

GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)



GRAND BANKS.

Third Quarter Unaudited Financial Statements for the Period Ended 31 March 2014

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT (UNAUDITED) - in SGD

	Group			Group		
	3-Month Period Ended 31-Mar-14 \$'000	3-Month Period Ended 31-Mar-13 \$'000	Inc / (Dec) %	9-Month Period Ended 31-Mar-14 \$'000	9-Month Period Ended 31-Mar-13 \$'000	Inc / (Dec) %
Revenue	8,127	10,265	(20.8)	27,132	23,450	15.7
Cost of sales	(6,417)	(8,972)	(28.5)	(21,636)	(19,432)	11.3
Gross Profit	1,710	1,293	32.3	5,496	4,018	36.8
Selling and marketing expenses	(786)	(1,091)	(28.0)	(3,333)	(3,294)	1.2
Administrative expenses	(624)	(874)	(28.6)	(1,971)	(2,612)	(24.5)
Other operating income/(expense)	231	(122)	(289.3)	286	(932)	(130.7)
Total operating expenses	(1,179)	(2,087)	(43.5)	(5,018)	(6,838)	(26.6)
Profit/(Loss) from operations	531	(794)	(166.9)	478	(2,820)	(117.0)
Other non-operating (expense)/income, net	(4)	224	(101.8)	(224)	41	(646.3)
Profit/(Loss) before taxation	527	(570)	(192.5)	254	(2,779)	(109.1)
Income tax credit/(expense)	15	(151)	(109.9)	(22)	(165)	(86.7)
Net profit/(loss) for the period	542	(721)	(175.2)	232	(2,944)	(107.9)

Additional information to the income statement:

	Group		Group	
	3-Month Period Ended 31-Mar-14	3-Month Period Ended 31-Mar-13	9-Month Period Ended 31-Mar-14	9-Month Period Ended 31-Mar-13
	\$'000	\$'000	\$'000	\$'000
		Change %		Change %
Allowance made for slow-moving materials	(12)	(12)	(35)	(36)
Recovery of doubtful trade receivables	203	-	380	-
Depreciation of property, plant and equipment	(504)	(447)	(1,374)	(1,186)
Foreign exchange (loss)/gain	(89)	146	(403)	(192)
Fair valuation gain/(loss) on quoted debt securities held-for-trading	4	(5)	(7)	(32)
Interest income included in other non-operating income/(expense), net	40	62	116	205
Property, plant and equipment written off	-	-	(3)	(2)
Taxation:				
- current tax credit/(expense)	15	(151)	(22)	(165)

N.m - Percentage / Computation not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Mar-14 \$'000	3-Month Period Ended 31-Mar-13 \$'000	9-Month Period Ended 31-Mar-14 \$'000	-3-Month Period Ended 31-Mar-13 \$'000
Net profit/(loss) for the period	542	(721)	232	(2,944)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Net currency translation differences of financial statements of foreign subsidiaries	(119)	17	(820)	55
Total Comprehensive Income for the period	<u>423</u>	<u>(704)</u>	<u>(588)</u>	<u>(2,889)</u>
				Change %
				(107.9)
				N.m
				(79.6)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION (UNAUDITED) - in SGD

	Group		Company	
	31-Mar-14 \$'000	30-Jun-13 \$'000	31-Mar-14 \$'000	30-Jun-13 \$'000
Non-current assets				
Property, plant and equipment	7,454	8,277	-	-
Subsidiaries	-	-	19,000	19,000
	7,454	8,277	19,000	19,000
Current assets				
Inventories	24,431	23,385	-	-
Trade and other receivables	2,047	1,331	6,637	167
Prepayments	1,655	1,580	37	15
Current tax recoverable	14	63	-	-
Derivative assets	-	1	-	-
Investment held-for-trading	323	792	323	792
Cash and cash equivalents	23,243	13,560	15,676	10,055
	51,713	40,712	22,673	11,029
Total assets	59,167	48,989	41,673	30,029
Current liabilities				
Trade and other payables	7,433	8,891	278	266
Provision for warranty claims	1,836	1,681	-	-
Current tax payables	41	161	-	-
Total liabilities	9,310	10,733	278	266
Capital and reserves				
Share capital	41,251	29,062	41,251	29,062
Share-based compensation reserve	142	142	142	142
Accumulated profits	30,866	30,634	2	559
Foreign currency translation reserve	(22,402)	(21,582)	-	-
Total equity	49,857	38,256	41,395	29,763
Total equity and liabilities	59,167	48,989	41,673	30,029

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Not applicable.

Detail of any collateral

Not applicable.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Mar-14 \$'000	3-Month Period Ended 31-Mar-13 \$'000	9-Month Period Ended 31-Mar-14 \$'000	9-Month Period Ended 31-Mar-13 \$'000
Operating activities				
Profit/(Loss) before taxation	527	(570)	254	(2,779)
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	504	447	1,374	1,186
Property, plant and equipment written off	-	-	3	2
Interest income	(40)	(62)	(116)	(205)
Provision for warranty claims	105	333	576	589
Fair valuation (gain)/loss on quoted debt securities held-for-trading	(4)	5	7	32
	<u>1,092</u>	<u>153</u>	<u>2,098</u>	<u>(1,175)</u>
<i>Changes in working capital:</i>				
Increase in inventories	(4,187)	(4,440)	(1,864)	(5,694)
Increase in trade and other receivables	(1,414)	(154)	(831)	(124)
Decrease/(Increase) in prepayments	787	231	(120)	(215)
Increase/(Decrease) in trade and other payables	1,610	1,247	(959)	197
Net cash used in operations	<u>(2,112)</u>	<u>(2,963)</u>	<u>(1,676)</u>	<u>(7,011)</u>
Net income tax paid	(65)	(52)	(94)	(69)
Warranty claims paid	(170)	(78)	(360)	(249)
Restricted cash	63	-	317	-
Cash flows used in operating activities	<u>(2,284)</u>	<u>(3,093)</u>	<u>(1,813)</u>	<u>(7,329)</u>
Investing activities				
Interest received	39	80	112	190
Proceeds from matured debt securities held-for-trading	462	-	462	244
Purchase of property, plant and equipment	(178)	(392)	(863)	(1,334)
Cash flows from/(used in) investing activities	<u>323</u>	<u>(312)</u>	<u>(289)</u>	<u>(900)</u>
Financing activities				
Proceeds from issue of shares	-	-	12,189	5,239
Deposits pledged	(18)	-	59	-
Cash flows from financing activities	<u>(18)</u>	<u>-</u>	<u>12,248</u>	<u>5,239</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,979)</u>	<u>(3,405)</u>	<u>10,146</u>	<u>(2,990)</u>
Cash and cash equivalents at beginning of period	24,271	22,938	12,245	22,561
Effect of exchange rate changes on balances held in foreign currency	18	48	(81)	10
Cash and cash equivalents at end of period	<u>22,310</u>	<u>19,581</u>	<u>22,310</u>	<u>19,581</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - in SGD

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1-Jul-2012	23,823	87	(21,684)	35,849	38,075
Issue of shares	5,239	-	-	-	5,239
Total Comprehensive Income for the period	-	-	55	(2,944)	(2,889)
At 31-Mar-2013	29,062	87	(21,629)	32,905	40,425
At 1-Jul-2013	29,062	142	(21,582)	30,634	38,256
Issues of shares	12,189	-	-	-	12,189
Total Comprehensive Income for the period	-	-	(820)	232	(588)
At 31-Mar-2014	41,251	142	(22,402)	30,866	49,857

Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1-Jul-2012	23,823	87	1,877	25,787
Issue of shares	5,239	-	-	5,239
Total Comprehensive Income for the period	-	-	(1,037)	(1,037)
At 31-Mar-2013	29,062	87	840	29,989
At 1-Jul-2013	29,062	142	559	29,763
Issue of shares	12,189	-	-	12,189
Total Comprehensive Income for the period	-	-	(557)	(557)
At 31-Mar-2014	41,251	142	2	41,395

- 1(d) (ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company did not issue any shares during the 3-month period ended 31 March 2014 (31 March 2013: NIL). There were no outstanding convertibles as at the end of the current financial period reported on and at the end of the corresponding period of immediately preceding financial year.

- 1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

The Company did not hold any treasury shares as at 31 March 2014 and 30 June 2013. The Company's share capital consists of 173,009,249 ordinary shares as at 31 March 2014 (30 June 2013: 115,339,500 ordinary shares).

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company did not have any treasury shares during the period under review.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, as those of the most recent audited financial statements for the financial year ended 30 June 2013.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend.

	3-Month Period Ended 31-Mar-14	Re-Styled 3-Month Period Ended 31-Mar-13 [Note 1]	9-Month Period Ended 31-Mar-14	Re-Styled 9-Month Period Ended 31-Mar-13 [Note 1]
Earnings/(Loss) per ordinary share for the financial period based on net profit/(loss) attributable to shareholders: -				
- on weighted average number of ordinary shares in issue (cents)	0.31	(0.62)	0.15	(2.65)
- on a fully diluted basis (cents)	0.31	(0.62)	0.15	(2.65)

Note 1 - Earnings per share for the 3-months period ended 31 March 2013 and for the 9-months period ended 31 March 2013 had been restated to account for the effects of the Rights Issue undertaken by the Company during the year.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-

	Group		Company	
	Mar-14	Jun-13	Mar-14	Jun-13
(a) Current period reported on; and				
(b) Immediately preceding financial year.				
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	28.82	33.17	23.93	25.80

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

a) Any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.

The Group's performance for the quarter ended 31 March, 2014 ("3Q 2014") improved in terms of bottom-line compared to the quarter ended 31 March, 2013 ("3Q 2013"), reflecting the Group's higher factory utilization and continued efforts to streamline internal efficiencies. Although revenue declined by 20.8% to S\$8.1 million in 3Q 2014 from S\$10.3 million in 3Q 2013, gross profit increased 32.3% to S\$1.7 million in 3Q 2014 from S\$1.3 million in 3Q 2013. This resulted in a significant increase of gross profit margin to 21.0% in 3Q 2014 from 12.6% in 3Q 2013.

Apart from improving cost of sales efficiencies, operating expenses in 3Q 2014 fell to the lowest level in nearly five years, declining to S\$1.2 million from S\$2.1 million in 3Q 2013. The sharp improvement was attributed mainly to a 28.0% and 28.6% reduction in sales and marketing expenses and administrative expenses, respectively. This is the result of reduced headcount, lower travel and entertainment expenses as well as the restructuring of the Group's offices in the U.S.A. and Australia. The Group also had recovery of doubtful debts and the forfeiture of a deposit.

As a result of the above, the Group recorded a net profit of S\$0.54 million in 3Q 2014, reversing a net loss of S\$0.72 million in 3Q 2013, a positive swing of approximately S\$1.3 million. This is the second consecutive quarterly profit (following a positive 2Q 2014) that the Group has reported since 2009 (before the impact of the global financial crisis). As a result of the two consecutive positive quarters, the Group reported a net profit for the nine-month period ended 31 March, 2014 ("9M 2014") of S\$0.23 million, its first cumulative profit since FY2008, which compared to a net loss of S\$2.94 million in 9M 2013.

b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group reduced its operating cash outflow for 3Q 2014 to S\$2.3 million from S\$3.1 million for 3Q 2013, mainly due to the reversal to profit in 3Q 2014 from a loss in 3Q 2013. Cash flows from investing activities generated S\$0.3 million for the period, compared to amount used of S\$0.3 million in 3Q 2013, mainly from the proceeds of matured debt securities held-for-trading and lower purchases of property, plant and equipment for the period. As a result, cash and cash equivalents decreased to S\$22.3 million as at 31 March, 2014 from S\$24.3 million as at 31 December, 2013.

The Group's inventory increased to S\$24.4 million as at 31 March 2014 from S\$23.4 million as at 30 June 2013, mainly due to the increase in raw materials, work-in-progress and completed boats inventory. Trade and other receivables increased to S\$2.0 million compared to S\$1.3 million over the same comparative periods, mainly due to a yacht sale completed near the end of the quarter. Trade and other payables decreased to S\$7.4 million from S\$8.9 million, respectively as the Group has worked off a portion of its net order book from earlier in this financial year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the earlier guidance that it "remains resolute in its commitment to report a profit for the whole of the financial year ending 30 June, 2014," the Group reported its second consecutive quarterly profit in 3Q. The Group will continue its commitment with the objective of a removal from the SGX Watch-List.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Amidst the recovering U.S. luxury boat market, regional buying interest, especially in Singapore and Japan, has also picked up. The Group's net order book has grown after participating in several boat shows in the third quarter just completed, including the second biggest boat show in the U.S.A. – the Miami International Boat Show held in February 2014 and the Yokohama Boat Show held in March 2014. As a result, the Group recorded yacht sales in the U.S.A., Japan and Singapore. The increased buying interest in these markets brought the Group's net order book to S\$10.6 million as at 31 March, 2014, an increase of S\$1.6 million compared to S\$9.0 million at the end of 2Q 2014.

The Group appointed new dealers in 3Q 2014 to replace the company-owned retail stores in Seattle, U.S.A. and Australia. The Group appointed Stan Miller Yachts for the states of Washington, Oregon, Alaska, Wyoming, Utah and Idaho in the U.S.A. and Great Southern Marine Pty Ltd for Australia. The Group will leverage on their combined strengths to boost sales in the U.S. Pacific Northwest as well as Australia. These efforts will reduce the Group's direct sales and marketing costs.

In February 2014, Grand Banks commenced Factory Direct sales in Singapore. The sales office in Singapore, the Group's only factory-owned store, allows buyers to deal directly with its executives in its yard in Johor, Malaysia and Singapore, for sales and after-sales support. Apart from sharpening focus in Asia, where there appears to be increasing buying interest, it should also contribute to margin improvement for boats sold locally. Additionally, the Group has amicably resolved the writ of summons received on 23 January, 2014 from a customer.

On 27 March 2014, the Group announced the appointment of Washington-based NW Explorations as Grand Banks Authorised Service Center and the first and only Purchase-for-Charter company that Grand Banks endorses. This new program allows the Grand Banks' customers to purchase new Grand Banks yachts and place them for charter with NW Explorations as a way to mitigate ongoing operating costs of the yacht.

The Group recently participated in the 10-13 April Singapore Yacht Show (where it showcased three boats, its largest-ever in Singapore), during which it received an order from a Singaporean buyer for a yacht. The Group will be participating in the 1-4 May Victoria Harbour Floating Boat Show, 15-17 May *PassageMaker* magazine's Trawler Fest in Anacortes, U.S.A. and the 22-25 May Sanctuary Cove International Boatshow on Australia's Gold Coast. Some of the boats to be showcased include the 54 Heritage EU and 43 Heritage EU.

On 11 April, 2014, the Group announced it has entered into a conditional put and call option agreement to acquire the entire share capital of Palm Beach Motor Yacht Pty Ltd ("Palm Beach") of Australia. Upon exercise of the option, Palm Beach founder Mr. Mark Richards will be appointed Chief Executive Officer of the enlarged Group. The Group believes that the proposed acquisition, if approved by shareholders, will further strengthen its position as a global company with two world-class brands that are well represented in the leading markets of North America, Australia, Asia and Europe.

In view of the improved performance over the past two quarters – following intensive efforts to accelerate its presence at major boat shows around the world while streamlining internal efficiencies – the Directors believe that the Group remains on track to report a better financial performance for the full financial year ending 30 June 2014 compared to FY2013.

11. Dividend

a) Current Financial Period Reported on 31 March 2014

Any dividend declared for the current financial year reported on?

No.

b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

12. If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Negative confirmation by the Board pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the third quarter ended 31 March 2014 to be false or misleading in any material respect.

15. The status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use.

The Group has used S\$4.7 million of the net proceeds of approximately S\$12.2 million through the issue of 57,669,749 Rights Shares on 25 October 2013. The proceeds have been used for new product development, an increase in yacht inventory for sale and general working capital as disclosed in the separate announcement dated 26 April 2014.

By Order of the Board
GRAND BANKS YACHTS LIMITED

Peter Kevin Poli
Executive Director

26 April 2014