		
Resolution 9 To approve the authority to grant awards and to allot and issue shares in accordance with the provisions of the Grand Banks Yachts Limited Performance Incentive Plan.		

Dated this ______________ day of ______________ 2013

Total Number of Shares held in:	Number of Shares
(1) CDP Register of Shareholders	
(2) Register of Members	

____

Signature(s) of Member(s) or
Common Seal of Corporate Shareholder

* delete as appropriate

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 541 Orchard Road, #11-04, Liat Towers, Singapore 238881 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be signed under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is signed by an attorney on behalf of the appointer, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

GB GRAND BANKS YACHTS

Corporate Information

SHARE INFORMATION [as of 26 August 2013]

LISTING DATE	SGX, September 1987; Upgraded to Main Board in 1993
NUMBER OF SHARES	115,339,500
52 WEEK HIGH*	43 cents
52 WEEK LOW*	18 cents
PRICE [on 26/08/13]	33 cents
MARKET CAPITALISATION	S$38.06 mil
BOOK VALUE PER SHARE*	33.2 cents
PRICE/BOOK	0.99

For year ended 30 June 2013

BOARD OF DIRECTORS

CHAIRMAN
Heine Askaer-Jensen

EXECUTIVE
Peter Kevin Poli

INDEPENDENT
Heine Askaer-Jensen
Jeffrey Stewart Bland
Basil Chan

NON-INDEPENDENT NON-EXECUTIVE
Gerard Lim Ewe Keng
William Charles Fink

AUDIT COMMITTEE
Basil Chan *
Heine Askaer-Jensen
Jeffrey Stewart Bland

REMUNERATION COMMITTEE
Heine Askaer-Jensen *
Basil Chan
Jeffrey Stewart Bland

NOMINATING COMMITTEE
Jeffrey Stewart Bland *
Heine Askaer-Jensen
Basil Chan

** Denotes Committee Chairman*

GB MANAGEMENT TEAM

Peter Kevin Poli
Acting Chief Executive Officer
Chief Financial Officer

G.M. Bruce Livingston
Production Director

Jock Tucker West
North American Sales Manager and GBNW General Manager

Samuel Henry Compton
Rest of World Sales Manager and General Manager Australia Store

COMPANY SECRETARY

Ler Ching Chua

REGISTERED OFFICE

SINGAPORE
541 Orchard Road
#11-04 Liat Towers
Singapore 238881
Phone: +65 6545 2929
Fax: +65 6733 1527
Email: gbsg@grandbanks.com

REGISTRAR & SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

RETAIL LOCATIONS

GRAND BANKS NORTHWEST
2288 West Commodore Way
Suite #200
Seattle, WA 98199 USA
Phone: (206) 352 0118
Fax: (206) 352 0119

GRAND BANKS AUSTRALIA
Grand Banks Yachts Australia Pty Ltd
Suite 1A, The Boardwalk
1 Rialto Quay Drive
Hope Island, QLD 4212
Australia
Phone: +61 (0) 755 774 847
Email: samuelc@grandbanks.com

SALES & MARKETING

CORPORATE SALES & MARKETING
Grand Banks Yachts Ltd
2288 West Commodore Way
Suite #200
Seattle, WA 98199 USA
Phone: (206) 352 0116
Fax: (206) 352 1711

EAST COAST SERVICE
99 Poppasquash Road
Bristol, RI 02809 USA
Phone: (401) 396 5252
Fax: (401) 396 9525

PRODUCTION FACILITY

MALAYSIA
Grand Banks Yachts Sdn Bhd
PLO 488, Jalan Suasa
81707 Pasir Gudang
Johor, Malaysia
Phone: +60 7251 7488
Fax: +60 7251 7388

INVESTOR RELATIONS CONTACT

WeR1 Consultants Pte Ltd
38A Circular Road
Singapore 049394
Tel: +65 6737 4844
Fax: +65 6737 4944
Email: IR@grandbanks.com

AUDITORS

KPMG
Certified Public Accountants
16 Raffles Quay
Hong Leong Building #22-00
Singapore 048581

Partner-in-charge:
Mr. Ronald Tay
Since the financial year ended 30 June 2011

GRAND BANKS YACHTS

Grand Banks Yachts Limited
541 Orchard Road
#11-04 Liat Towers Singapore 238881

Company Registration No. 197601189E